

VOLUME 6B, CHAPTER 10: “NOTES TO THE FINANCIAL STATEMENTS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated **August 2018** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
100102.B	Incorporated guidance from Statement of Federal Financial Accounting Standard (SFFAS) 47, “Reporting Entity,” clarifying each reporting entity is responsible for all entities administratively assigned to it under SFFAS 47.	Addition
100401 & Figure 10-1	Revised current guidance in Note 1, “Significant Accounting Policies,” to follow the guidance identified in Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements.”	Revision
Figure 10-1	Added guidance to Note 1.C., “Appropriations and Funds,” addressing the treatment of accounts with the identification code of 011 assigned to other agencies and deleted information not required by OMB Circular A-136.	Addition
Figure 10-1 & 100801	Added clarification to Note 1 and to Note 5, “Accounts Receivable,” regarding recognition of allowance for losses on intragovernmental accounts receivable balances to reflect current Department of the Treasury policy.	Addition
Figure 10-1 & Figure 10-24 & 101301.D.1 & Figure 10-27 & 101304 & Figure 10-32 & 101801.C & Figure 10-33 & 101802.A & Figure 10-43 & 102802	Updated Note 1; Note 10 “General Property, Plant and Equipment, Net;” Note 15, “Other Liabilities;” and Note 25, “Other Disclosures,” to include separate disclosures for federal and nonfederal lease information.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Figure 10-1 & Figure 10-21 & 101203 & Figure 10-22 & 101204	Revised inventory categories used to report inventory and related property and Operating Materials & Supplies to mirror OMB Circular A-136 and the Department of Defense United States Standard General Ledger.	Revision
Figure 10-3 & 100601 (Previous Version)	Deleted the figure and policy used to compare Fund Balance with Treasury information reported by agencies to amounts reported by Treasury due to the OMB no longer requiring this information.	Deletion
100802	Added guidance to Note 5, "Accounts Receivable," requiring the disclosure of criminal restitution balances and the method used to estimate the allowance for uncollectible accounts to follow the guidance identified in OMB Circular A-136.	Addition
101114 (Previous Version)	Deleted the policy used to disclose administrative expenses in support of the direct loan or loan guarantee programs, as OMB no longer requires this information.	Deletion
Figure 10-28 & 101402.D	Revised the format used for Note 11, "Liabilities not Covered by Budgetary Resources," to follow the format identified in OMB Circular A-136.	Revision
1017	Revised the title for Note 14, "Environmental and Disposal Liabilities," to match the title used by OMB Circular A-136.	Revision
101902.C.5	Added information to Note 16, "Commitments and Contingencies," used to disclose amounts attributable to treaties and other international agreements.	Addition
Figure 10-36 & 102101	Revised the presentation used to report net cost information in Note 18, "General Disclosures Related to the Statement of Net Cost."	Revision
Figure 10-38 & 102302	Revised the presentation used to report net cost information in Note 20, "Disclosures Related to the Statement of Budgetary Resources."	Revision
1029	Added new Note 26, "Disclosure Entities and Related Parties," required by OMB A-136 used to identify what organizations should be included in the reporting entity's general-purpose federal financial reports for accountability purposes.	Addition
103102	Clarified the Note 28, "Public-Private Partnerships," process used for determining disclosures applicable to public-private partnerships.	Revision

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CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1001 GENERAL

100101. Purpose

This chapter prescribes the format, content, and instructions for the preparation and presentation of notes to the principal financial statements.

*100102. Authoritative Guidance

A. This chapter supplements the reporting requirements of Office of Management and Budget (OMB) [Circular A-136](#), “Financial Reporting Requirements.” OMB Circular A-136 specifically authorizes agencies to modify illustrations in the Circular in order to clarify amounts or remove information that does not apply or is uninformative. The chapter also describes responsibilities of the Department of Defense (DoD) Chief Financial Officer (CFO) as established by the CFO Act of 1990. The major DoD components and reporting entities listed in Chapter 1 will prepare quarterly and fiscal year (FY)-end comparative financial statements and notes.

* B. The entities covered by this chapter are “reporting entities” and “component reporting entities” under Statement of Federal Financial Accounting Standards ([SFFAS](#) 47, “Reporting Entity.” Under SFFAS 47, inclusion in a reporting entity’s financial statements may take the form of consolidation or disclosure. Effective FY 2018, each reporting entity is responsible for all entities “administratively assigned” to it under SFFAS 47. Agencies should review SFFAS 47 and consult with OMB and the Department of the Treasury (Treasury) Bureau of the Fiscal Service (Fiscal Service) if they have questions regarding which agencies to include in their Performance and Accountability Report (PAR) or Agency Financial Report (AFR).

1002 REPORTING

100201. Consistency and Agreement

The supporting schedules presented in the notes must have total figures that agree with the amounts presented in the body of the financial statements. Maintain the consistency of the chosen rounding level throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Net Position line on the Statement of Changes in Net Position (SCNP) must equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals, which may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals. The prior FY column must be consistent with the amounts published on the financial statements and notes in the prior FY.

100202. Noncompliance with U.S. Generally Accepted Accounting Principles (USGAAP)

The underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. Because of such long-standing system deficiencies, many DoD organizations may not be fully compliant with USGAAP and OMB Circular A-136. DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with USGAAP. Within the Federal Government, the Federal Accounting Standards Advisory Board (FASAB) [*Handbook of Accounting Standards and Other Pronouncements*](#) is an authoritative source for USGAAP. In cases where individual line items of the financial statements are not obtainable, or a substitution is made from the requirements herein, explain the deficiencies and the reason for the noncompliance in the related note. In addition, identify departures from USGAAP in Note 1, “Significant Accounting Policies.”

1003 GENERAL NOTE INSTRUCTIONS

100301. General

The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. Consider the audience when writing the note narrative. Users of the general-purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Prepare the financial statements such that individuals without a detailed knowledge of accounting principles and specific business practices can understand them. DoD’s financial statements are provided to various internal users within DoD as well as external users such as OMB, Fiscal Service, Congress, and the general public.

100302. Narrative

The narrative should explain issues in “plain English” and with sufficient detail so that a person with general knowledge of the subject matter would understand. The narrative should describe the balances rather than a list or statement as to which component the balance is attributable.

100303. Multiple Sources

Review narratives from various sources for consistency. Additional research may be necessary to ensure the presentation of a similar level of detail for all entities in the note narrative.

100304. Amounts in Narrative

The narrative should readily agree with the line item(s) on the financial statements and note schedules.

100305. Other Lines

Include a narrative for any line item entitled “Other.” If the individual components of the “Other” line items represent 10 percent or more of the value of the line, disclose those components separately. If no amount sums to 10 percent or more of the “Other” line item, state that the amount is attributable to multiple items.

100306. Intragovernmental Amounts

Intragovernmental amounts disclosed in a table to a note must contain a statement concerning the entity’s ability to reconcile with its trading partner.

100307. Format of Notes

A consistent format is required for the narrative portion of notes. The narrative will first explain abnormal balances followed by definitions and other relevant disclosures. References to financial regulations or other notes are not required in the note narrative.

100308. Abnormal Balances

Abnormal account balances are those in which the normal balance (debit or credit) is reversed. Disclose any abnormal account balances found in the financial statement lines and note schedules, as abnormal balances may be offset or hidden by other account balances. Disclosures must include the dollar amount, the business event that caused the abnormal balance, the reason why the abnormality occurred, the fiscal time-period in which the abnormal balance occurred, and when the correction will occur.

A. Disclose material abnormal proprietary and budgetary United States Standard General Ledger (USSGL) accounts at the reporting entity’s consolidated level trial balance within the Defense Departmental Reporting System – Audited Financial Statements (DDRS-AFS). Some accounts are allowed to either have a debit or credit balance and would not be considered abnormal.

B. Refer to the Defense Finance and Accounting Service (DFAS) Financial [Reporting Guidance](#), Annual and Quarterly Financial Statement Guidance, for additional information.

1004 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

*100401. Content of Note

Note 1 to the financial statements must describe the reporting entity and identify its major components [if not fully described in the Management’s Discussion and Analysis](#). [Reporting entities also describe any consolidated entities and disclosure entities in accordance with SFFAS 47, and explain that disclosure entities are not consolidated entities.](#) Also, summarize the accounting principles and the methods of applying those principles that management has

concluded are the most appropriate for presenting the entity's assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Do not duplicate details presented elsewhere as part of the notes to the financial statements.

A. In general, the disclosure encompasses important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Include in Note 1 a description of changes in USGAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury (FBWT) and funds from dedicated collections, unique to federal financial statements.

B. In addition, disclose any significant changes, from the prior FY, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

100402. Note 1 Format

Figure 10-1 outlines the Note 1 format and includes the reporting requirements and some sample disclosure statements. Each section discusses a particular reporting requirement. All DoD reporting entities listed in Chapter 1, as well as reporting entities not listed in Chapter 1, must review financial processes, systems, and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD Components. Do not include narratives that are not applicable. The left-hand column includes the reporting requirement and/or sample disclosure statements. The right-hand column identifies the applicable reporting entity(s). Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

*Figure 10-1. Note 1. Significant Accounting Policies

Note 1 Content Requirement and Format	
REQUIREMENT AND/OR DISCLOSURE STATEMENT	REPORTING ENTITY
1.A. Mission of the Reporting Entity	
For each Reporting Entity, enter a brief mission statement.	All Entities
1.B. Basis of Presentation	
<p>Disclose how the financial statements are prepared and any limitation that prevents compliance with USGAAP. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the CFO Act of 1990, expanded by the Government Reform Act of 1994, and other legislation. Include the following disclosure statements: “The financial statements have been prepared from the books and records of the [Reporting Entity] in accordance with, and to the extent possible, U.S. generally accepted accounting principles promulgated by the FASAB, OMB Circular A-136, “Financial Reporting Requirements,” and DoD Financial Management Regulation (FMR).”</p> <p>Only those entities recording the data report classified activity.</p>	All Entities
1.C. Appropriations and Funds	
Identify and define the type of funding that the reporting entity receives, including funds from dedicated collections and parent/child allocation transfers where budget authority is transferred to, or received from, another federal entity. Refer to Volume 3, Chapter 2 and OMB Circular A-II , Preparation, Submission, and Execution of the Budget, Part 4, Section 120, Exhibit 120P for information related to parent/child transfers. Agencies (other than shared service providers) with administrative and programmatic responsibility for accounts with an account identification code of 011 must include all such accounts in their AFR/PAR.	All Entities

*Figure 10-1. Note 1. Significant Accounting Policies (Continued)

1.D. Basis of Accounting	
Disclose significant changes in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. Describe the accounting principles and methods of applying those principles that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Describe changes in USGAAP affecting the financial statements and explain concepts such as FBWT and Funds from Dedicated Collections. Describe limitations that prevent compliance with full accrual accounting as required by USGAAP.	All Applicable Entities
1.E. Revenues and Other Financing Sources	
Disclose the accounting policy for revenue recognition, the reporting entity's pricing policy, and any limitation that may hinder revenue recognition in accordance with USGAAP. Also, provide policy information on: (1) other financing sources; and (2) non-monetary support provided by U.S. allies for common defense and mutual security, where applicable.	All Entities
1.F. Recognition of Expenses	
Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with USGAAP. Also, define Operating Material & Supplies (OM&S) operating expenses, its recognition method, and any limitations.	All Entities
1.G. Accounting for Intragovernmental Activities	
Describe the reporting entity's: (1) methodology for eliminating transactions among entities within DoD and between other federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s). Disclose that DoD's proportionate share of public debt and related expenses, including interest cost of the Federal Government, is not included.	All Applicable Entities

*Figure 10-1. Note 1. Significant Accounting Policies (Continued)

1.H. Transactions with Foreign Governments and International Organizations	
Describe the authority to sell defense articles and services to foreign countries and international organizations.	All Applicable Entities
1.I. Funds with the U.S. Treasury	
Include the following disclosure statements: “The Reporting Entity’s monetary resources are maintained in U.S. Treasury accounts.” Also, include any other information relevant to understanding Funds with the U.S. Treasury. Entities (Defense Agencies) with zero fund balance reported in their financial statements disclose: “Appropriations are suballocated to [Reporting Entities] by DoD. Differences between the U.S. Treasury and DoD balances are reconciled at the Department level.”	All Entities
1.J. Cash and Other Monetary Assets	
Include the following disclosures: (1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.	All Applicable Entities
1.K. Accounts Receivable	
Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public. Pursuant to Volume 1 Treasury Financial Manual (TFM), Part 2, Chapter 4700, agencies may not recognize any allowance for loss on intragovernmental accounts receivable.	All Entities
1.L. Direct Loans and Loan Guarantees	
Include the following disclosures: (1) a description of the credit reform programs; and (2) the authorities that authorized the programs.	All Applicable Entities

*Figure 10-1. Note 1. Significant Accounting Policies (Continued)

1.M. Inventories and Related Property	
<p>Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost (MAC) method and other methods; and (3) any limitations in valuing inventory in accordance with SFFAS 3, “Accounting for Inventory and Related Property,” or uncertainties about completeness and existence of reported values of inventory. Describe the inventory held for current sale; inventory held in reserve for future sale; excess, obsolete, and unserviceable inventory; inventory held for repair; inventory raw materials; inventory work-in-process; and inventory allowance categories. Also describe the OM&S held for use; OM&S held in reserve for future use; OM&S excess, obsolete, and unserviceable inventory; OM&S held for repair; OM&S in development; and OM&S allowance categories. DoD Components are responsible for identifying inventory (including inventory held as OM&S) that is excess, obsolete, and unserviceable. Upon identification of inventory as excess, obsolete, and unserviceable, the DoD Component adjusts the value of excess, obsolete, and unserviceable inventory to its net realizable value (NRV) as described in Volume 4, Chapter 4.</p>	All Applicable Entities
1.N. Investments in U.S. Treasury Securities	
<p>Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; and (5) the information on investment in limited liability partnerships.</p>	All Applicable Entities
1.O. General Property, Plant, and Equipment	
<p>Include the following disclosures: (1) the method for valuing general equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant, and Equipment (PP&E) in accordance with federal standards; and (4) the policy for reporting property provided to contractors.</p>	All Applicable Entities

*Figure 10-1. Note 1. Significant Accounting Policies (Continued)

1.P. Advances and Prepayments	
Describe advances and prepayments. Disclose DoD's policy for reporting advances and prepayments. If the reporting entity is not in compliance, provide an explanation for noncompliance.	All Applicable Entities
1.Q. Leases	
Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined. Disclose current year federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately.	All Applicable Entities
1.R. Other Assets	
Identify the majority of items reported as "Other Assets." Describe contract financing payments and the circumstances under which the reporting entity uses them. See Volume 4, Chapter 5 for additional information related to contract financing payments.	All Applicable Entities
1.S. Contingencies and Other Liabilities	
Define a contingency and identify the condition in which it would be reported on the Balance Sheet as a liability or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.	All Applicable Entities
1.T. Accrued Leave	
Describe accrued leave. Sick leave is not included in accrued leave.	All Applicable Entities

*Figure 10-1. Note 1. Significant Accounting Policies (Continued)

1.U. Treaties for Use of Foreign Bases	
Describe the use, purchase, and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.	All Applicable Entities
1.V. Fiduciary Activities	
Disclose information concerning fiduciary activities in accordance with SFFAS 31 , "Accounting for Fiduciary Activities." Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity's fiduciary activities. Disclose that fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet.	All Applicable Entities
1.W. Military Retirement and Other Federal Employment Benefits	
Describe transactions involving Military Retirement and Other Federal Employment Benefits. The Department applies SFFAS 33 , "Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates," in selecting the discount rate and valuation date used in estimating actuarial liabilities.	All Applicable Entities
1.X. Significant Events	
Describe any significant event(s) that has an effect on the financial statements and accompanying notes.	All Entities

1005 NOTE 2. NONENTITY ASSETS

Figure 10-2 identifies a reporting entity's nonentity asset balance for the current and prior FYs.

Figure 10-2. Nonentity Assets, Note Schedule Format

Note 2.	Nonentity Assets	
<i>As of [Current Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ \$\$\$	\$ \$\$\$
B. Accounts Receivable	\$\$\$	\$\$\$
C. Other Assets	\$\$\$	\$\$\$
D. Total Intragovernmental Assets	\$ \$\$\$	\$ \$\$\$
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ \$\$\$	\$ \$\$\$
B. Accounts Receivable	\$\$\$	\$\$\$
C. Other Assets	\$\$\$	\$\$\$
D. Total Nonfederal Assets	\$ \$\$\$	\$ \$\$\$
3. Total Nonentity Assets	\$ \$\$\$	\$ \$\$\$
4. Total Entity Assets	\$ \$\$\$	\$ \$\$\$
5. Total Assets	\$ \$\$\$	\$ \$\$\$

100501. Instructions

Disclose "Nonentity Assets" consisting of the categories shown in Figure 10-2, in accordance with the instructions provided in this chapter. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

100502. Reporting

A. Nonentity Assets (Lines 1 and 2). These are assets that are held by an entity (as manager or custodian), but are not available for the entity's own operational use. Within DoD, cash held by a disbursing officer (DO), as reflected on the Central Accounting Reporting System (CARS) Account Statement for the relevant DO Cash Treasury Account Symbol, is an example of a nonentity asset. The amounts reported on Lines 1.A through 1.C are totaled and reported on Line 1.D. The amounts reported on Lines 2.A through 2.C are totaled and reported on Line 2.D.

B. Total Nonentity Assets (Line 3). This line is a summation of the totals reported on Lines 1.D, “Total Intragovernmental Assets,” and 2.D, “Total Nonfederal Assets.”

C. Total Entity Assets (Line 4). These are assets the reporting entity has authority to use. For example, an entity’s assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

D. Total Assets (Line 5). This line represents the sum of Lines 3, “Total Nonentity Assets,” and 4, “Total Entity Assets.” The amount on Line 5 must equal the Total Assets line (Line 2) on the Balance Sheet.

E. Other Information. Disclose in the narrative a description of each current FY nonentity asset focusing on the nature of the asset that causes it to be classified as “Total Nonentity Assets” (Line 3).

F. Other Nonentity Assets. If any of the individual components of Lines 1.C, “Other Assets,” and 2.C, “Other Assets,” represent 10 percent or more of the value of the line, disclose those components separately.

1006 NOTE 3. FUND BALANCE WITH TREASURY

Figure 10-3 identifies [the status of a](#) reporting entity's FBWT for the current and prior FYs.

Figure 10-3. Status of Fund Balance with Treasury, Note Schedule Format

Note 3.		Fund Balance with Treasury	
Status of Fund Balance with Treasury			
<i>As of [Current Fiscal Period End Date]</i>	Current FY		Prior FY
(Amounts in thousands)			
1. Unobligated Balance			
A. Available	\$	\$\$\$	\$ \$\$\$
B. Unavailable		\$\$\$	\$\$\$
2. Obligated Balance not yet Disbursed		\$\$\$	\$\$\$
3. Nonbudgetary FBWT		\$\$\$	\$\$\$
4. Total	\$	\$\$\$	\$ \$\$\$

100601. Instructions

A. Status of FBWT. The “Status of Fund Balance with Treasury” is the total of the entity's FBWT, as reflected in the entity's general ledger and represented by Line 1.A, “Unobligated Balance – Available;” Line 1.B, “Unobligated Balance – Unavailable;” and Line 2, “Obligated Balance not yet Disbursed,” balances. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining

Statements of Budgetary Resources. The unobligated and obligated balances on the Combining Statements of Budgetary Resources are supported by FBWT and other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables). Do not include fiduciary activity on these lines. Refer to section 1027 for the reporting of fiduciary activities.

1. Base the mapping for the lines within this schedule on the USSGL crosswalks utilized in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Year-end Transaction Module. See TFM Volume 1, Part 2, Chapter 4200 for guidance on reporting year-end unexpended balances previously reported on the Treasury Fiscal Service Form 2108, Year-End Closing Statement. The [Fiscal Service USSGL](#) and DoD USSGL Transaction [Library](#) contain pertinent USSGL account information.

2. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

B. Unobligated Balance (Line 1). This line represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Classify unobligated balances as available or unavailable. In the 4th quarter of the FY, this balance must agree with the sum of available and unavailable unobligated ending balances reported in GTAS and the Year-end Transaction Module.

1. Available (Line 1.A). This line represents the amount of unexpired, unobligated balance that has been apportioned or is not subject to apportionment. This amount is immediately available for new obligations. In the 4th quarter of the FY, this balance must agree with the sum of available account balances as reported in GTAS and the Year-end Transaction Module.

2. Unavailable (Line 1.B). This line represents the amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission or other similar limits on resources usage. It also may include expired budgetary resources that remain available only for obligation adjustments until the appropriation is cancelled. In the 4th quarter of the FY, this balance must agree with the sum of unavailable account balances as reported in GTAS and the Year-end Transaction Module.

C. Obligated Balance not yet Disbursed (Line 2). This line represents funds that have been obligated for goods that have not been received, services that have not been performed, and goods and services that have been delivered and received, but not paid. In the 4th quarter of the FY, this balance must agree with amounts reported in GTAS and the Year-end Transaction Module.

D. Nonbudgetary FBWT (Line 3). Include entity and nonentity FBWT accounts, which represent adjustments that do not have budgetary authority, such as unavailable receipt accounts and certain deposit and clearing accounts.

E. Total (Line 4). This amount represents the sum of Lines 1.A, “Available;” 1.B, “Unavailable;” 2, “Obligated Balance not yet Disbursed;” and 3, “Nonbudgetary FBWT.” The total of the amounts reported must agree with amounts reported on the reporting entity’s Balance Sheet. Within this note, provide an explanation for any differences between this line and the amounts reported on the Balance Sheet.

F. Explanation of Unobligated Unavailable Balances. Segregate unobligated balances to show available and unavailable amounts in the note schedule. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclose and explain restrictions on unobligated balances. If there are no restrictions on unobligated balances, disclose that there are no restrictions on unobligated balances.

100602. Classifications

Treasury account symbols are the basis for reporting the Department's financial transactions. Fiscal Service classifies receipt or expenditure accounts and assigns them to a fund group based on their characteristics and the nature of the transactions they support. Fiscal Service assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. Fiscal Service classifies receipt and expenditure accounts according to the Federal Account Symbols and Titles Supplement to Volume 1 of the TFM. For descriptions of fund groups, and how they are used, refer to Volume 12, Chapter 1.

1007 NOTE 4. INVESTMENTS AND RELATED INTEREST

Figure 10-4 identifies a reporting entity’s investments in federal securities and other investments for the current and prior FYs.

Figure 10-4. Investments and Related Interest, Note Schedule Format

Note 4.		Investments and Related Interest				
<i>As of [Current Fiscal Period End Date]</i>		Current FY				
		Cost	Amortization Method	Amortized (Premium)/ Discount	Investments, Net	Other Adjustments
<i>(Amounts in thousands)</i>						
1. Intragovernmental Securities						
A. Nonmarketable, Market-Based						
1. Military Retirement Fund	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Medicare-Eligible Retiree Health Care Fund	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
3. US Army Corps of Engineers	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
4. Other Funds	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
5. Total Nonmarketable, Market-Based	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
B. Accrued Interest	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
C. Total Intragovernmental Securities	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Other Investments						
A. Total Other Investments	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

Figure 10-4. Investments and Related Interest, Note Schedule Format (Continued)

Note 4.		Investments and Related Interest				
<i>As of [Current Fiscal Period End Date]</i>		Prior FY				
		Cost	Amortization Method	Amortized (Premium)/ Discount	Investments, Net	Other Adjustments
<i>(Amounts in thousands)</i>						
1. Intragovernmental Securities						
A. Nonmarketable, Market-Based						
1. Military Retirement Fund	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Medicare-Eligible Retiree Health Care Fund	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
3. US Army Corps of Engineers	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
4. Other Funds	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
5. Total Nonmarketable, Market-Based	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
B. Accrued Interest	\$\$\$		\$\$\$	\$\$\$	\$\$\$	\$\$\$
C. Total Intragovernmental Securities	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Other Investments						
A. Total Other Investments	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

100701. Instructions

A. Disclose the reporting entity's investments in federal securities and other investments. Investments in federal securities include market-based U.S. Treasury securities issued by Fiscal Service. Investments are normally reported on the Balance Sheet at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition.

B. Net Investments (column 5) are equal to Cost (column 2), plus Amortized (Premium)/Discount (column 4). Securities are normally recognized at amortized cost on the Balance Sheet. However, use market value for Balance Sheet purposes when: (a) there is intent to sell the securities before maturity; and (b) there is a reduction in value that is more than temporary. Other Adjustments (column 6) discloses amounts resulting from the sale of securities prior to maturity or any change in value that is more than temporary. Market Value (column 7) discloses the fair value of all nonmarketable market-based securities. Other investments are comprised of investments of funds with developers of family housing.

C. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

100702. Reporting

A. Nonmarketable, Market-Based Intragovernmental Securities (Line 1.A). Nonmarketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the DFAS Trust Fund Accounting Office are nonmarketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund (MRF)). If any of the individual components of Line 1.A.4, "Other Funds," represent 10 percent or more of the value of the line, disclose those components separately.

B. Accrued Interest (Line 1.B). The amount recorded as accrued interest represents the amount of interest accrued on intragovernmental investment securities, but not received as of the date of the statements.

C. Total Intragovernmental Securities (Line 1.C). This line represents the sum of Intragovernmental Securities Cost (column 2), Amortized (Premium)/Discount (column 4), and Investments, Net (column 5) for the current period reported. The total amount reported in column 5 of this line must equal the amount reported on the reporting entity's Balance Sheet.

D. Other Investments (Line 2). The Military Family Housing Revitalization Act of 1996 provides for the DoD Family Housing Improvement Fund. The legislation permits investment of funds into ventures with developers to provide family housing. For example, the ventures will be real estate ventures, rent differential payments, investment in limited partnerships, and investments in equity or debt instruments related to family housing. Additionally, provide a

description of the accounting method used and the amount of cash and non-cash assets conveyed to the venture.

E. Prior FY, Nonmarketable, Market-Based Intragovernmental Securities (Line 1.A). Report prior FY amounts for nonmarketable, market-based U.S. Treasury securities on Line 1.A.

F. Prior FY, Accrued Interest (Line 1.B). Report prior FY amounts for accrued interest on Line 1.B.

G. Prior FY, Total Intragovernmental Securities (Line 1.C). Report prior FY amounts for intragovernmental securities on Line 1.C.

H. Prior FY, Other Investments (Line 2). Report prior FY amounts for other investments on Line 2.

I. Intragovernmental Investments for Funds from Dedicated Collections. The following is a required disclosure for any reporting entity reporting funds from dedicated collections: “The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections (or name(s) of fund(s)). The cash generated from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes. U.S. Treasury securities are issued to funds from dedicated collections as evidence of its receipts. U.S. Treasury securities are an asset to the [Reporting Entity] and a liability to the U.S. Treasury. Because the [Reporting Entity] and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government wide financial statements. U.S. Treasury securities provide the [Reporting Entity] with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the [Reporting Entity] requires redemption of these securities to make expenditures, the government finances the securities out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.”

J. Other Information. Disclose any additional information relative to understanding the nature of reported investments, such as permanent impairments, and any securities that have been reclassified as securities available for sale or early redemption.

1008 NOTE 5. ACCOUNTS RECEIVABLE

Figure 10-5 identifies a reporting entity's total accounts receivable balance for the current and prior FYs.

Figure 10-5. Accounts Receivable, Note Schedule Format

Note 5.		Accounts Receivable		
<i>As of [Current Fiscal Period End Date]</i>		Current FY		
		Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
(Amounts in thousands)				
1. Intragovernmental Receivables	\$	\$\$\$	N/A	\$ \$\$\$
2. Nonfederal Receivables (From the Public)	\$	\$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total Accounts Receivable	\$	\$\$\$	\$ \$\$\$	\$ \$\$\$
<i>As of [Prior Fiscal Period End Date]</i>		Prior FY		
		Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
(Amounts in thousands)				
1. Intragovernmental Receivables	\$	\$\$\$	N/A	\$ \$\$\$
2. Nonfederal Receivables (From the Public)	\$	\$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total Accounts Receivable	\$	\$\$\$	\$ \$\$\$	\$ \$\$\$

*100801. Instructions

Present the gross receivables, the allowance for uncollectible accounts (from the public), and the net amount due for the current FY and prior FY. Pursuant to 1 TFM 2-4700, agencies may not recognize any allowance for loss on intragovernmental accounts receivable. The amount represented in this note includes both entity and nonentity receivables. Do not include receivables related to direct or guaranteed loans. Report these amounts in Note 8, "Direct Loan and Loan Guarantees." Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

*100802. Reporting

A. Intragovernmental Receivables (Line 1). Do not report an allowance for uncollectible accounts for Intragovernmental Receivables. The amount on Line 1, column 4, of this note must equal the amount reported on the reporting entity's Balance Sheet.

B. Nonfederal Receivables (From the Public) (Line 2). The term "nonfederal entities" encompasses domestic and foreign persons and organizations outside the U.S. Government. The amount on Line 2, column 4, of this note must equal the amount reported on the reporting entity's Balance Sheet.

C. Total Accounts Receivable (Line 3). The amount reported on Line 3 equals the sum of Lines 1 and 2 for each column.

D. Criminal Restitution. Effective FY 2018, disclose criminal restitution balances included in accounts receivable separately, including the gross amount of receivables related to criminal restitution orders monitored by the agency and the estimate of net realizable value determined to be collectible for criminal restitution orders monitored by the agency.

E. Other Information. Disclose the method used to estimate the allowance for uncollectible accounts and the net amount due. Disclose any other information needed to understand the nature of the accounts receivable.

1009 NOTE 6. OTHER ASSETS

Figure 10-6 identifies a reporting entity's other asset balance for the current and prior FYs.

Figure 10-6. Other Assets, Note Schedule Format

Note 6.	Other Assets	
As of [Current Fiscal Period End Date]	Current FY	Prior FY
(Amounts in thousands)		
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ \$\$\$	\$ \$\$\$
B. Other Assets	\$\$\$	\$\$\$
C. Total Intragovernmental Other Assets	\$ \$\$\$	\$ \$\$\$
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	\$ \$\$\$	\$ \$\$\$
B. Advances and Prepayments	\$\$\$	\$\$\$
C. Other Assets (With the Public)	\$\$\$	\$\$\$
D. Total Nonfederal Other Assets	\$ \$\$\$	\$ \$\$\$
3. Total Other Assets	\$ \$\$\$	\$ \$\$\$

100901. Instructions

Report the amount of Other Assets. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

100902. Reporting

A. Intragovernmental Other Assets (Line 1). Separately categorize the intragovernmental other assets.

1. Advances and Prepayments (Line 1.A). Include advances and prepayments to other federal entities.

2. Other Assets (Line 1.B). Include other assets categorized as federal.

3. Total Intragovernmental Other Assets (Line 1.C). The amount reported on this line equals the sums of Lines 1.A and 1.B and must match the amount reported on the Balance Sheet.

B. Nonfederal Other Assets (Line 2). Separately categorize the nonfederal other assets.

1. Outstanding Contract Financing Payments (Line 2.A). Include contract financing payments, classified as advances, as defined in Volume 4, Chapter 5.

2. Advances and Prepayments (Line 2.B). Include advances and prepayments categorized as nonfederal.

3. Other Assets (With the Public) (Line 2.C). Include other assets categorized as nonfederal.

4. Total Nonfederal Other Assets (Line 2.D). The amount reported on this line equals the sum of Lines 2.A through 2.C and must match the amount reported on the Balance Sheet.

C. Total Other Assets (Line 3). The amount reported on this line equals the sum of Lines 1.C, “Total Intragovernmental Other Assets,” and 2.D, “Total Nonfederal Other Assets.” The total amount reported on Line 3 must equal the sum of federal and nonfederal Other Assets on the Balance Sheet.

D. Information Related to Other Assets. Identify other relevant information for other assets reported on the Balance Sheet.

1. If any of the individual components of Line 1.B, “Other Assets,” and Line 2.C, “Other Assets (With the Public),” represent 10 percent or more of the value of the line, disclose those components separately.

2. Components with contract financing payments must review the DFAS Financial Reporting Guidance for additional required instructions. Volume 4, Chapter 5 contains additional information related to contract financing payments.

1010 NOTE 7. CASH AND OTHER MONETARY ASSETS

Figure 10-7 identifies a reporting entity's cash and other monetary asset balance for the current and prior FYs.

Figure 10-7. Cash and Other Monetary Assets, Note Schedule Format

Note 7.	Cash and Other Monetary Assets	
As of [<i>Current Fiscal Period End Date</i>]	Current FY	Prior FY
(Amounts in thousands)		
1. Cash	\$ \$\$\$	\$ \$\$\$
2. Foreign Currency	\$\$\$	\$\$\$
3. Other Monetary Assets	\$\$\$	\$\$\$
4. Total Cash, Foreign Currency, & Other Monetary Assets	\$ \$\$\$	\$ \$\$\$

101001. Instructions

Report the current and prior FY amount of cash and other monetary assets. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

101002. Reporting

A. Cash (Line 1). The total of cash under the control of the reporting entity includes: coins; paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; amounts on demand deposit with banks or other financial institutions, including nonconfirmed collections and disbursements; investments held outside of Treasury; and foreign currencies, which will be converted into U.S. dollars at the exchange rate on the financial statement date. Cash available for reporting entity use includes petty cash, and cash held in revolving funds, not transferred into the General Fund of the Treasury.

B. Foreign Currency (Line 2). The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts. Nonpurchased foreign currency is limited to the Treasury Index 97X7000 fund account.

C. Other Monetary Assets (Line 3). This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included on this line. If any of the individual components of Line 3 represent 10 percent or more of the value of the line, disclose those components separately.

D. Total Cash, Foreign Currency, & Other Monetary Assets (Line 4). The amount reported on this line equals the sum of Lines 1, 2, and 3. In addition, this line must equal the amount reported on the Balance Sheet.

E. Additional Information. Provide additional information needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Restricted cash includes holdings, which are unavailable for reporting entity use (nonentity cash) and have not been transferred to the General Fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. While nonentity cash is always restricted, entity cash may be restricted for specific purposes. In accordance with [SFFAS 1](#), “Accounting for Selected Assets and Liabilities,” Components report entity assets and nonentity assets under an entity’s custody or management in the financial statements, except for nonentity assets meeting definition of fiduciary assets, which are not recognized on the Balance Sheet, but disclosed in accordance with the provisions of SFFAS 31.

1. Examples of restricted cash include: (a) cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans, as well as other amounts of legally restricted cash for specific purposes; (b) seized cash, recognized as an asset per SFFAS 3; (c) bid deposits held in a commercial bank; and (d) funds from dedicated collections (refer to section 1026).

2. Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions. Disclose significant effects, if any, of changes in the foreign currency exchange rate on the entity’s financial position that occurred after the end of the reporting period but before the issuance of financial statements (if applicable).

3. Components must reconcile all imprest fund transactions involving cash on a periodic basis, but no less frequently than quarterly, to ensure cash reported reconciles with the agency’s accounting records and related financial statements in accordance with TFM 2-3400.

1011 NOTE 8. DIRECT LOAN AND LOAN GUARANTEES

101101. General Information on Direct Loans and Loan Guarantees

A. [Federal Credit Reform Act \(FCRA\) of 1990](#). The FCRA divides direct loans and loan guarantees into two groups: Pre-1992 and Post-1991. Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees. Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. Refer to OMB Circular A-11, Part 5, Section 185 for definitions and explanations of terms and concepts in these instructions.

1. The reporting entity discloses direct loan obligations and loan guarantee commitments made after FY 1991. The FCRA governs the resulting direct loans or loan guarantees. This Act governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees.

2. [SFFAS 2](#), “Accounting for Direct Loans and Loan Guarantees,” provides that the present value of the subsidy costs (which arise from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as costs in the year the direct or guaranteed loan is disbursed.

a. [Direct Loans](#). These loans are reported at the net present value of the following projected cash flows: loan disbursements, repayments of principal, payments of interest, recoveries, proceeds of asset sales, and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

b. [Loan Guarantee Liabilities](#). Report these liabilities at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

B. [Pre-1992 Direct Loans and Loan Guarantees](#). The reporting entity discloses whether Pre-1992 direct loans and loan guarantees are reported on a present value basis, or are reported under the allowance for loss method. Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount the reporting entity estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees. DoD has elected to report Pre-1992 direct loans and loan guarantees using the allowance for loss method.

1. Note Format. Depending on the reporting method selected by management, agencies must choose the appropriated note format, which includes the net present value method or the allowance for loss method.

2. Changing Reporting Methods. Changing from one method to the other is not permitted without the advance approval of OMB. If a reporting entity needs guidance related to Pre-1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy CFO. The reporting entity discloses that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds they would expect to receive from selling their loans.

C. Payments Made on Behalf of Borrowers. When the reporting entity has made payments on behalf of borrowers (which should be collected from the borrowers), the resulting receivables must be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans.

D. Direct Loan or Loan Guarantee Programs. Enter the names of the direct loans and loan guarantee programs operated by the reporting entity. An example of a DoD direct loan program is the Military Housing Privatization Initiative (MHPI). The Armament Retooling and Manufacturing Support Initiative is an example of a DoD guaranteed loan program.

E. Other Information. Disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that: (a) have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates; and (b) are events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

F. Reporting. Report direct loan and loan guarantee information as follows:

1. Figure 10-8 identifies a summary of a reporting entity's direct loan and loan guarantees balance for the current and prior FYs.
2. Figure 10-9 identifies direct loan obligation balances for the current and prior FYs.
3. Figure 10-10 identifies direct loan disbursement balances for the current and prior FYs.
4. Figure 10-11 identifies subsidy expenses for direct loans for the current and prior FYs.
5. Figure 10-12 identifies estimated budget subsidy rates for direct loans.

6. Figure 10-13 identifies the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans.
7. Figure 10-14 identifies the defaulted loan guarantees for applicable credit reform programs.
8. Figure 10-15 identifies the outstanding amount of guaranteed loans for each loan guarantee program.
9. Figure 10-16 identifies the liabilities for loan guarantees for each loan guarantee program.
10. Figure 10-17 identifies the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs.
11. Figure 10-18 identifies the components used to compute the budget subsidy rates for loan guarantees.
12. Figure 10-19 identifies the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet.

Figure 10-8. Summary of Direct Loans and Loan Guarantees, Note Schedule Format

Note 8. Direct Loan and Loan Guarantees		
Summary of Direct Loans and Loan Guarantees		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Loans Receivable		
<u>Direct Loans</u>		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Total Direct Loans	\$ \$\$\$	\$ \$\$\$
<u>Defaulted Loan Guarantees</u>		
3. A. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
B. Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$
4. Total Default Loan Guarantees	\$ \$\$\$	\$ \$\$\$
5. Total Loans Receivable	\$ \$\$\$	\$ \$\$\$
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Loan Guarantee Liability		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$
3. Total Loan Guarantee Liability	\$ \$\$\$	\$ \$\$\$

101102. Instructions

Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 8. The “Total Loans Receivable” (Line 5) must agree with the amount reported on the Balance Sheet. The “Total Loan Guarantee Liability” (Line 3) must agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

Figure 10-9. Direct Loans Obligated, Note Schedule Format

Note 8. Direct Loan and Loan Guarantees		
Direct Loans Obligated		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Direct Loans Obligated After FY 1991 (Present Value Method):		
1. Military Housing Privatization Initiative		
A. Loans Receivable Gross	\$ \$\$\$	\$ \$\$\$
B. Interest Receivable	\$\$\$	\$\$\$
C. Foreclosed Property	\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)	\$\$\$	\$\$\$
E. Value of Assets Related to Direct Loans, Net	\$ \$\$\$	\$ \$\$\$
2. Total Direct Loans Receivable	\$ \$\$\$	\$ \$\$\$

101103. Instructions

Present information for direct loans obligated. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report in column 2 (Current FY): the Loans Receivable Gross, the Interest Receivable, the estimated NRV of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value), and the Value of Assets Related to Direct Loans, Net. Line 2 is the sum of Lines 1.A through 1.E. Report amounts from the prior FY in column 3.

B. Total Direct Loans Receivable (Line 2). The amount reported in this line must agree with the amount reported on the reporting entity's Balance Sheet. Loan receivables for defaulted loan guarantees will also be included on the reporting entity's Balance Sheet.

C. Other Information. If you have foreclosed property resulting from credit reform activities, disclose changes from prior FY's accounting methods; restrictions on the use/disposal of the property; the number of properties held and average holding period by type or category; and the number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable and management's policy for accruing interest on nonperforming loans.

D. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct loans at the net present value of the projected cash flows. At the time of foreclosure, foreclosed property may be recorded at the estimated NRV. A portion of the related allowance for subsidy account applies to the foreclosed property, but that amount need not be separately determined.

Figure 10-10. Total Amount of Direct Loans Disbursed, Note Schedule Format

Note 8. Direct Loan and Loan Guarantees		
Total Amount of Direct Loans Disbursed		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Direct Loan Programs		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Direct Loan Programs Total	\$ \$\$\$	\$ \$\$\$

101104. Instructions

Report the total amount of direct loans disbursed after FY 1991. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Direct Loan Programs Disbursed. DoD administers a direct loan program on behalf of the Executive Office of the President, which is reported in Other Accompanying Information. Disclose the amount of direct loans disbursed for each program the reporting entity manages. DoD has one direct loan program that disburses direct loans, the MHPI.

B. Direct Loan Programs, Total (Line 2). Report the total of the amount of direct loans disbursed for the current and prior reporting years.

C. Other Information. Provide other information related to direct loans disbursed necessary to understand the nature of the loans.

Figure 10-11. Subsidy Expense for Direct Loan by Program, Note Schedule Format

Note 8.		Direct Loan and Loan Guarantees			
Subsidy Expense for Direct Loan by Program					
<i>As of [Current and Prior Fiscal Period End Date]</i>					
(Amounts in thousands)					
Current FY	Interest Differential	Defaults	Fees	Other	Total
Subsidy Expense for New Direct Loans Disbursed					
1.a New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Prior FY	Interest Differential	Defaults	Fees	Other	Total
Subsidy Expense for New Direct Loans Disbursed					
1.b New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Current FY	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates	
Modifications and Re-estimates					
2. Direct Loan Modifications and Re-estimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Current FY		Prior FY			
Total Direct Loan Subsidy Expense					
3. Total Direct Loan Subsidy Expense:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	

101105. Instructions

For each direct loan program, report the direct loan subsidy expense, at present value. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Subsidy Expense for New Direct Loans Disbursed – Current FY (Line 1.a). Report in column 2 the present value amount of the current FY's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, report the present value of the estimated delinquencies and defaults (net of recoveries) for the current FY; in column 4, report the present value of the estimated fees collected (offsetting expense) for the current FY; in column 5, report the present value of other cash flows for the current FY, including

prepayments and proceeds of loan asset sales; and in column 6, report the total of columns 2 through 5.

B. Subsidy Expense for New Direct Loans Disbursed – Prior FY (Line 1.b). Report in column 2 the present value amount of the prior FY's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, report the present value of the estimated delinquencies and defaults (net of recoveries) for the prior FY; in column 4, report the present value of the estimated fees collected (offsetting expense) for the prior FY; in column 5, report the present value of other cash flows for the prior FY, including prepayments and proceeds of loan asset sales; and in column 6, report the total of columns 2 through 5.

C. Direct Loan Modifications and Re-estimates – Current FY (Line 2). Report in column 2 the current FY's subsidy cost of modifications of direct loans previously disbursed; in column 3 report the current FY's subsidy cost for interest rate re-estimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed; in column 4, report the current FY's subsidy cost for technical re-estimates which are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate re-estimates; and in column 5, report the total of columns 3 and 4.

D. Total Direct Loan Subsidy Expense – Current FY (Line 3). Report in column 2 the total direct loan subsidy expense for the current FY, and in column 3, report the total direct loan subsidy expense for the prior FY.

E. Other Information. Identify other information related to direct loan subsidy expense for Post-1991 direct programs. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-12. Subsidy Rate for Direct Loans by Program, Note Schedule Format

Note 8.		Direct Loan and Loan Guarantees				
Subsidy Rate for Direct Loans by Program						
<i>As of [Current Fiscal Period End Date]</i>	Interest Differential	Defaults	Fees and Other Collections	Other	Total	
Budget Subsidy Rates for Direct Loans:						
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%	

101106. Instructions

Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs (net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current FY's budget (President's Budget). Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Subsidy Rate. These rates must be consistent with rates published in the Direct Loans: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the [Budget of the U.S. Government](#).

B. Relevant Information for Comprehension. Subsidy rates pertain to the loan agreements contracted during the current FY. Do not apply these rates to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current FY could result from disbursement of loans from both current and prior FY loan agreements. The subsidy expense reported in the current FY also includes modifications and re-estimates.

C. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.

Figure 10-13. Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans, Note Schedule Format

Note 8.		Direct Loan and Loan Guarantees	
Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
Beginning Balance, Changes, and Ending Balance:			
1. Beginning Balance of the Subsidy Cost Allowance		\$ \$\$\$	\$ \$\$\$
2. Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component			
A. Interest Rate Differential Costs		\$ \$\$\$	\$ \$\$\$
B. Default Costs (Net of Recoveries)		\$\$\$	\$\$\$
C. Fees and Other Collections		\$\$\$	\$\$\$
D. Other Subsidy Costs		\$\$\$	\$\$\$
E. Total of the Subsidy Expense Components		\$ \$\$\$	\$ \$\$\$
3. Adjustments			
A. Loan Modifications		\$ \$\$\$	\$ \$\$\$
B. Fees Received		\$\$\$	\$\$\$
C. Foreclosed Property Acquired		\$\$\$	\$\$\$
D. Loans Written Off		\$\$\$	\$\$\$
E. Subsidy Allowance Amortization		\$\$\$	\$\$\$
F. Other		\$\$\$	\$\$\$
G. Total of the Adjustment Components		\$ \$\$\$	\$ \$\$\$
4. Ending Balance of the Subsidy Cost Allowance Before Re-estimates		\$ \$\$\$	\$ \$\$\$
5. Add or Subtract Subsidy Re-estimates by Component			
A. Interest Rate Re-estimate		\$ \$\$\$	\$ \$\$\$
B. Technical/Default Re-estimate		\$\$\$	\$\$\$
C. Total of the Re-estimate Components		\$ \$\$\$	\$ \$\$\$
6. Ending Balance of the Subsidy Cost Allowance		\$ \$\$\$	\$ \$\$\$

101107. Instructions

Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting entity's Balance Sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans

obligated after September 30, 1991. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Beginning Balance of the Subsidy Cost Allowance (Line 1). Report the Beginning Balance of the Subsidy Cost Allowance.

B. Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component (Lines 2.A through 2.E). Report the components of subsidy expense for direct loans: Interest Rate Differential Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

C. Adjustments (Lines 3.A through 3.G). Report the adjustments for direct loans: Loan Modifications, Fees Received; Foreclosed Property Acquired; Loans Written Off; Subsidy Allowance Amortization; and Other Adjustments. Total the adjustments for direct loans.

D. Ending Balance of the Subsidy Cost Allowance Before Re-estimates (Line 4). Report the sum of Lines 1, 2.E, and 3.G.

E. Add or Subtract Subsidy Re-estimates by Component (Lines 5.A through 5.C). Report the Interest Rate Re-estimate and Technical/Default Re-estimate for direct loans. Total the re-estimates for direct loans.

F. Ending Balance of the Subsidy Cost Allowance (Line 6). Report the sum of Line 4 and Line 5.C.

Figure 10-14. Defaulted Guaranteed Loans, Note Schedule Format

Note 8. Direct Loan and Loan Guarantees		
Defaulted Guaranteed Loans		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):		
1. Military Housing Privatization Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ \$\$\$	\$ \$\$\$
B. Interest Receivable	\$\$\$	\$\$\$
C. Foreclosed Property	\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)	\$\$\$	\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ \$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ \$\$\$	\$ \$\$\$
B. Interest Receivable	\$\$\$	\$\$\$
C. Foreclosed Property	\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)	\$\$\$	\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ \$\$\$	\$ \$\$\$
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	\$ \$\$\$	\$ \$\$\$

101108. Instructions

Report the defaulted loan guarantees for applicable credit reform programs. If the reporting entity does not have defaulted guaranteed loans, state “Not Applicable” after the note number and title. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

B. Armament Retooling and Manufacturing Support Initiative (Lines 2.A through 2.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable;

the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

C. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable (Line 3). Report the total Value of Assets Related to Defaulted Guaranteed Loans Receivable from Lines 1.E and 2.E. The sum of these lines must equal the amount reported on the Balance Sheet as loans receivables. (Loans receivable for direct loans will also be included on the reporting entity's Balance Sheet.)

D. Other Information. If you have foreclosed property resulting from credit reform activities, disclose: (1) changes from the prior FY's accounting methods, if any; (2) restrictions on the use/disposal of the property; (3) number of properties held and average holding period by type or category; and (4) number of properties for which foreclosure proceedings are in process at the end of the period.

1. Disclose management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on nonperforming defaulted guaranteed loans. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications.

2. When appropriate, disclose that the subsidy expense resulting from re-estimates included in the financial statements is not reported in the budget until the following year.

E. Additional Instructions for Foreclosed Property. Foreclosed property associated with Post-1991 direct and acquired defaulted guaranteed loans must be valued at the net present value of the projected cash flows associated with the property. Foreclosed property may be recorded at the estimated NRV at the time of foreclosure if the differences do not meet the materiality threshold identified in the DFAS Financial Reporting Guidance. A portion of the related allowance for subsidy account applies to the foreclosed property, but that amount need not be separately determined. Rather, subtract the allowance account from the sum of the credit program assets to determine the net present value of the assets.

Figure 10-15. Guaranteed Loans Outstanding

Note 8. Direct Loan of Loan Guarantees		
Guaranteed Loans Outstanding		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
(Amounts in thousands)		
Current FY		
Guaranteed Loans Outstanding		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$
3. Total	\$ \$\$\$	\$ \$\$\$
Current FY		
	Principal of Guaranteed Loans, Face Value	Amount of Principal Guaranteed
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$
3. Total	\$ \$\$\$	\$ \$\$\$
Prior FY		
	Principal of Guaranteed Loans, Face Value	Amount of Principal Guaranteed
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$
3. Total	\$ \$\$\$	\$ \$\$\$

101109. Instructions

Present the outstanding amount of guaranteed loans for each loan guarantee program. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Guaranteed Loans Outstanding (Lines 1 through 3). For each guaranteed loan outstanding, report in column 2 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 3, report the guaranteed amount of the outstanding principal.

1. Total (Line 3). Present the total of Lines 1 and 2.
2. Other Information. Identify other information related to guaranteed loans outstanding necessary to understand the nature of the loan.

B. New Guaranteed Loans Disbursed (Lines 1 through 3). For each new guaranteed loan disbursed, report in column 2 the face value of principal of guaranteed loans. In column 3, report the guaranteed amount of principal.

1. Total (Line 3). Present the total of Lines 1 and 2.
2. Other Information. Identify other information related to new guaranteed loans disbursed necessary to understand the nature of the loan.

Figure 10-16. Liabilities for Loan Guarantees

Note 8. Direct Loan and Loan Guarantees			
Liabilities for Loan Guarantees			
<i>As of [Current and Prior Fiscal Period End Date]</i>	Liabilities for Losses on Pre-1992 Guarantees, Present Value	Liabilities for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
(Amounts in thousands)			
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$
3. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
<i>As of [Current and Prior Fiscal Period End Date]</i>	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
(Amounts in thousands)			
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$
3. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101110. Instructions

For each program with Pre-1992 loan guarantees, report in column 2 the liabilities for losses. If the present value method is used to calculate the liability, report in column 2 the present value of liabilities for losses on Pre-1992 loan guarantees. For Pre-1992 loan guarantees only, if the estimated future default claims method is used, report in column 2 the estimated future default claims. For each program with Post-1991 loan guarantees, report the present value of the estimated net cash flows (outflows less inflows), to be paid by the entity because of the loan guarantees, in column 3. Present the liabilities for loan guarantees for each loan guarantee program. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to paragraph 101101 and the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Line 1). Report the present value of current and prior FY estimated net cash flows (outflows less inflows) to be paid because of loan guarantees. Report the total of columns 2 and 3 as total liabilities for loan guarantees in column 4.

B. Armament Retooling & Manufacturing Support Initiative (Line 2). Report the present value of current FY and prior FY estimated net cash flows (outflows less inflows) to be paid because of loan guarantees. Report the total of columns 2 and 3 as total liabilities for loan guarantees in column 4.

C. Total (Line 3). Report the totals from Line 1 and Line 2. Report the total of columns 2 and 3 as total liabilities for loan guarantees in column 4.

D. Other Information. Identify other information necessary to understand the nature of the loan guarantee liability.

Figure 10-17. Subsidy Expense for Loan Guarantees by Program

Note 8. Direct Loan and Loan Guarantees					
Subsidy Expense for Loan Guarantees by Program					
<i>As of [Current and Prior Fiscal Period End Date]</i>					
(Amounts in thousands)					
(Current FY)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
1.a Subsidy Expense for New Loan Guarantees:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
(Prior FY)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
1.b Subsidy Expense for New Loan Guarantees:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
(Current FY)	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates	
2. Modifications and Re-estimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
		Current FY	Prior FY		
3. Total Loan Guarantee Subsidy Expense:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$		
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$		
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$		

101111. Instructions

Report the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Subsidy Expense for New Loan Guarantees – Current FY (Line 1.a). Disclose, in column 2, the present value of the amount of the interest supplements; in column 3, the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in column 4, the present value of the estimated fees and other collections (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

B. Subsidy Expense for New Loan Guarantees – Prior FY (Line 1.b). Disclose, in column 2, the present value of the amount of the interest supplements; in column 3, the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in column 4, the present value of the estimated fees and other collections (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

C. Modifications and Re-estimates – Current FY (Line 2). Disclose, in column 2, the subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether Pre-1992 or Post-1991). Disclose, in columns 3 and 4, re-estimates of the subsidy expense for loan guarantees, previously committed, by component (interest rate and technical); and in column 5, the total of columns 3 and 4.

D. Total Loan Guarantee Subsidy Expense (Line 3). Report in column 2 (Current FY) the total subsidy expense for the current FY's loan guarantees, modifications, and re-estimates. Report in column 3 (Prior FY) the total subsidy expense for the prior FY's loan guarantees, modifications, and re-estimates.

E. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-18. Subsidy Rates for Loan Guarantees

Note 8. Direct Loan and Loan Guarantees					
Subsidy Rates for Loan Guarantees by Program					
<i>As of [Current Fiscal Period End Date]</i>	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(Amounts in thousands)					
Budget Subsidy Rates for Loan Guarantees:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%
2. Armament Retooling & Manufacturing Support Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

101112. Instructions

A. Military Housing Privatization Initiative and Armament Retooling & Manufacturing Support Initiative (Lines 1 and 2). Report information on the subsidy rates for loan guarantees. Disclose the estimated subsidy rates for the following components: Interest Supplement costs (column 2); Default costs (net of recoveries) (column 3); Fees and Other Collections (column 4); and Other costs (column 5). These estimated subsidy rates for loan guarantees are in the current FY's budget (President's Budget). Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

B. Subsidy Rates

1. Subsidy Rates. Subsidy rates must be consistent with rates published in the Loan Guarantees: Assumptions Underlying the (FY) Subsidy Estimates table, contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. Refer to the Federal Credit Supplement to the Budget of the U.S. Government for current guidance pertaining to subsidy estimates for loan guarantees.

2. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.

3. Subsidy Rate Applicability. The subsidy rates disclosed pertain only to the current FY's cohorts. Do not apply these rates to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current FY could result from disbursements of loans from both current FY cohorts and prior FY(s) cohorts. The subsidy expense reported in the current FY also includes modifications and re-estimates.

Figure 10-19. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees

Note 8. Direct Loan and Loan Guarantees		
Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees		
<i>As of [Current Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Beginning Balance, Changes, and Ending Balance:		
1. Beginning Balance of the Loan Guarantee Liability	\$ \$\$\$	\$ \$\$\$
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component		
A. Interest Supplement Costs	\$ \$\$\$	\$ \$\$\$
B. Default Costs (Net of Recoveries)	\$\$\$	\$\$\$
C. Fees and Other Collections	\$\$\$	\$\$\$
D. Other Subsidy Costs	\$\$\$	\$\$\$
E. Total of the Subsidy Expense Components	\$ \$\$\$	\$ \$\$\$
3. Adjustments		
A. Loan Guarantee Modifications	\$ \$\$\$	\$ \$\$\$
B. Fees Received	\$\$\$	\$\$\$
C. Interest Supplements Paid	\$\$\$	\$\$\$
D. Foreclosed Property and Loans Acquired	\$\$\$	\$\$\$
E. Claim Payments to Lenders	\$\$\$	\$\$\$
F. Interest Accumulation on the Liability Balance	\$\$\$	\$\$\$
G. Other	\$\$\$	\$\$\$
H. Total of the Adjustments	\$ \$\$\$	\$ \$\$\$
4. Ending Balance of the Loan Guarantee Liability Before Re-estimates	\$ \$\$\$	\$ \$\$\$
5. Add or Subtract Subsidy Re-estimates by Component		
A. Interest Rate Re-estimate	\$\$\$	\$\$\$
B. Technical/Default Re-estimate	\$\$\$	\$\$\$
C. Total of the Re-estimate Components	\$ \$\$\$	\$ \$\$\$
6. Ending Balance of the Loan Guarantee Liability	\$ \$\$\$	\$ \$\$\$

101113. Instructions

Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for Pre-1992 loan guarantees would not have all the same reconciling items as Post-1991 loan guarantees. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Beginning Balance of the Loan Guarantee Liability (Line 1). Report on Line 1 the beginning balance of the loan guarantee liability.

B. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component (Lines 2.A through 2.E). Report the following components of subsidy expense for guaranteed loans disbursed: Interest Supplemental Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for guaranteed loans.

C. Adjustments (Lines 3.A through 3.H). Report the following adjustments for loan guarantees: Loan Guarantee Modifications; Fees Received; Interest Supplements Paid; Foreclosed Property and Loans Acquired; Claim Payments to Lenders; Interest Accumulation on the Liability Balance; and Other adjustments. Total the adjustments for loan guarantees.

D. Ending Balance of the Loan Guarantee Liability Before Re-estimates (Line 4). Report on Line 4 the sum of Lines 1, 2.E, and 3.H.

E. Add or Subtract Subsidy Re-estimates by Component (Lines 5.A through 5.C). Report Interest Rate Re-estimates and Technical/Default Re-estimates for loan guarantees and report the total subsidy re-estimates for loan guarantees.

F. Ending Balance of the Loan Guarantee Liability (Line 6). Report the sum of Lines 4 and 5.C.

1012 NOTE 9. INVENTORY AND RELATED PROPERTY

101201. General Information on Valuation Methods

Volume 4, Chapter 4 contains more complete information on inventory valuation methods. Valuation methods shown in this chapter are those used by DoD, but may be specific to a particular organization or type of organization. Figure 10-20 identifies the total amounts of Inventory and Related Property reported on the Balance Sheet.

Figure 10-20. Inventory and Related Property, Note Schedule Format

Note 9.		Inventory and Related Property	
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
<i>(Amounts in thousands)</i>			
1.	Inventory, Net	\$ \$\$\$	\$ \$\$\$
2.	Operating Materiel & Supplies, Net	\$\$\$	\$\$\$
3.	Stockpile Materiel, Net	\$\$\$	\$\$\$
4.	Total	\$ \$\$\$	\$ \$\$\$

101202. Instructions

In Figure 10-20, include the total amounts of Inventories and Other Related Property reported in Figure 10-21 (Inventory), Figure 10-22 (OM&S), and Figure 10-23 (Stockpile Materiel) in Note 9. The Total (Line 4) must agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

*Figure 10-21. Inventory, Net

Note 9.		Inventory and Related Property			
Inventory, Net					
<i>As of [Current Fiscal Period End Date]</i>	Current FY			Valuation Method	
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net		
(Amount in thousands)					
1. Inventory Categories					
A. Inventory Held for Current Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	LAC, MAC	
B. Inventory Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
C. Excess, Obsolete, and Unserviceable Inventory	\$\$\$	\$\$\$	\$\$\$	NRV	
D. Inventory Held for Repair	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
E. Inventory Raw Materials	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
F. Inventory Work-In-Process	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
G. Inventory Allowance	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
H. Total Inventory, Net	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
<i>As of [Prior Fiscal Period End Date]</i>	Prior FY			Valuation Method	
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net		
(Amount in thousands)					
1. Inventory Categories					
A. Inventory Held for Current Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	LAC, MAC	
B. Inventory Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
C. Excess, Obsolete, and Unserviceable Inventory	\$\$\$	\$\$\$	\$\$\$	NRV	
D. Inventory Held for Repair	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
E. Inventory Raw Materials	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
F. Inventory Work-In-Process	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
G. Inventory Allowance	\$\$\$	\$\$\$	\$\$\$	LAC, MAC	
H. Total Inventory, Net	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Legend for Valuation Methods					
LAC = Latest Acquisition Cost		NRV = Net Realizable Value			
MAC = Moving Average Cost					

*101203. Instructions

Report the current FY and prior FY net amount of each inventory category in accordance with the instructions provided in this chapter. Inventory categories include: inventory held for **current sale**; inventory held in reserve for future **sale**; excess, obsolete, and unserviceable inventory; **inventory held for repair**; **inventory raw materials**; **inventory work-in-process**; and **inventory allowance**. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Valuation. Disclose the following for each category of inventory: in column 2, the gross amount recorded in the inventory system; in column 3, the revaluation allowance for holding gains (losses) on inventory, if any; in column 4 (column 2 plus column 3), the net book value of the inventory; and in column 5, the valuation method used. The revaluation allowance represents adjustments to the recorded values in column 2 required to arrive at the value in column 4, in accordance with the applicable valuation methodology in column 5.

B. Valuation Method. Enter the appropriate valuation method using the codes from the legend for column 5: Latest Acquisition Cost (LAC) adjusted for holding gains and losses; NRV; and MAC.

C. Inventory Held for Current Sale (Line 1.A). Report inventory that is held for **current** sale, which includes consumable spare and repair parts, and repairable items owned and managed by DoD. This inventory includes materiel held due to a managerial determination to retain these items to support military or national contingencies.

D. Inventory Held in Reserve for Future Sale (Line 1.B). Report the cost or value of tangible personal property held in reserve for future **sale**. Line 1.B includes inventory held for future **sale** because it is not readily available or will be needed.

E. Excess, Obsolete, and Unserviceable Inventory (Line 1.C). Report inventory estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable inventory must be valued at its expected NRV. Refer to the Volume 4, Chapter 4 regarding the use of the NRV for excess inventory.

F. Inventory Held for Repair (Line 1.D). Report inventory held for repair, which includes damaged inventory that requires repairs to make it suitable for sale. DoD often relies on weapon systems and machinery no longer in production and encourages the repair and rebuilding of certain items. Report inventory identified as unserviceable, but not reviewed to determine its reparability, as held for repair. When an assessment has been conducted, and it has been determined that it is not economically feasible to repair the item, the item must be reported as excess, obsolete, and unserviceable.

G. Inventory Raw Materials (Line 1.E). Report the raw material inventory.

H. Inventory Work-In-Process (Line 1.F). Report inventory that is work in process, which includes costs related to the production or servicing of items, including direct material, direct labor, applied overhead, and other direct costs. This may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of material ordered but not delivered. Also, report work in process at depot maintenance activities.

I. Inventory Allowance (Line 1.G). Report the amount of estimated cost to repair damaged inventory and the estimated gain or loss on the value of inventory due to unrealized holding gains or losses.

J. Total Inventory, Net (Line 1.H). Report the sum of Lines 1.A. through 1.G. The amounts reported in column 4 of this note equal the amounts reported on Line 1 of Note 9 (the summary note for Inventory and Other Related Property), paragraph 101201.

K. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Column 2, Inventory, Gross Value, represents the standard value used for inventory transactions in the financial system. Column 3, Revaluation Allowance, represents the difference between standard inventory values and either historical cost or NRV. Column 4, Inventory, Net, is approximate historical cost or NRV. Column 5, Valuation Method, is the applicable valuation methodology used to arrive at the net inventory value.

L. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for Inventory, Net:

1. General composition of inventory;
2. Basis for inventory value, including the valuation method and any cost flow assumptions;
3. Changes from prior FY's accounting methods, if any;
4. Balances for the following categories of inventory: inventory held for sale; inventory held in reserve for future sale; excess, obsolete, and unserviceable inventory; and inventory held for repair, unless otherwise presented on the financial statements;
5. The difference between the carrying amount of the inventory before identification as excess, obsolete, or unserviceable inventory, and its expected NRV;
6. Restrictions on the use, sale, and disposition of inventory or a statement disclosing that there are no restrictions;
7. Decision criteria for identifying the category to which inventory is assigned;
8. Changes in the criteria for identifying the category to which inventory is assigned; and
9. If opening balances were established using deemed cost, as the term is defined in [SFFAS 48](#), "Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials," and the method used.

*Figure 10-22. Operating Materiel and Supplies, Net

Note 9. Inventory and Related Property				
Operating Materiel and Supplies, Net				
<i>As of [Current Fiscal Period End Date]</i>	Current FY			
	OM&S, Gross Value	Revaluation Allowance	OM&S, Net	Valuation Method
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	MAC
B. Held in Reserve for Future Use	\$\$\$	\$\$\$	\$\$\$	MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. OM&S Held for Repair	\$\$\$	\$\$\$	\$\$\$	MAC
E. OM&S In Development	\$\$\$	\$\$\$	\$\$\$	MAC
F. OM&S Allowance	\$\$\$	\$\$\$	\$\$\$	MAC
G. Total OM&S	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
<i>As of [Prior Fiscal Period End Date]</i>	Prior FY			
	OM&S, Gross Value	Revaluation Allowance	OM&S, Net	Valuation Method
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	MAC
B. Held in Reserve for Future Use	\$\$\$	\$\$\$	\$\$\$	MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. OM&S Held for Repair	\$\$\$	\$\$\$	\$\$\$	MAC
E. OM&S In Development	\$\$\$	\$\$\$	\$\$\$	MAC
F. OM&S Allowance	\$\$\$	\$\$\$	\$\$\$	MAC
G. Total OM&S	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Legend for Valuation Methods:				
NRV = Net Realizable Value				
MAC = Moving Average Cost				

*101204. Instructions

Report the current FY and prior FY net amount of each OM&S category in accordance with the instructions provided in this chapter. OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held in reserve for future use; excess, obsolete, and unserviceable; OM&S held for repair; OM&S in development; and OM&S allowance. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

- A. Valuation. Disclose the following for each category of OM&S: in column 2, the gross amount reported in the inventory system; in column 3, the allowance for gains (losses) on OM&S, if any; in column 4 (column 2 plus column 3), the net book value; and in column 5, the valuation method used. The amounts identified in column 3, revaluation allowance, represent the adjustment to the recorded value in column 2 required to arrive at the historical cost reported in column 4.
- B. Held for Use (Line 1.A). Report OM&S Held for Use balances which include all issuable materiel.
- C. Held in Reserve for Future Use (Line 1.B). Report OM&S held in reserve for future use balances representing the cost or value of tangible personal property, held in reserve because it is not readily available or because it will be needed.
- D. Excess, Obsolete, and Unserviceable (Line 1.C). Report OM&S estimated to be potentially excess, obsolete, or beyond economic repair. Value excess, obsolete, and unserviceable OM&S at their expected NRV. Refer to Volume 4, Chapter 4 regarding the use of the NRV for excess OM&S.
- E. OM&S Held for Repair (Line 1.D). Report OM&S held for repair, which includes all economically reparable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as held for repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.
- F. OM&S In Development (Line 1.E). Report the cost incurred or value of tangible personal property, such as OM&S in development that will be consumed in normal operations upon completion of development.
- G. OM&S Allowance (Line 1.F). Report the amount of estimated repairs needed for damaged OM&S, held in reserve for future use, and the estimated gain or loss on the value of inventory due to unrealized holding gains and losses.
- H. Total OM&S (Line 1.G). Report the sum of Lines 1.A through 1.F. The amounts reported on Line 1.G, column 4 of this note must equal the amounts reported on Line 2 of Note 9 (the summary note for Inventory and Related Property), paragraph 101201.
- I. Valuation Method. Enter the appropriate valuation method using the codes from the following legend for column 5: NRV and MAC.
- J. Other Information (Related to OM&S). Disclose other information for the OM&S component of the Inventory and Related Property line item on the entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for OM&S, Net:

1. General composition of OM&S;
2. Basis for determining OM&S values, including the valuation method and any cost flow assumptions;
3. Changes from prior FY's accounting methods, if any;
4. Balances for each of the following categories of OM&S: items held for use; items in development; items held in reserve for future use; and excess, obsolete, and unserviceable items;
5. The difference between the carrying amount of the OM&S before identification as excess, obsolete, or unserviceable and their estimated NRV;
6. Restriction on the use of OM&S;
7. The decision criteria for identifying the category to which OM&S are assigned;
8. Changes in the criteria for identifying the category to which OM&S are assigned; and
9. If opening balances were established using deemed cost as the term is defined in SFFAS 48 and the method used.

Figure 10-23. Stockpile Materiel, Net

Note 9. Inventory and Related Property				
Stockpile Materiel, Net				
<i>As of [Current Fiscal Period End Date]</i>	Current FY			Valuation Method
	Stockpile, Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	MAC
B. Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	MAC
C. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
<i>As of [Prior Fiscal Period End Date]</i>	Prior FY			Valuation Method
	Stockpile, Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	MAC
B. Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	MAC
C. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Legend for Valuation Methods				
MAC = Moving Average Cost				

101205. Instructions

A. Stockpile Materiel. Reserve this category of inventory for use exclusively within the Department by the National Defense Stockpile Transaction Fund. Report the current FY and prior FY net amount of each inventory category in accordance with the instructions provided in this chapter.

1. The stockpile materiel categories are “Held for Sale” and “Held in Reserve for Future Sale.” Stockpile materiel is strategic and critical materiel, held due to statutory requirements, for use in national defense, conservation, or national emergencies. All materiel held by the National Defense Stockpile is classified as Held in Reserve for Future Sale until congressional action declares the materiel no longer required to be stockpiled, and available for sale on the open market. When the authorization to offer materiel for sale is received, the materiel is reclassified to Held for Sale.

2. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

B. Valuation. For each category of Stockpile Materiel, disclose the amount reported in the logistics system in column 2; the allowance for gains (losses) on stockpile materiel, if any, in column 3; and the net book value of stockpile materiel (column 2 plus column 3) in column 4.

C. Valuation Method. Enter the appropriate valuation method using the code from the legend for column 5: MAC.

D. Total Stockpile Materiel (Line 1.C). Report the total amounts for Stockpile Materiel in column 4. These total amounts equal the amounts reported on Line 3 of Note 9 (the summary note for Inventory and Related Property), paragraph 101201.

E. Other Information. Disclose other information for the Stockpile Material component of the Inventory and Other Related Property, Net line item on the Balance Sheet. At a minimum, the following information must be disclosed:

1. General composition of stockpile materials;
2. Basis for valuing stockpile materials, including the valuation method and any cost flow assumptions;
3. Changes from prior FY's accounting methods, if any;
4. Restriction on the use of materials;
5. Balances of stockpile materials in each of the following categories: stockpile materials and stockpile materials held for sale;
6. Decision criteria for categorizing stockpile materials as held for sale;
7. Changes in criteria for categorizing stockpile materials as held for sale; and
8. If opening balances were established using deemed cost as the term is defined in SFFAS 48 and the method used. Disclose the use of deemed costs in the first year the entity uses deemed costs to value assets for its opening balances and in any subsequent year those financial statements are presented for comparative purposes. The disclosure should describe the deemed cost methods used, and in the first year presented, the effect on relevant balances.

1013 NOTE 10. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Figure 10-24 identifies a reporting entity's General PP&E, Net balance for the current and prior FYs.

*Figure 10-24. General PP&E, Net, Note Schedule Format

Note 10.	General PP&E, Net				
	As of [Current Fiscal Period End Date]	Current FY			
Depreciation/ Amortization Method		Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
(Amounts in thousands)					
1. Major Asset Classes					
A. Land	N/A	N/A	\$ \$\$\$	N/A	\$ \$\$\$
B. Buildings, Structures, and Facilities	S/L	20 or 40	\$\$\$	\$ \$\$\$	\$\$\$
C. Leasehold	S/L	Lease Term			
Improvements					
Improvements			\$\$\$	\$\$\$	\$\$\$
D. Software	S/L	2-5 or 10	\$\$\$	\$\$\$	\$\$\$
E. General Equipment	S/L	5 or 10	\$\$\$	\$\$\$	\$\$\$
F. Assets Under Capital Lease - federal ¹	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
G. Assets Under Capital Lease - nonfederal ¹	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
H. Construction-in- Progress (Excludes Military Equipment)	N/A	N/A	\$\$\$	N/A	\$\$\$
I. Other			\$\$\$	\$\$\$	\$\$\$
J. Total General PP&E			\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

* See ¹ Note 15 for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:

S/L = Straight Line N/A = Not Applicable

*Figure 10-24. General PP&E, Net, Note Schedule Format (Continued)

Note 10.	General PP&E, Net				
	As of [Prior Fiscal Period End Date]	Prior FY			
Depreciation/Amortization Method		Service Life	Acquisition Value	(Accumulated Depreciation/Amortization)	Net Book Value
(Amounts in thousands)					
1. Major Asset Classes					
A. Land	N/A	N/A	\$ \$\$\$	N/A	\$ \$\$\$
B. Buildings, Structures, and Facilities	S/L	20 or 40	\$\$\$	\$ \$\$\$	\$\$\$
C. Leasehold	S/L	Lease Term			
Improvements					
D. Software	S/L	2-5 or 10	\$\$\$	\$\$\$	\$\$\$
E. General Equipment	S/L	5 or 10	\$\$\$	\$\$\$	\$\$\$
F. Assets Under Capital Lease ¹	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
G. Construction-in-Progress (Excludes Military Equipment)	N/A	N/A	\$\$\$	N/A	\$\$\$
H. Other			\$\$\$	\$\$\$	\$\$\$
I. Total General PP&E			\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

* See ¹ Note 15 for additional information on Capital Leases**Legend for Depreciation/Amortization Methods:**

S/L = Straight Line N/A = Not Applicable

*101301. Instructions

A. **General PP&E.** Report the current FY and prior FY balances for General PP&E by major class. Recognition and measurement criteria for General PP&E are in the [SFFAS 6](#), "Accounting for Property, Plant, and Equipment," as amended by [SFFAS 10](#), "Accounting for Internal Use Software;" [SFFAS 23](#), "Eliminating the Category National Defense Property, Plant, and Equipment;" [SFFAS 44](#), "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use;" and [SFFAS 50](#), "Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35." As part of Note 10, Figure 10-25 identifies a reporting entity's beginning counts, additions, deletions, and ending counts of Heritage Assets. Figure 10-26 identifies a reporting entity's beginning counts, additions, deletions, and ending counts of stewardship land. Figure 10-27 identifies a reporting entity's assets under capital lease balance for the current and prior FYs. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

B. Depreciation/Amortization Method (Column 2). Report the depreciation or amortization method used: Straight Line (S/L) or Not Applicable (N/A). See Volume 4, Chapter 6 for information on how to calculate depreciation using the S/L method.

C. Service Life (Column 3). Report the range of service life by Major Asset Class (e.g., 5, 10, 20 or 40 years) based on DoD Standard Recovery Periods contained in Volume 4, Chapter 6.

D. Acquisition Value (Column 4). Report the acquisition costs or estimated values by Major Asset Class.

* 1. Assets Under Capital Lease. For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated, using either the lessor's implicit rate or the U.S. Treasury borrowing rate of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 15, "Other Liabilities," for additional information on capital leases. [Disclose current year federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately.](#)

2. Other. If any of the individual components of the "Other" line represent 10 percent or more of the value of the line, disclose those amounts separately, by Major Asset Class, as a subcomponent of [Total General PP&E](#).

E. Accumulated Depreciation/Amortization (Column 5). Report the accumulated depreciation/amortization through the current reporting period, by Major Asset Class.

F. Net Book Value (Column 6). Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization) in column 6 (column 4 plus column 5). The total of this column [for Total General PP&E](#) must agree with the amounts on the reporting entity's Balance Sheet.

G. General PP&E in the Possession of Contractors. Report all property in the hands of contractors in accordance with Volume 4, Chapter 6.

H. General PP&E Opening Balances. SFFAS 50 allows a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for General PP&E. DoD's alternative methods include: using deemed cost to establish opening balances of General PP&E, selecting between deemed cost and prospective capitalization of internal use software, and allowing an exclusion of land and land rights from opening balances with disclosure and acreage information and expensing of future acquisitions.

1. Disclose the use of deemed costs in the first year the entity uses deemed costs to value assets for its opening balances and in any subsequent year those financial statements are presented for comparative purposes. The disclosure should describe the deemed cost methods used, and in the first year presented, the effect on relevant balances.

2. Account for general equipment and real property after opening balances in accordance with SFFAS 6.

I. Other Information. Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity's Balance Sheet.

1. Adjustments. If adjustments are required to existing PP&E in the period the standards are implemented, in order to comply with the recognition and measurement criteria, record and disclose the adjustments by Major Asset Class in accordance with the standard.

2. General Disclosures Related to General PP&E. Disclose the required information pertaining to General PP&E, such as: (a) restrictions on the use or convertibility of General PP&E (e.g., outside the continental U.S. real property) or a statement disclosing there are no restrictions; (b) capitalization thresholds, including any changes in thresholds during the period; and (c) adjustments from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, DoD Components must disclose the valuation method used to estimate the value reported.

3. Other. If any of the individual components of the "Other" line represent 10 percent or more of the value of the line, disclose those components separately.

101302. Heritage Assets

Heritage Assets are items of historical, natural significance, cultural, educational, or artistic (e.g., aesthetic) importance, or items with significant architectural characteristics. Heritage Assets are expected to be preserved indefinitely. [SFFAS 29](#), "Heritage Assets and Stewardship Land," requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Heritage Assets with the General PP&E note.

Figure 10-25. Heritage Assets

Note 10.	General PP&E, Net					
Categories	Measure Quantity	Beginning Balance	Additions	Deletions	Ending Balance	
Buildings and Structures	Each	X	X	X	X	
Archeological Sites	Each	X	X	X	X	
Museum Collection Items (Objects, Not Including Fine Art)	Each	X	X	X	X	
Museum Collection Items (Objects, Fine Art)	Each	X	X	X	X	

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Heritage Assets, by category for the period presented.

Disclose the quantity of Multi-Use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) in the schedule, as well as reported as General PP&E.

B. Categories. Report balances for Heritage Assets within the following categories.

1. Buildings and Structures. Building and Structures include buildings and structures listed on, or eligible for listing on, the National Register of Historic Places, including Multi-Use Heritage Assets. This category also includes National Historic Landmarks; buildings or structures that are contributing elements to districts listed on, or eligible for, the National Register of Historic Places or a National Historic Landmark District; and buildings and structures designated eligible in the National Register of Historic Places for purposes of program alternatives.

2. Archeological Sites. Archeological Sites include sites identified, evaluated, and determined to be eligible for, or are listed on, the National Register of Historic Places.

3. Museum Collection Items. Museum Collection Items include items that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant, technical, or architectural characteristics. Divide museum collection items into two subcategories: fine art and objects. Fine art includes paintings, sculptures, and other three dimensional art. Objects are current use, excess, obsolete, or condemned material; war trophies; personal property, such as uniforms, medals, or diaries; and military equipment.

C. Disclosures. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure. Include the following minimum information about Heritage Assets (do not include asset dollar amounts with the disclosures):

1. A concise statement explaining how Heritage Assets relate to the reporting entity's mission;

2. A brief description of the reporting entity's stewardship policies for Heritage Assets. Stewardship policies for Heritage Assets are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of Heritage Assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the Heritage Assets;

3. A concise description of each of the major categories of Heritage Assets. The appropriate level of categorization must be meaningful and determined by the reporting entity based on the entity's mission, types of assets, and how it manages the assets;

4. The number of physical units by major category of Heritage Assets use for which the entity is the steward, as of the end of the reporting period;

and

5. The number of physical units, added and withdrawn during the year;

6. A description of the methods of acquisition and withdrawal.

D. Year-End Reporting. Report deferred maintenance and repair information regarding Heritage Assets in Required Supplementary Information (RSI) at year-end only.

101303. Stewardship Land

Stewardship land is land and land rights owned by the Federal Government, but not acquired for, or in connection with, items of General PP&E. “Acquired for or in connection with” is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E. Each DoD Component responsible for such land will report land classified as stewardship land. Without exception, classify all land provided to the Department from the public domain or at no cost as stewardship land, regardless of its use. SFFAS 29 requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses stewardship land within the General PP&E note.

Figure 10-26. Stewardship Lands

Note 10.		General PP&E, Net			
Facility Number	Facility Title	Beginning Balance	Additions	Deletions	Ending Balance
9110	Government Owned Land	X	X	X	X
9111	State Owned Land	X	X	X	X
9120	Withdrawn Public Land	X	X	X	X
9130	Licensed and Permitted Land	X	X	X	X
9140	Public Land	X	X	X	X
9210	Land Easement	X	X	X	X
9220	In-leased Land	X	X	X	X
9230	Foreign Land	X	X	X	X
Grand Total					X
TOTAL - All Other Lands					X
TOTAL – Stewardship Land					X

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their stewardship land, by category. Report the facility numbers and category descriptions. DoD Instruction (DoDI) [4165.14](#), “Real Property Inventory (RPI) and Forecasting” identifies the predominant categories authorized for use.

1. Government Owned Land (Facility Number 9110) and State Owned Land (Facility Number 9111). This is land held in public trust and will be reported as stewardship land;

2. Withdrawn Public Land (Facility Number 9120). This is land held in public trust and will be reported as stewardship land;
3. Licensed and Permitted Land (Facility Number 9130);
4. Public Land (Facility Number 9140). This is land held in public trust and will be reported as stewardship land;
5. Land Easement (Facility Number 9210);
6. In-leased Land (Facility Number 9220); and
7. Foreign Land (Facility Number 9230).

B. Disclosures. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure. Include the following disclosures for stewardship land (do not include asset dollar amounts with the disclosures):

1. A concise statement explaining how stewardship land relates to the reporting entity's mission;
2. A brief description of the reporting entity's stewardship policies for stewardship land. Stewardship policies for stewardship land are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of stewardship land consistent with statutory requirements, prohibitions, and limitations governing the entity and the stewardship land;
3. A concise description of each of the major categories of stewardship land. The appropriate level of categorization must be meaningful and determined by the reporting entity based on the entity's mission, types of lands, and how it manages the land;
4. The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period. This includes physical acres added and withdrawn during the year and a description of the methods of acquisition and withdrawal; and
5. A report of deferred maintenance and repair for stewardship land in RSI at year-end only.

*Figure 10-27. Assets Under Capital Lease, Note Schedule Format

Note 10.	General PP&E, Net	
Assets Under Capital Lease – Current Year		
<i>As of [Current Fiscal Period End Date]</i>	Federal	Nonfederal
(Amounts in thousands)		
1. Entity as Lessee, Assets Under Capital Lease		
A. Land and Buildings	\$ \$\$\$	\$ \$\$\$
B. Equipment	\$\$\$	\$\$\$
C. Accumulated Amortization	\$\$\$	\$\$\$
D. Total Capital Leases	\$ \$\$\$	\$ \$\$\$
Assets Under Capital Lease – Prior Year		
<i>As of [Current Fiscal Period End Date]</i>	Federal & Nonfederal	
(Amounts in thousands)		
2. Entity as Lessee, Assets Under Capital Lease		
A. Land and Buildings	\$ \$\$\$	\$\$\$
B. Accumulated Amortization		\$\$\$
C. Accumulated Amortization		\$\$\$
D. Total Capital Leases	\$ \$\$\$	

*101304. Instructions

Report the Assets under Capital Lease by categories of land and buildings, or equipment. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Summary of Assets Under Capital Lease (Lines 1.A through 1.D). By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the total of Lines 1.A through 1.C on Line 1.D. The amount reported on Line 1.D must equal the amount reported on Line 1.F, “Assets Under Capital Lease – federal,” of Figure 10-24, for the current year only. Sum the total of Lines 2.A through 2.C on Line 2.D. The amount reported on Line 2.D must equal the amount reported on Line 1.G, “Assets Under Capital Lease – nonfederal,” of Figure 10-24, for the current year only.

B. Information Related to Assets Under Capital Leases. Disclose any additional information related to assets under capital leases. Provide a narrative with all dollar amounts and reasons for this additional disclosure. Disclose current year federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately.

1014 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Figure 10-28 identifies a reporting entity's liabilities not covered by budgetary resources for the current and prior FYs.

*Figure 10-28. Liabilities Not Covered by Budgetary Resources

Note 11.	Liabilities Not Covered by Budgetary Resources	
<i>As of [Current Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ \$\$\$	\$ \$\$\$
B. Debt	\$\$\$	\$\$\$
C. Other Liabilities	\$\$\$	\$\$\$
D. Total Intragovernmental Liabilities	\$ \$\$\$	\$ \$\$\$
2. Nonfederal Liabilities		
A. Accounts Payable	\$ \$\$\$	\$ \$\$\$
B. Military Retirement Benefits and Other Federal Employee Benefits	\$\$\$	\$\$\$
C. Environmental Liabilities	\$\$\$	\$\$\$
D. Other Liabilities	\$\$\$	\$\$\$
E. Total Nonfederal Liabilities	\$ \$\$\$	\$ \$\$\$
3. Total Liabilities Not Covered by Budgetary Resources	\$ \$\$\$	\$ \$\$\$
4. Total Liabilities Covered by Budgetary Resources	\$ \$\$\$	\$ \$\$\$
5. Total Liabilities Not Requiring Budgetary Resources	\$ \$\$\$	\$ \$\$\$
6. Total Liabilities	\$ \$\$\$	\$ \$\$\$

101401. Instructions

Report the Liabilities Not Covered by Budgetary Resources, which are liabilities for which Congressional action is needed before budgetary resources can be provided. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

*101402. Reporting

A. Liabilities Not Covered by Budgetary Resources (Lines 1 and 2). The amounts reported on Lines 1.A through 1.C of this note represent the portion of intragovernmental liabilities not covered by budgetary resources for Accounts Payable (Line 1.A); Debt (Line 1.B); and Other Liabilities (Line 1.C). Report on Line 1.D the sum of intragovernmental liabilities (Lines 1.A through 1.C). The amounts reported on Lines 2.A through 2.D of this note represent the portion of nonfederal liabilities not covered by budgetary resources for Accounts Payable (Line 2.A); Military Retirement Benefits and Other Federal Employee Benefits (Line 2.B); Environmental Liabilities (Line 2.C); and Other Liabilities (Line 2.D). Report on Line 2.E the sum of nonfederal liabilities (Lines 2.A through 2.D).

B. Total Liabilities Not Covered by Budgetary Resources (Line 3). Report on Line 3 the sum of Lines 1.D and 2.E.

C. Total Liabilities Covered by Budgetary Resources (Line 4). Report on Line 4 the total amount of liabilities covered by budgetary resources. Budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections; (3) recoveries of unexpired budget authority through downward adjustments of prior FY obligations; and (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior FY balances during the year; and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress or without a contingency first having to be met.

* D. Total Liabilities Not Requiring Budgetary Resources (Line 5). Report on Line 5 the total amount of liabilities not requiring budgetary resources. Amounts reported on Line 5 represent liabilities that have not been required in the past and will not require the use of budgetary resources in the future. Examples of liabilities reported on Line 5 include liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue.

E. Total Liabilities (Line 6). The amount reported on Line 6 is the sum of Line 3 through Line 5. Line 6 must equal the amount reported on the reporting entity's Balance Sheet.

F. Information Related to Liabilities Not Covered by Budgetary Resources. Disclose why material amounts and sensitive areas such as accounts payable and debt are not covered. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. All entities reporting a balance on Line 2.B must disclose that Military Retirement Benefits and Other Federal Employment Benefits Not Covered by Budgetary Resources comprise various employee actuarial liabilities not due and payable during the current FY. These liabilities are primarily comprised of [Identify the content of Line 2.B] \$XXX. Refer to Note 17, "Military Retirement and Other Federal Employment Benefits," for additional details and disclosures.

G. Other Liabilities. If any of the individual components of Line 1.C, "Other Liabilities," and Line 2.D, "Other Liabilities," represent 10 percent or more of the value of the

line, disclose those components separately. If no amount encompasses 10 percent or more, state the amount is attributable to multiple items.

1015 NOTE 12. ACCOUNTS PAYABLE

Figure 10-29 identifies a reporting entity's accounts payable balance for the current and prior FYs.

Figure 10-29. Accounts Payable

Note 12.		Accounts Payable		
		Current FY		
<i>As of [Current Fiscal Period End Date]</i>		Accounts Payable	Interest Payable (Prompt Payment Act)	Total
<i>(Amounts in thousands)</i>				
1.	Intragovernmental Payables	\$ \$\$\$	N/A	\$ \$\$\$
2.	Nonfederal Payables (to the Public)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3.	Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
		Prior FY		
<i>As of [Prior Fiscal Period End Date]</i>		Accounts Payable	Interest Payable (Prompt Payment Act)	Total
<i>(Amounts in thousands)</i>				
1.	Intragovernmental Payables	\$ \$\$\$	N/A	\$ \$\$\$
2.	Nonfederal Payables (to the Public)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3.	Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101501. Instructions

Report the current FY and prior FY accounts payable for intragovernmental and nonfederal payables. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

101502. Reporting

A. Intragovernmental Payables (Line 1). Disclose in column 2 that portion of the reporting entity's payables owed to other federal entities (intragovernmental), e.g., for goods or services ordered and received but not yet paid. Because the Prompt Payment Act is not applicable to intragovernmental payables, no Interest Payable amount should be entered. In column 4, report the sum of columns 2 and 3. The amount reported in column 4 must equal the total Intragovernmental Accounts Payable reported on the Balance Sheet.

B. Nonfederal Payables (to the Public) (Line 2). Disclose in column 2 the portion of the reporting entity's accounts payable owed to the public, e.g., for goods or services ordered and received but not paid. Disclose in column 3 the amount of prompt pay interest payable. In column 4, report the sum of columns 2 and 3. The amount reported in column 4 must equal the total Nonfederal Accounts Payable reported on the Balance Sheet.

C. Total (Line 3). Report the sum of Lines 1 and 2 for columns 2 through 4.

D. Other Information. Disclose any other information needed to understand the nature of reported accounts payable balances. Reporting entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue, accounts receivable, and unearned revenue. Accounts payable were adjusted by [Cite methodology: (1) reclassifying accounts between federal and nonfederal accounts payable or (2) accruing additional accounts payable and expenses]. See Chapter 13 for additional information on intragovernmental reconciliations and eliminations.

1016 NOTE 13. DEBT

Figure 10-30 identifies a reporting entity's total debt balance for the current and prior FYs.

Figure 10-30. Debt

Note 13.	Debt		
<i>As of [Current Fiscal Period End Date]</i>	Current FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Debt to the Federal Financing Bank	\$\$\$	\$\$\$	\$\$\$
C. Total Agency Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Total Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
<i>As of [Prior Fiscal Period End Date]</i>	Prior FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Debt to the Federal Financing Bank	\$\$\$	\$\$\$	\$\$\$
C. Total Agency Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Total Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101601. Instructions

Report the net amount of debt in accordance with the instructions provided in this chapter. Agency Debt (Intragovernmental) includes debt to the U.S. Treasury and debt to the Federal Financing Bank. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

101602. Reporting

A. Agency Debt (Lines 1.A. through 1.C). For the current FY and prior FY, report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury, as well as other debt owed to the U.S. Treasury on Line 1.A. Report the amount of debt owed to the Federal Financing Bank on Line 1.B. Line 1.C is the sum of Lines 1.A and 1.B. Report the beginning balance of borrowings in column 2; the year's net borrowing in column 3; and the ending balance of borrowings in column 4.

B. Total Debt (Line 2). Report the amount reported on Line 1.C. In addition, the Ending Balance on Line 2 of this note must equal the balance for "Debt" on the reporting entity's Balance Sheet.

C. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal Financing Bank) which includes direct loans and guaranteed loans financing account liabilities disclosed in paragraph 101101.

1. Disclose that the outstanding debt consists of interest and principal due to the U.S. Treasury and the Federal Financing Bank. State the specific purpose for which the reporting entity borrows funds.

2. Disclose that the reporting entity must pay the debt if borrowers (e.g. foreign country, ship leasing, or housing builder) default on the loan. For loan guarantees, the reporting entity must pay the amount of outstanding principal guaranteed.

*1017 NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

Figure 10-31 identifies a reporting entity's environmental and disposal liabilities for the current and prior FYs.

Figure 10-31. Environmental and Disposal Liabilities

Note 14. Environmental and Disposal Liabilities	
<i>As of [Current Fiscal Period End Date]</i>	Current FY Total
(Amounts in thousands)	
1. Environmental Liabilities—Nonfederal	
A. Accrued Environmental Restoration Liabilities	
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ \$\$.\$
2. Active Installations - Military Munitions Response Program (MMRP)	\$\$.\$
3. Formerly Used Defense Sites - IRP and BD/DR	\$\$.\$
4. Formerly Used Defense Sites - MMRP	\$\$.\$
B. Other Accrued Environmental Liabilities – Non-BRAC	
1. Environmental Corrective Action	\$\$.\$
2. Environmental Closure Requirements	\$\$.\$
3. Asbestos	\$\$.\$
4. Other	\$\$.\$
C. Base Realignment and Closure Installations	
1. Installation Restoration Program	\$\$.\$
2. Military Munitions Response Program	\$\$.\$
3. Environmental Corrective Action/Closure Requirements	\$\$.\$
4. Asbestos	\$\$.\$
5. General Equipment	\$\$.\$
6. Other	\$\$.\$
D. Environmental Disposal for General Equipment/Weapons Programs	
1. Nuclear Powered General Equipment/Spent Nuclear Fuel	\$\$.\$
2. Non-Nuclear Powered General Equipment	\$\$.\$
E. Chemical Weapons Disposal Program	
1. Chemical Demilitarization – Chemical Materials Agency	\$\$.\$
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives	\$\$.\$
3. Other	\$\$.\$
2. Total Environmental Liabilities	\$ \$\$.\$

Figure 10-31. Environmental and Disposal Liabilities (Continued)

Note 14. Environmental and Disposal Liabilities	
<i>As of [Prior Fiscal Period End Date]</i>	Prior FY Total
(Amounts in thousands)	
1. Environmental Liabilities—Nonfederal	
A. Accrued Environmental Restoration Liabilities	
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ \$\$.\$\$
2. Active Installations - Military Munitions Response Program (MMRP)	\$\$.\$\$
3. Formerly Used Defense Sites - IRP and BD/DR	\$\$.\$\$
4. Formerly Used Defense Sites - MMRP	\$\$.\$\$
B. Other Accrued Environmental Liabilities – Non-BRAC	
1. Environmental Corrective Action	\$\$.\$\$
2. Environmental Closure Requirements	\$\$.\$\$
3. Asbestos	\$\$.\$\$
4. Other	\$\$.\$\$
C. Base Realignment and Closure Installations	
1. Installation Restoration Program	\$\$.\$\$
2. Military Munitions Response Program	\$\$.\$\$
3. Environmental Corrective Action/Closure Requirements	\$\$.\$\$
4. Asbestos	\$\$.\$\$
5. General Equipment	\$\$.\$\$
6. Other	\$\$.\$\$
D. Environmental Disposal for General Equipment/Weapons Programs	
1. Nuclear Powered General Equipment/Spent Nuclear Fuel	\$\$.\$\$
2. Non-Nuclear Powered General Equipment	\$\$.\$\$
E. Chemical Weapons Disposal Program	
1. Chemical Demilitarization – Chemical Materials Agency	\$\$.\$\$
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives	\$\$.\$\$
3. Other	\$\$.\$\$
2. Total Environmental Liabilities	\$ \$\$.\$\$

101701. Instructions

Present reported current FY and prior FY environmental liabilities in accordance with the instructions provided in this chapter, and the corresponding policy guidance presented in Volume 4, Chapter 13. Disclose and explain abnormal balances for any line item on the financial statement and applicable note schedule in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Total Environmental Liabilities. Report the total environmental liability for each line in the schedule at Figure 10-31.

1. Environmental liabilities cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required for remediating environmental cleanup sites, in compliance with associated environmental legal and regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of PP&E.

2. Base such cost estimates on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, use that amount. If no amount within a range is considered a better estimate than the other estimates, use the minimum amount in the range, and disclose the range under the note narrative.

a. Base the amount reported on site level investigations and characterizations. Base any estimate produced on site-specific information and cost models validated in accordance with [DoDI 5000.61](#), “DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A).”

b. As investigation at a specific site proceeds, the estimate is refined and reported as appropriate. If a site (Site “A”) is similar to another site (Site “B”) for which valid cost estimates have been derived (through site level investigation and characterization), the estimate for recognizing a liability for the site (Site “A”) could be based on the valid cost estimate for the similar site (Site “B”). Additionally, the estimated cost of a future study (if required) must be recognized. If there is no comparable site, then the remediation cost for the site (Site “A”) is not considered reasonably estimable at this time, but the anticipated cost of conducting a future study plus any other required costs must be recognized.

c. Disclose all methods used to estimate the costs for this line (including the number of sites and costs estimates derived using data from similar sites) in a note narrative, as well as any elements that could not be estimated.

B. Nonfederal Environmental Liabilities. All environmental liabilities are nonfederal liabilities and reported on Line 1.A.1 through Line 1.E.3 of Figure 10-31.

1. Accrued Environmental Restoration Liabilities (Line 1.A). Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems funded from the Environmental Restoration Accounts in accordance with DoD Manual [4715.20](#), “Defense Environmental Restoration Program (DERP) Management,” and Volume 4, Chapter 13. These liabilities relate to PP&E, including acquired land and stewardship land, which are major asset categories described in Volume 4, Chapter 6. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the Defense Environmental Programs Annual [Report to the Congress](#) is the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to acquire the required services).

a. Active Installations-Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR) (Line 1.A.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under DoD Manual 4715.20. Report cleanup costs not eligible for DERP funding on Line 1.B.1. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the Comprehensive Environmental Response, Compensation Liability Act (CERCLA);

(2) Hazardous waste or hazardous constituents addressed under the Resource Conservation Recovery Act (RCRA) corrective action process or other federal or state statutes and regulations;

(3) Military munitions (e.g., Unexploded Ordnance (UXO) or Waste Military Munitions (WMM)), chemical residues from military munitions, and munitions scrap at locations other than operational ranges associated with an active installation, when the environmental restoration activity is incidental to the IRP environmental restoration activity; or

(4) BD/DR, which is the demolition and removal of unsafe buildings and structures at facilities or sites owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense. For additional information, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

b. Active Installations-Military Munitions Response Program (MMRP) (Line 1.A.2). This line represents the environmental liabilities associated with the MMRP category defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges other than operational ranges associated with active installations that pose a threat to human health or the environment. Refer to the Management Guidance for the DERP (Chapters 6 and 7) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Formerly Used Defense Sites - IRP and BD/DR (Line 1.A.3). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (e.g., storage tanks).

(1) Include the environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. The BD/DR program category is defined as the demolition and removal of unsafe buildings and structures at facilities or sites that are or were owned by,

leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense.

(2) For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

d. Formerly Used Defense Sites - MMRP (Line 1.A.4). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. This line represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap for those sites that are FUDS eligible. Report liabilities associated with remediation of contamination from non-munitions related activities on Line 1.A.3.

2. Other Accrued Environmental Liabilities – Non-BRAC (Line 1.B). This line represents the costs to remediate cleanup sites that are not eligible for funding from environmental restoration accounts. Other accrued environmental liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of PP&E.

a. Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and will be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure, and disposal action in the current reporting period.

b. The following subparagraphs describe in more detail the categories of liabilities, as well as the applicable lines.

(1) Environmental Corrective Action (Line 1.B.1). This line represents those environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. Include environmental liabilities associated with the identification, investigation, and removal and remedial actions to address environmental contamination emanating from an operational range on this line.

(2) Environmental Closure Requirements (Line 1.B.2). This line represents the environmental liability associated with the future closure/decommissioning of facilities on an active installation that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, wastewater treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn-open detonation sites.

(3) Asbestos (Line 1.B.3). This line represents environmental liabilities associated with the removal, containment, and/or disposal of friable (immediate health threat) and non-friable (not an immediate health threat): (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on non-Base Realignment and Closure (BRAC) installations.

(4) Other (Line 1.B.4). This line covers environmental liabilities not covered by Lines 1.B.1 through 1.B.3. Disclose the specific liabilities addressed in this line in a schedule.

3. Base Realignment and Closure Installations (Line 1.C). This line includes the cost to address environmental cleanup at bases that are realigning or closing. These liabilities can be from past activities that are part of DERP or from activities not covered by DERP.

a. Installation Restoration Program (Line 1.C.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. Report all BRAC cleanup costs not eligible for DERP funding on Line 1.C.3. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the CERCLA;

(2) Hazardous waste or hazardous constituents addressed under the RCRA corrective action process or other federal or state statutes and regulations; and

(3) Military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap at BRAC installations, when the environmental restoration activity is incidental to the IRP environmental restoration activity.

b. Military Munitions Response Program (MMRP) (Line 1.C.2). This line represents the environmental liabilities associated with the MMRP that are defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions, and munitions scrap at BRAC Installations (e.g., MMRP that pose a threat to human health or the environment). Refer to the Management Guidance for the DERP for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Environmental Corrective Action/Closure Requirements (Line 1.C.3). This line represents those environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. This line also includes the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the

future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn - open detonation sites.

d. Asbestos (Line 1.C.4). This line represents environmental liabilities associated with the removal, containment, and disposal of friable (immediate health threat) and non-friable (not an immediate health threat). The environmental liability includes: (1) asbestos-containing materials from property, or (2) material and property that consist of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on BRAC installations.

e. General Equipment (Line 1.C.5). This line represents environmental liabilities resulting from the disposal of general equipment on BRAC installations. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental federal, state, and local statute, regulation, or other legal agreement specific to the equipment decommissioning and disposal.

f. Other (Line 1.C.6). This line covers environmental liabilities not covered by Lines 1.C.1 through 1.C.5. Disclose the specific liabilities addressed in this line in a schedule.

4. Environmental Disposal for General Equipment/Weapons Programs (Line 1.D). This line represents environmental disposal liabilities related to the final disposition of general equipment on non-BRAC installations. Report the environmental disposal liabilities on Lines 1.D.1 and 1.D.2 by the following line items:

a. Nuclear Powered General Equipment/Spent Nuclear Fuel (Line 1.D.1). This line represents environmental disposal liabilities related to nuclear powered general equipment and used fuel.

b. Non-Nuclear Powered General Equipment (Line 1.D.2). This line represents environmental disposal liabilities related to the non-nuclear powered general equipment and used fuel.

5. Chemical Weapons Disposal Program (Line 1.E). This line represents environmental remediation and disposal liabilities related to chemical agents. Report the environmental disposal liabilities on Lines 1.E.1 through 1.E.3 by the following line items:

a. Chemical Demilitarization – Chemical Materials Agency (Line 1.E.1). This line covers liabilities associated with the disposal of chemical constituents of military munitions, including the chemical byproducts of detonation, deflagration, or other reactive processes. These constituents are unconsumed explosives (even in trace concentrations) from the detonation of military munitions, explosives released by the structural compromise of unfired WMM, and chemical agents released from chemical munitions.

b. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (Line 1.E.2). This line covers liabilities associated with assembled chemical weapons alternatives. Assembled chemical weapons alternatives refer to weapons that contain a chemical agent in addition to explosives, propellant, and packaging materials. Examples include rockets, projectiles, and bombs.

c. Other (Line 1.E.3). This line covers environmental liabilities associated with chemical weapons disposal not covered by Lines 1.E.1 and 1.E.2.

C. Total Environmental Liabilities (Line 2). The amount reported on this line equals the sum of Lines 1.A.1 through 1.E.3.

D. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined; each section will have captions so the disclosures are readily segregated.

1. Applicable Laws and Regulations of Cleanup, Closure, and/or Disposal Requirements. DoD Components must address each of the applicable laws and regulations that are the source of their environmental liabilities. DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have created a public health or environmental risk. DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties.

a. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department's major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the BRAC actions.

b. Examples of relevant laws and regulations for consideration and discussion include, but are not limited to:

- (1) CERCLA;
- (2) Superfund Amendments and Reauthorization Act;
- (3) Clean Water Act;
- (4) Safe Drinking Water Act;
- (5) Clean Air Act;
- (6) RCRA;
- (7) Toxic Substances Control Act;

- (8) Atomic Energy Act;
- (9) Nuclear Waste Policy Act; and
- (10) Low Level Radioactive Waste Policy Amendments

Act.

2. Methods for Assigning Total Cleanup, Closure, and/or Disposal Costs to Current Operating Periods.

a. DoD Components must provide the method for assigning the estimated total cleanup, closure, and disposal costs to the current operating periods. DoD Components must not confuse this with how they budget for the liabilities. The Department policy is to comply with the accounting standards.

b. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the Remedial Action Cost Engineering Requirements System. The Department validates the models in accordance with DoDI 5000.61 and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation.

(1) The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are to be recovered through user charges. When recovering costs through user charges, the Department expenses the portion of the asset life that has passed since the General PP&E was placed into service and systematically recognizes the remaining cost over the life of the assets.

(2) For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

3. Provide a Description of the Types of Environmental and Disposal Liabilities Identified. DoD Components will provide a general statement describing the types of their environmental and disposal liabilities. An example, which could apply, is as follows: “DERP sites at active installations, BRAC installations, FUDS, sites at active installations that are not covered by DERP, weapon systems programs, and chemical weapons disposal programs are required to provide a description of the environmental and/or disposal liabilities. DoD Components are required to cleanup DERP and sites not covered by DERP in coordination with regulatory agencies, other responsible parties, and current property owners. The weapons systems

program consists of chemical weapons disposal, nuclear powered aircraft carriers, nuclear powered submarines, and other nuclear ships.”

4. Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, Plans, or Applicable Laws and Regulations. DoD Components specifically identify any environmental liabilities that they know may change due to inflation, deflation, technology, plans, and/or pending changes to applicable laws and/or regulations. If no known changes are pending, DoD Components must state that they are not aware of any pending changes but the liabilities can change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates Used to Calculate the Reported Environmental Liabilities. DoD Components provide a detailed description of the uncertainties regarding estimates of significant situations (e.g., BRAC closures, environmental related disposals, ranges, chemical agents, and munitions). The disclosure includes a general statement followed with the specific details known about the uncertainties.

a. The general statement could apply as follows: “The environmental liabilities for the Department are based on accounting estimates which require certain judgments and assumptions that we believe are reasonable based upon information available to us at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. The liabilities can be further impacted if further investigation of the environmental sites discloses contamination different than known at the time of the estimates.”

b. The disclosure provides specific details, such as “In addition to the liabilities reported, (*DoD Component*) has a liability to take environmental restoration/corrective action for buried chemical munitions and agents. (*DoD Component*) is unable to provide a reasonable estimate at this time because the extent of the buried chemical munitions and agents is not known.” DoD Components also disclose in this paragraph any liabilities based on a range of estimated amounts.

6. Unrecognized Costs. DoD Components provide the unrecognized portion of the estimated total cleanup, closure, or disposal costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, DoD Components systematically recognize the liability over the useful life of the assets. The unrecognized portion of the total cleanup must equal the estimated total cleanup costs less the amount recognized on the financial statements. Refer to Volume 4, Chapter 13 for further information on General PP&E requiring systematic recognition of the environmental liability.

7. Other Disclosures. DoD Components provide any other information they believe material to the users of the financial statements.

101702. Definitions

The term liability, as defined by the FASAB, means a probable and measurable future outflow of resources arising from past transactions or events. While some categories of environmental and disposal liabilities in Note 14 are self-explanatory (e.g., nuclear powered aircraft carriers, submarines, and other ships), the definitions are provided for clarity and to ensure consistency of reporting.

A. Environmental Liabilities. An environmental liability is a future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by lease contracts, federal, state, and/or local statute, regulation, or other legal agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal. Refer to Volume 4, Chapter 13 for accounting policy on measuring, recognizing, and disclosing environmental liabilities.

B. Military Munitions. Military munitions are all ammunition products and components produced or used by or for DoD or the U.S. Armed Services for national defense and security, including military munitions under the control of DoD, the U.S. Coast Guard, the U.S. Department of Energy (DOE), and National Guard personnel.

1. The term “military munitions” includes confined gaseous, liquid, and solid propellants; explosives; pyrotechnics; chemical and riot-control agents; smokes and incendiaries used by DoD Components, including bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small arms ammunition, grenades, mines, torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components.

2. Military munitions do not include wholly inert items, improvised explosive devices, nuclear weapons, nuclear devices, and nuclear components. However, the term does include non-nuclear components of nuclear devices, managed under DOE's nuclear weapons program, after all required sanitation operations under the Atomic Energy Act of 1954, as amended, have been completed. Military munitions include munitions scrap, UXO, WMM, and chemical residue.

a. Munitions Scrap. Munitions scrap includes the metal components of military munitions that remain from the destruction, detonation, demilitarization, or treatment of military munitions. Munitions scrap does not include concentrations of explosives or other materiel associated with the scrap munitions that pose hazards to health, safety, or the environment.

b. UXO. UXO includes military munitions that have been primed, fused, armed, or otherwise prepared for action, and have been fired, dropped, launched,

projected, or placed in such a manner as to constitute a hazard to operations, installations, personnel, or materiel and remain unexploded either by malfunction, design, or any other cause.

c. WMM. For purposes of this document, WMM are defined as:

(1) An unused munition abandoned by being disposed of, burned or incinerated, or treated prior to disposal;

(2) A used or fired munition recovered, collected, and disposed of by burial, landfilling, or land treatment; or

(3) Explosive contaminated environmental media (e.g., soil, water, or air) where the concentration of the explosive present is sufficient to detonate or deflagrate when exposed to a strong initiating force or when the explosives are present at a concentration sufficient to make the soil a reactive hazardous waste under Title 40, Code of Federal Regulations, Section 261.23. Such contaminated media are to be managed as explosives and are subject to the explosives safety requirements (e.g., the hazard classification) applicable to the explosive present.

d. Chemical Residues from Military Munitions. Chemical residues from military munitions include the chemical byproducts of detonation, deflagration, or other reactive processes. Examples include unconsumed explosives (even in trace concentrations) from the detonation of a military munitions; explosives released by the structural compromise of an unfired WMM; residues from the destruction of excess propellant bags in the course of training; and chemical agents released from chemical munitions.

C. Ranges. Ranges are designated land or water area set aside, managed, and used to conduct research, develop, test, and evaluate military munitions and explosives, other ordnance or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, and buffer zones with restricted access and exclusionary areas.

1. Military ranges also include bodies of water located within the boundaries of a military range (e.g., a stream, lake, or pond) or that are themselves a range (e.g., an offshore range in the Atlantic or Pacific Ocean). Such water areas include all waters of the U.S. (as defined under the Clean Water Act) and those ocean waters extending out to 200 nautical miles from the U. S. coast. A military range may be a single site or may be comprised of several sites.

2. For the purposes of this document, there are two types of ranges, operational and other than operational, as described.

a. Operational Range. For purposes of this document, an operational range includes military ranges that are currently in service and regularly used for range activities. Operational ranges also include military ranges that are not currently being used, but:

(a) are still considered by the cognizant Military Service to be a potential range area; and (b) have not been put to a new use that is incompatible with range activities.

b. Other Than Operational Range. For purposes of this document, a range that is other than operational includes closed, transferring, and transferred ranges. It is important to note that while other than operational ranges that meet the funding eligibility criteria for the MMRP category are addressed by DERP, there are MMRP sites that are not associated with a range. For more details, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

(1) Closed Range. A closed range is a military range that has been taken out of service as a range and that has either been put to new uses that are incompatible with range activities or is not considered by the military to be a potential range area. A closed range is still under the control of a DoD Component. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered “closed.” For purposes of funding, a range transferred from DoD control that was not transferred as a result of BRAC, and that is not FUDS eligible, is considered “closed.”

(2) Transferred Range. A transferred range is a property formerly used as a military range that is no longer under military control and has been leased by DoD, transferred, or returned from DoD to another entity, including federal entities. A transferred range includes a military range that is no longer under military control, but was used under the terms of a withdrawal, executive order, special use permit or authorization, right-of-way, public land order, or other instrument issued by the federal land manager. For purposes of funding, a range transferred from DoD control that is not transferred as a result of BRAC, and that is not FUDS eligible, is considered “closed.”

(3) Transferring Range. A transferring range is a military range that is proposed to be transferred or returned from DoD to another entity, including federal entities. A transferring range includes a military range used under the terms of a withdrawal, executive order, act of Congress, public land order, special use permit or authorization, right-of-way, or other instrument issued by the federal land manager or property owner. An active, inactive, or a closed range will not be considered a “transferring range” until the transfer is imminent. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered “closed.”

1018 NOTE 15. OTHER LIABILITIES

Figure 10-32 identifies a reporting entity's other liabilities balance for the current and prior FYs.

*Figure 10-32. Other Liabilities

Note 15.	Other Liabilities			
	As of [Current Fiscal Period End Date]	Current FY		
		Current Liability	Noncurrent Liability	Total
(Amount in thousands)				
1. Intragovernmental				
A. Advances from Others	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
B. Deposit Funds and Suspense Account Liabilities	\$\$\$	\$\$\$	\$\$\$	
C. Disbursing Officer Cash	\$\$\$	\$\$\$	\$\$\$	
D. Judgment Fund Liabilities	\$\$\$	\$\$\$	\$\$\$	
E. FECA Reimbursement to the Department of Labor	\$\$\$	\$\$\$	\$\$\$	
F. Custodial Liabilities	\$\$\$	\$\$\$	\$\$\$	
G. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$	
H. Other Liabilities	\$\$\$	\$\$\$	\$\$\$	
I. Total Intragovernmental Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
B. Advances from Others	\$\$\$	\$\$\$	\$\$\$	
C. Deferred Credits	\$\$\$	\$\$\$	\$\$\$	
D. Deposit Funds and Suspense Accounts	\$\$\$	\$\$\$	\$\$\$	
E. Temporary Early Retirement Authority	\$\$\$	\$\$\$	\$\$\$	
F. Nonenvironmental Disposal Liabilities:				
(1) Military Equipment (Non-nuclear)	\$\$\$	\$\$\$	\$\$\$	
(2) Excess/Obsolete Structures	\$\$\$	\$\$\$	\$\$\$	
(3) Conventional Munitions Disposal	\$\$\$	\$\$\$	\$\$\$	
G. Accrued Unfunded Annual Leave	\$\$\$	\$\$\$	\$\$\$	
H. Capital Lease Liability - Federal	\$\$\$	\$\$\$	\$\$\$	
I. Capital Lease Liability - Nonfederal	\$\$\$	\$\$\$	\$\$\$	
J. Contract Holdbacks	\$\$\$	\$\$\$	\$\$\$	
K. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$	
L. Contingent Liabilities	\$\$\$	\$\$\$	\$\$\$	
M. Other Liabilities	\$\$\$	\$\$\$	\$\$\$	
N. Total Nonfederal Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
3. Total Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	

*Figure 10-32. Other Liabilities (Continued)

Note 15.	Other Liabilities		
	As of [Current Fiscal Period End Date]	Prior FY	
	Current Liability	Noncurrent Liability	Total
(Amount in thousands)			
1. Intragovernmental			
A. Advances from Others	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Deposit Funds and Suspense Account Liabilities	\$\$\$	\$\$\$	\$\$\$
C. Disbursing Officer Cash	\$\$\$	\$\$\$	\$\$\$
D. Judgment Fund Liabilities	\$\$\$	\$\$\$	\$\$\$
E. FECA Reimbursement to the Department of Labor	\$\$\$	\$\$\$	\$\$\$
F. Custodial Liabilities	\$\$\$	\$\$\$	\$\$\$
G. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$
H. Other Liabilities	\$\$\$	\$\$\$	\$\$\$
I. Total Intragovernmental Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Nonfederal			
A. Accrued Funded Payroll and Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Advances from Others	\$\$\$	\$\$\$	\$\$\$
C. Deferred Credits	\$\$\$	\$\$\$	\$\$\$
D. Deposit Funds and Suspense Accounts	\$\$\$	\$\$\$	\$\$\$
E. Temporary Early Retirement Authority	\$\$\$	\$\$\$	\$\$\$
F. Nonenvironmental Disposal Liabilities:			
(1) Military Equipment (Non-nuclear)	\$\$\$	\$\$\$	\$\$\$
(2) Excess/Obsolete Structures	\$\$\$	\$\$\$	\$\$\$
(3) Conventional Munitions Disposal	\$\$\$	\$\$\$	\$\$\$
G. Accrued Unfunded Annual Leave	\$\$\$	\$\$\$	\$\$\$
H. Capital Lease Liability	\$\$\$	\$\$\$	\$\$\$
I. Contract Holdbacks	\$\$\$	\$\$\$	\$\$\$
J. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$
K. Contingent Liabilities	\$\$\$	\$\$\$	\$\$\$
L. Other Liabilities	\$\$\$	\$\$\$	\$\$\$
M. Total Nonfederal Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

*101801. Instructions

Present Other Liabilities for the current and prior FYs that are not included elsewhere on the Balance Sheet based upon the instructions in the chapter. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. General Guidance on Other Liabilities

1. Other Liabilities include, but are not limited to grants payable; capital lease liabilities; insurance and guarantee programs; advances and prepayment from others; deposit fund amounts held in escrow; contingent liabilities; contract holdbacks; accrued liabilities related to ongoing continuous expenses, such as federal employee salaries and accrued employee annual leave; and resources payable to the U.S. Treasury and other accrued liabilities.

2. Clean up costs will not be included in Other Liabilities because they are reported as environmental liabilities or the environmental portion of disposal costs in Note 14, "Environmental and Disposal Liabilities."

3. Report all contingent liabilities on the Other Liabilities line of the Balance Sheet. Recognize a contingent liability if all of the following conditions are met: (a) a past event or exchange transaction has occurred; (b) a future outflow or other sacrifice of resources is probable; and (c) the future outflow or sacrifice of resources is measurable. The amount reported (recognized) on the Balance Sheet is the total amount of the estimated probable loss. Examples of claims or other contingencies include: (a) indemnity agreement reimbursements due to licensees or contractors for losses incurred in support of federal activities; (b) adjudicated claims against the Federal Government that are in the process of judicial proceedings; and (c) the unfunded portion of total liabilities to international institutions.

4. Current liabilities represent debt due for payment within 12 months or less of the Balance Sheet date. Noncurrent liabilities represent debt that is due for payment beyond 12 months from the Balance Sheet date.

B. Intragovernmental. Report all intragovernmental other liabilities.

1. Advances from Others. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

2. Deposit Funds and Suspense Account Liabilities. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

3. Disbursing Officer Cash. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

4. Judgment Fund Liabilities. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3. Include liabilities for reimbursements due to the judgment fund for claims paid by the judgment fund related to the DoD reporting entity.

5. Federal Employees' Compensation Act Reimbursement to the Department of Labor. The Federal Employees' Compensation Act (FECA) provides benefit coverage for death, disability, medical, and miscellaneous costs for approved cases of on the job incidents. Submit FECA claims to the Department of Labor (DOL) for approval. DOL pays the claim holders, and then prepares a charge back billing to the responsible Agencies. Public law 93-416, Section 8147 essentially gives agencies two years to pay this charge back bill, allowing time for the amount to be included in their budgets.

a. Under the FECA, once funding is received, payments are due within 30 days. If DoD still has some amounts outstanding, report these amounts as covered by budgetary resources with an explanation for late payments.

b. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3, representing the total liability for FECA reimbursement to the DOL.

6. Custodial Liabilities. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

7. Employer Contribution and Payroll Taxes Payable. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

8. Other Liabilities. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

9. Total Intragovernmental Other Liabilities. The amounts reported represent the sum of Lines 1.A through 1.H. for each column (2, 3, and 4). In addition, Line 1.I of this note must equal the amount reported on the reporting entity's Balance Sheet. Disclose the total intragovernmental portion of other liabilities not covered by budgetary resources in Note 11, "Liabilities Not Covered by Budgetary Resources."

* C. Nonfederal Other Liabilities. Report Nonfederal Other Liabilities.

1. Accrued Funded Payroll and Benefits. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

2. Advances from Others. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

3. Deferred Credits. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

4. Deposit Funds and Suspense Accounts. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

5. Temporary Early Retirement Authority. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

6. Nonenvironmental Disposal Liabilities. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3. Breakout the categories used to report nonenvironmental disposal liabilities as follows: (a) Military Equipment (Non-nuclear); (b) Excess/Obsolete Structures; and (c) Conventional Munitions Disposal.

7. Accrued Unfunded Annual Leave. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

8. Capital Lease Liability - Federal. Report in column 2 the current portion of the federal liability. Report in column 3 the noncurrent portion of the federal liability. Report in column 4 the total for column 2 and column 3. Figure 10-33 provides additional information related to a reporting entity's capital lease liability for the current and prior FYs.

9. Capital Lease Liability - Nonfederal. Report in column 2 the current portion of the non-federal liability. Report in column 3 the noncurrent portion of the non-federal liability. Report in column 4 the total for column 2 and column 3. Figure 10-33 provides additional information related to a reporting entity's capital lease liability for the current and prior FYs.

10. Contract Holdbacks. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

11. Employer Contribution and Payroll Taxes Payable. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

12. Contingent Liabilities. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3. Refer to the DFAS Financial Reporting Guidance for additional information on contingent liabilities.

13. Other Liabilities. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the sum of column 2 and column 3.

14. Total Nonfederal Other Liabilities. The amount reported on the “Total Nonfederal Other Liabilities” line represents the sum of “Accrued Funded Payroll and Benefits” through “Other Liabilities” for each column (2, 3, and 4). In addition, the “Total Nonfederal Other Liabilities” line of this note must equal the amount reported on the reporting entity’s Balance Sheet. Disclose the total nonfederal portion of other liabilities not covered by budgetary resources in Note 11.

D. Total Other Liabilities (Line 3). The amounts represent the sum of “Total Intragovernmental Other Liabilities” and “Total Nonfederal Other Liabilities” for each column (2, 3, and 4).

E. Other Information Pertaining to Other Liabilities. Report other information relevant to other liabilities that is not in the categories. If any of the individual components of the “Other Liabilities” lines represent 10 percent or more of the value of the line, disclose those components separately. In addition, disclose any delinquent FECA bills due to the DOL for FECA, including amounts.

*Figure 10-33. Capital Lease Liability

Note 15.		Other Liabilities				
Capital Lease Liability						
<i>As of [Current Fiscal Period End Date]</i>		Current FY				
		Asset Category				
		Land and Buildings	Equipment	Other	Total	
(Amounts in thousands)						
1. Future Payments Due						
A. Current FY - federal	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
B. Current FY - nonfederal		\$\$\$		\$\$\$		\$\$\$
C. FY 1 (CY + 1)		\$\$\$		\$\$\$		\$\$\$
D. FY 2 (CY + 2)		\$\$\$		\$\$\$		\$\$\$
E. FY 3 (CY + 3)		\$\$\$		\$\$\$		\$\$\$
F. FY 4 (CY + 4)		\$\$\$		\$\$\$		\$\$\$
G. FY 5 (CY + 5)		\$\$\$		\$\$\$		\$\$\$
H. After 5 Years		\$\$\$		\$\$\$		\$\$\$
I. Total Future Lease Payments Due	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
J. Less: Imputed Interest and Executory Costs		\$\$\$		\$\$\$		\$\$\$
K. Net Capital Lease Liability	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
2. Capital Lease Liabilities Covered by Budgetary Resources					\$	\$\$\$
3. Capital Lease Liabilities Not Covered by Budgetary Resources					\$	\$\$\$
<i>As of [Prior Fiscal Period End Date]</i>		Prior FY				
		Asset Category				
		Land and Buildings	Equipment	Other	Total	
(Amounts in thousands)						
1. Future Payments Due						
A. Current FY	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
B. FY 1 (CY + 1)		\$\$\$		\$\$\$		\$\$\$
C. FY 2 (CY + 2)		\$\$\$		\$\$\$		\$\$\$
D. FY 3 (CY + 3)		\$\$\$		\$\$\$		\$\$\$
E. FY 4 (CY + 4)		\$\$\$		\$\$\$		\$\$\$
F. FY 5 (CY + 5)		\$\$\$		\$\$\$		\$\$\$
G. After 5 Years		\$\$\$		\$\$\$		\$\$\$
H. Total Future Lease Payments Due	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
I. Less: Imputed Interest and Executory Costs		\$\$\$		\$\$\$		\$\$\$
J. Net Capital Lease Liability	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
2. Capital Lease Liabilities Covered by Budgetary Resources					\$	\$\$\$
3. Capital Lease Liabilities Not Covered by Budgetary Resources					\$	\$\$\$

*101802. Instructions

Present capital lease liabilities for the current and prior FY in accordance with the instructions provided in this chapter. OMB Circular A-136 requires note disclosures for the lessee and the lessor and disclosure of capital and operating leases. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure. OMB Circular A-136 instructions for this note schedule reflect future payment disclosure requirements for five FYs and all remaining payments due in later years (after 5 years). While OMB Circular A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional Line 1.A for payments due in the remaining current FY and will result in the reporting of 6 FYs during quarters 1 through 3, instead of the 5 FYs displayed in OMB Circular A-136.

* A. Future Payments Due. Report the future lease payments, by major category (columns 2, 3, and 4), for all noncancelable leases with terms longer than 1 year. Disclose current year federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately. Enter the total information in column 5.

B. Total Future Lease Payments Due. Report the total future lease payments due for columns 2, 3, and 4. Enter the total information in column 5.

C. Less: Imputed Interest and Executory Costs. Report the imputed interest and executory costs for columns 2, 3, and 4. Enter the total information in column 5.

D. Net Capital Lease Liability. The net capital lease liability must equal the total reported on Note 15 for nonfederal capital lease liability. Enter the total information in column 5.

E. Capital Lease Liabilities Covered by Budgetary Resources versus Not Covered by Budgetary Resources (Lines 2 and 3). Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources. (Refer to Appendix B of the OMB Circular A-11 for additional guidance, but notice a difference in terminology. The term “capital leases” as used in this volume includes “capital leases and lease purchases”).

F. FY Information. The information presented in the Future Payments Due column is an actual FY. For example, if the report is for FY 2019, then display Line 1.A, Current FY, as FY 2019. Display FY 1 (Line 1.B) as FY 2020 and display Year 2 (Line 1.C.) as FY 2021. For quarterly reporting, report the payments remaining for the current FY (e.g., FY 2019) on Line 1.A.

1019 NOTE 16. COMMITMENTS AND CONTINGENCIES

101901. Instructions

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when

one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. SFFAS 5, “Accounting for Liabilities of the Federal Government,” as amended by [SFFAS 12](#), “Recognition of Contingent Liabilities Arising from Litigation: An Amendment to SFFAS 5, Accounting for Liabilities of the Federal Government,” contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

*101902. Disclosures

A. Disclosure versus Recognition of Contingent Liabilities. Use the commitments and contingencies note to disclose contingent liabilities that do not meet the criteria for recognition on the books of a reporting entity. Record the contingent liabilities that meet the recognition criteria on the books of the reporting entity and include the contingent liabilities on the applicable liability line(s) of the Balance Sheet (e.g., Environmental and Disposal Liabilities; and Other Liabilities) and in notes, as appropriate.

B. Criteria for Disclosure of a Contingent Liability. Disclose contingent liabilities if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Contingencies may include claims derived from treaties or international agreements. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

C. Required Disclosures. Include contingent liabilities that meet the criteria for disclosure:

1. Each reporting entity reviews its financial processes, systems, and data and modifies or expands, as necessary. The disclosure statement is a complete and accurate representation of contingent liabilities. An example of the disclosure statement is: “The reporting entity is a party in various administrative proceedings and legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where the management and Chief Counsel consider adverse decisions “probable” and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, “Other Liabilities,” and Note 12, “Accounts Payable.” Refer to Notes 15 and 12 for details.”

2. Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. Amounts disclosed for litigation claims and assessments are fully supportable and must agree with the reporting entity’s legal representation letters and management summary schedule. (This disclosure refers to the Management Representation Letter and the supporting Management Summary Schedule. This disclosure is applicable only to entities audited by the DoD Inspector General or an independent accounting firm.)

3. Disclose amounts for potential future financial obligations, such as contractual arrangements including fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in quantities; and contracts where allowable interest may become payable based on contractor claims under the "Disputes" clause contained in contracts. Amounts disclosed represent future potential liabilities and do not include amounts already recognized as contingent liabilities in Note 15. Consider disclosing the difference between the maximum or ceiling amounts and amounts recognized in Note 15 when it is reasonably possible the maximum amount may be paid.

4. In addition to the contingent liability disclosures required, OMB requires the following disclosures: (1) an estimate of obligations related to cancelled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements that may require future financial obligations.

* 5. Disclose amounts attributable to treaties and other international agreements. Reporting entities must review treaties and other international agreements to determine whether they give rise to contingent liabilities, and if so, whether the contingent liabilities should be recognized or disclosed. SFFAS 5, as amended by SFFAS 12, contains the criteria for recognition and disclosure of contingent liabilities.

6. Disclose any other applicable contingencies, along with additional information to clarify the nature of the contingency. If a contingent liability has been recognized for all or part of the item(s), disclose it in Note 15, and do not include in Note 16.

7. For reporting entities that are unable to disclose contingencies related to specific contracts, disclose that the reporting entity "is a party in numerous individual contracts that contain clauses, such as price escalations, award fee payments, or dispute resolution, that may or may not result in the future outflow of expenditures. Currently, the entity does not have a systemic process by which it captures or assesses these potential contingent liabilities. Therefore, the amounts reported may not fairly present the reporting entity's contingent liabilities."

1020 NOTE 17. MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

Figure 10-34 identifies a reporting entity's Military Retirement Benefits and Other Federal Employment Benefits balance for the current and prior FYs.

Figure 10-34. Military Retirement and Other Federal Employment Benefits

Note 17.		Military Retirement and Other Federal Employment Benefits		
<i>As of [Current Fiscal Period End Date]</i>		Current FY		
		Liabilities	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
(Amounts in thousands)				
1. Pension and Health Benefits				
A.	Military Retirement Fund	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B.	Military Pre Medicare-Eligible Retiree Health Benefits	\$\$\$	\$\$\$	\$\$\$
C.	Military Medicare-Eligible Retiree Health Care Fund	\$\$\$	\$\$\$	\$\$\$
D.	Total Pension and Health Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Other Actuarial Benefits				
A.	FECA	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B.	Voluntary Separation Incentive Programs	\$\$\$	\$\$\$	\$\$\$
C.	DoD Education Benefits Fund	\$\$\$	\$\$\$	\$\$\$
D.	Other	\$\$\$	\$\$\$	\$\$\$
E.	Total Other Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total Military Retirement and Other Federal Employment Benefits		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities:

Figure 10-34. Military Retirement and Other Federal Employment Benefits (Continued)

Note 17.		Military Retirement and Other Federal Employment Benefits		
<i>As of [Current Fiscal Period End Date]</i>		Prior FY		
		Liabilities	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
<i>(Amounts in thousands)</i>				
1. Pension and Health Benefits				
A.	Military Retirement Fund	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B.	Military Pre Medicare-Eligible Retiree Health Benefits	\$\$\$	\$\$\$	\$\$\$
C.	Military Medicare-Eligible Retiree Health Care Fund	\$\$\$	\$\$\$	\$\$\$
D.	Total Pension and Health Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Other Actuarial Benefits				
A.	FECA	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B.	Voluntary Separation Incentive Programs	\$\$\$	\$\$\$	\$\$\$
C.	DoD Education Benefits Fund	\$\$\$	\$\$\$	\$\$\$
D.	Other	\$\$\$	\$\$\$	\$\$\$
E.	Total Other Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total Military Retirement and Other Federal Employment Benefits				
		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities:

102001. Instructions

Present Military Retirement Benefits and Other Federal Employment Benefits for the current and prior FY based on the following instructions. Report the information required in the note by the entity that administers the benefit(s), except for Line 2.A, FECA. Include amounts owed to DOL for estimated actuarial liabilities for future workers' compensation benefits. Figure 10-35 identifies the reporting entity's change in actuarial liability for the current FY. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Pension and Health Actuarial Benefits (Lines 1.A through 1.D). Report the pension and health benefit liabilities for MRF, Military Pre Medicare-Eligible Retiree Health Benefits, and Military Medicare-Eligible Retiree Health Care Fund (MERHCF).

1. Liabilities (Column 2). Report the actuarial present value of projected benefits. For pensions, this would be the projected benefit obligation.

a. MRF accumulates funds used to pay pensions and annuities to retired military personnel and their survivors. MRF is a single employer defined benefit plan. MRF will report the actuarially determined present value of all future pensions earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retirement costs are spread over the projected future salaries of a new entrant cohort. (Refer to Volume 4, Chapter 10 for further guidance.)

b. The Military Pre Medicare-Eligible Retiree Health Benefits will include beneficiaries of the Defense Health Program (DHP), retirees, their dependents, and survivors who are not yet Medicare-eligible. The DHP will report the actuarially determined present value of all retirement benefits earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected medical costs are spread over the projected future service of a cohort at the point of entry. (Refer to Volume 4, Chapter 10 for further guidance).

c. The Military MERHCF accumulates funds to pay for health care programs for Medicare-eligible Military and other Uniformed Service retirees and their Medicare-eligible dependents or survivors. The Military MERHCF will report the actuarial present value of projected benefits accrued to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retiree medical plan costs are spread over the projected service of a new entrant cohort.

d. Line 1.D, “Total Pension and Health Benefits,” is the sum of Lines 1.A through 1.C.

2. Less: Assets Available to Pay Benefits (Column 3). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 4). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 2) less funded assets available to pay benefits (column 3).

B. Other Actuarial Benefits (Lines 2.A through 2.E). Report other employment related actuarial liabilities.

1. Liabilities (Column 2). Report the actuarial present value of projected benefits. Line 2.E, “Total Other Benefits,” is the sum of Lines 2.A through 2.D.

2. Less: Assets Available to Pay Benefits (Column 3). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 4). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 2) less funded assets available to pay benefits (column 3).

C. Total Military Retirement and Other Federal Employment Benefits (Line 3). Enter the sum of the totals from Lines 1.D and 2.E in the corresponding columns in Figure 10-34. The liabilities total (column 2) must agree with the amount reported on the Balance Sheet. The unfunded liabilities (column 4) must agree with Note 11, “Liabilities Not Covered by Budgetary Resources,” Line 2.B, “Military Retirement Benefits and Other Federal Employee Benefits.”

D. Other Information Pertaining to Military Retirement and Other Federal Employment Benefits. Report the minimum disclosures related to pensions and other actuarial liabilities.

1. Total Liability. Disclose the separate amounts for the liabilities covered by budgetary resources and not covered by budgetary resources and the total liability.

2. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.

3. Assumptions. Disclose the actuarial, economic, and health care cost trend and discount rate assumptions used to calculate the liability. Refer to SFFAS 5 and SFFAS 33 for discount rate assumptions. Include the statement that the estimated actuarial liability is updated only at the end of each FY.

4. Expense Components. Disclose the individual components of expense for the period.

5. Fair Value of Investments. Disclose the fair value of investments in market-based and marketable securities.

6. Changes. Disclose the changes in actuarial liability since the previous calculation and provide a brief summary of the program(s) for which actuarial liabilities are computed.

7. Materiality. If any of the individual components of Line 2.D represents 10 percent or more of the value of the line, disclose those components separately.

Figure 10-35. Change in Actuarial Liability

Note 17.	Military Retirement and Other Federal Employment Benefits				
	As of [Current Fiscal Period End Date]	Current FY			
		Military Retirement Pension	Military Pre Medicare-Eligible Retiree Health Benefits	Military Medicare-Eligible Retiree Health Benefits	Voluntary Separation Incentive Programs
Beginning Actuarial Liability	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Normal Cost Liability	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Plan Amendment Liability	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Assumption Change Liability	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Benefit Outlays	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Interest Cost	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to changes in experience	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to changes in trend assumptions	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to other factors	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Prior Service Costs	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Other	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Ending Actuarial Liability	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Change in Actuarial Liability	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

102002. Instructions

Provide a reconciliation of the changes in actuarial liabilities from beginning and ending balances. SFFAS 33 requires the display of the components of pension expense, as well as the gains and losses from changes in long-term assumptions used to estimate liabilities for federal employee pensions, other retirement benefits, and other post-employment benefits including a discount rate assumption.

102003. Reporting

Report actuarial liability data related to normal cost liabilities, plan amendment liabilities, assumption change liabilities, benefit outlays, interest costs, actuarial (gains)/losses, and prior service costs. Report actuarial liability data according to the following categories: Military Retirement Pension, Military Pre Medicare-Eligible Retiree Health Benefits, Military Medicare-

Eligible Retiree Health Benefits, Voluntary Separation Incentive Programs, and DoD Education Benefits Fund.

1021 NOTE 18. GENERAL DISCLSOSURES RELATED TO THE STATEMENT OF NET COST

Figure 10-36 identifies a reporting entity’s disclosures related to the Statement of Net Cost

*Figure 10-36. General Disclosures Related to the Statement of Net Cost

Note 18.	General Disclosures Related to the Statement of Net Cost	
Intragovernmental Costs and Exchange Revenue		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
<i>(Amounts in thousands)</i>		
Military Retirement Benefits		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$
Civil Works		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$
Military Personnel		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$

*Figure 10-36. General Disclosures Related to the Statement of Net Cost (Continued)

Note 18. General Disclosures Related to the Statement of Net Cost		
Intragovernmental Costs and Exchange Revenue		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Operations, Readiness & Support		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$
Procurement		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$
Research, Development, Test & Evaluation		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$
Family Housing & Military Construction		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$

*Figure 10-36. General Disclosures Related to the Statement of Net Cost (Continued)

Note 18. General Disclosures Related to the Statement of Net Cost		
Intragovernmental Costs and Exchange Revenue		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Consolidated		
1. Gross Cost	\$ \$\$\$	\$ \$\$\$
2. Less: Earned Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
4. Costs Not Assigned to Programs	\$ \$\$\$	\$ \$\$\$
5. (Less: Earned Revenues) Not Attributed to Programs	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$

*102101. Instructions

Disclose information related to the [Statement of Net Cost \(SNC\)](#). Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. [Gross Cost \(Line 1\)](#). This line contains costs that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intra-entity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating costs. [Line 1 also contains costs that arise from exchange transactions made between the reporting entity and a nonfederal entity.](#) Line 1 agrees with the amount reported on the SNC.

B. [Less: Earned Revenue \(Line 2\)](#). This line contains revenues that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intra-entity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating revenue. [Line 2 also contains revenues that arise from exchange transactions made between the reporting entity and a nonfederal entity.](#) Line 2 agrees with the amount reported on the SNC.

C. [Losses/\(Gains\) from Actuarial Assumption Changes for Military Retirement Benefits \(Line 3\)](#). This line contains the losses and gains from actuarial assumption changes for military retirement benefits and reported for Military Retirement Benefits; Civil

Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated line.

D. Total Net Cost. This line is the cost incurred by the reporting entity (Line 1) less any exchange revenues earned (Line 2) plus or minus the losses or gains from actuarial assumption changes for military retirement benefits (Line 3). This amount agrees with the amount reported on the SNC, SCNP, and Reconciliation of Net Cost of Operations to Budget.

E. Costs Not Assigned to Programs (Line 4). This line is the costs not assigned to programs and is added to the Consolidated section to arrive at the Total Net Cost.

F. (Less: Earned Revenues) Not Attributed to Programs (Line 5). This line is the revenue not attributed to programs and is subtracted from the Consolidated section to arrive at the Total Net Cost.

G. General Disclosures

1. Disclose that the SNC is unique because its principles are driven on understanding the net cost of programs and organizations that the Federal Government supports through appropriations or other means. This statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and organization administered by a responsible reporting entity.

2. Disclose that intragovernmental costs and revenue relate to transactions made between two reporting entities within the Federal Government.

3. Disclose that public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity. For public earned revenue, the buyer of the goods or services is a nonfederal entity. For intragovernmental costs, the seller is a federal entity. If a federal entity purchases goods or services from another federal entity and sells them to the public, classify the exchange revenue as public, but classify the related costs as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs incurred to produce public and intragovernmental revenue.

4. Reporting entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Expenses were adjusted by [cite methodology]: (1) reclassifying amounts between federal and nonfederal expenses; or (2) accruing additional accounts payable and expenses. See Chapter 13 for additional information on intragovernmental reconciliations and eliminations.

5. If the reporting entity was able to compare its intragovernmental costs and revenues with corresponding balances of its intragovernmental trading partners (other federal entities), then it must disclose any material differences identified. Additionally, provide

an explanation for the material differences identified and whether or not the differences were resolved.

102102. Other Disclosures

A. Cost Disclosure Specific to General Funds. Disclose, if applicable, that the reporting entity does not meet specific accounting standards and that information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

B. Cost Disclosure Specific to Working Capital Fund (WCF). Disclose, if applicable, that the reporting entity does not meet specific accounting standards. Each reporting entity reviews its financial processes, systems, and data and discloses, if applicable, that while the WCF generally records transactions on an accrual basis, the systems do not always capture actual costs in a timely manner. Information presented on this statement is primarily based on budgetary obligation, disbursement, or collection transactions, as well as information from nonfinancial feeder systems.

102103. Stewardship PP&E

Stewardship PP&E assets include Heritage Assets and stewardship land. Disclose, if applicable, the following:

A. If the cost of Heritage Assets and stewardship land transferred from other federal entities is not known, the receiving entity must disclose the number of physical units by major category. Do not recognize Heritage Assets and stewardship land acquired through donation or devise as a cost in calculating net cost, but disclose the fair value of the property. If the fair value is not known or reasonably estimable, disclose information related to the type and quantity of assets received.

B. Disclose any amounts expensed during the current period in the SNC for the costs of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets (other than Multi-Use Heritage Assets), and the cost of acquiring stewardship land and any costs to prepare a stewardship asset for its intended use. If the accounting system does not provide the necessary information to make the required disclosure for all or part of these expenses, the reporting entity must make the following disclosure to recognize the weakness and to disclose the portion of the expenses that are known. (If no portion of the expenses is known, include only the first sentence of the disclosure.)

C. Disclose that the reporting entity's accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. Where it was able separate the cost of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets, the reporting entity identified the dollar amount for the FY.

1022 NOTE 19. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

Figure 10-37 identifies the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated net position totals presented on the Balance Sheet.

Figure 10-37. Disclosures Related to the Statement of Changes in Net Position

As of [Current Fiscal Period End Date]	Current FY		
	Combined	Consolidating Eliminations	Consolidated
Consolidating Net Position			
Unexpended Appropriations – Funds from Dedicated Collections (Note 23)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Unexpended Appropriations – Other Funds	\$\$\$	\$\$\$	\$\$\$
Cumulative Results of Operations – Funds from Dedicated Collections (Note 23)	\$\$\$	\$\$\$	\$\$\$
Cumulative Results of Operations – Other Funds	\$\$\$	\$\$\$	\$\$\$
Total Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
<hr/>			
As of [Prior Fiscal Period End Date]	Prior FY		
	Combined	Consolidating Eliminations	Consolidated
Consolidating Net Position			
Unexpended Appropriations – Funds from Dedicated Collections (Note 23)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Unexpended Appropriations – Other Funds	\$\$\$	\$\$\$	\$\$\$
Cumulative Results of Operations – Funds from Dedicated Collections (Note 23)	\$\$\$	\$\$\$	\$\$\$
Cumulative Results of Operations – Other Funds	\$\$\$	\$\$\$	\$\$\$
Total Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

102201. Instructions

Disclose information related to the SCNP. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

102202 Consolidating Net Position

DoD presents funds from dedicated collections on a combined basis. Figure 10-37 summarizes the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated net position totals presented on the Balance Sheet. The financial information presented in Figure 10-37 facilitates Fiscal Service reporting by subtracting intragovernmental eliminations from combined totals to arrive at the consolidated totals reported in the Financial Report of the United States Government. See Note 23, “Funds from Dedicated Collections,” for additional information on reporting dedicated collections balances. Note 23 presents funds from dedicated collections on a combined basis.

102203. Other Disclosures

A. Appropriations Received. Disclose, if applicable, that Appropriations Received on the Statement of Budgetary Resources (SBR) does not agree with Appropriations Received on the SCNP. Refer to Note 20, “Disclosures Related to the Statement of Budgetary Resources,” for additional details.

B. Material Contributions of Commodities. Disclose material contributions of commodities from other nations in support of the Overseas Contingency Operations as donated revenue (if applicable as a transferring entity). A separate disclosure for immaterial amounts is not needed; however, they must be recorded as donated revenue and included in the SCNP.

C. Other Information. Discuss other information to help the user understand the SCNP. If any of the individual components of the statement lines titled “Other” represent 10 percent or more of the value of the line, disclose those components separately.

1023 NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Figure 10-38 identifies a reporting entity's disclosures related to the SBR for the current and prior FYs.

*Figure 10-38. Disclosures Related to the Statement of Budgetary Resources

Note 20.	Disclosures Related to the Statement of Budgetary Resources	
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amount in thousands)		
1. Intragovernmental Budgetary Resources Obligated for Undelivered Orders		
A. Unpaid	\$ \$\$\$	\$ \$\$\$
B. Prepaid/Advanced	\$\$\$	\$\$\$
C. Total Intragovernmental	\$ \$\$\$	\$ \$\$\$
2. Nonfederal Budgetary Resources Obligated for Undelivered Orders		
A. Unpaid	\$ \$\$\$	\$ \$\$\$
B. Prepaid/Advanced	\$\$\$	\$\$\$
C. Total Nonfederal	\$ \$\$\$	\$ \$\$\$
3. Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ \$\$\$	\$ \$\$\$
4. Available Borrowing and Contract Authority at the End of the Period	\$ \$\$\$	\$ \$\$\$

102301. Instructions

Disclose information related to the SBR. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

*102302. Disclosures

A. Intragovernmental Budgetary Resources Obligated for Undelivered Orders (Line 1). Disclose the net amount of intragovernmental budgetary resources obligated for undelivered orders as of the end of the reporting period. Separately categorize intragovernmental budgetary resources obligated for undelivered orders as unpaid or prepaid/advance. Report the sum of Line 1.A, "Unpaid," and Line 1.B, "Prepaid/Advanced," on Line 1.C, "Total Intragovernmental."

B. Nonfederal Budgetary Resources Obligated for Undelivered Orders (Line 2). Disclose the net amount of nonfederal budgetary resources obligated for undelivered orders as of the end of the reporting period. Separately categorize nonfederal budgetary resources obligated for undelivered orders as unpaid or prepaid/advanced. Report the sum of Line 2.A, “Unpaid,” and Line 2.B, “Prepaid/Advanced,” on Line 2.C, “Total Nonfederal.”

C. Budgetary Resources Obligated for Undelivered Orders at the End of the Period (Line 3). Report the sum of Line 1.C, “Total Intragovernmental,” and Line 2.C, “Total Nonfederal.”

D. Available Borrowing and Contract Authority at the End of the Period (Line 4). Disclose the amount of borrowing and contract authority available at the end of the reporting period.

E. Excluded Amounts. This note does not include any amounts from cancelled accounts for which the U.S. Treasury is willing to accept corrections.

F. Other Information. Disclose other information necessary to understand the SBR.

1. Disclose the amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, B or E. Category E is exempt from apportionment. Refer to Section 120 of OMB Circular A-11 for additional information on apportionment categories. The summation of the categories must be equivalent to the SBR.

	Budgetary	
Type	Direct (\$ in thousands)	Reimbursable (\$ in thousands)
Category A	\$ \$\$\$	\$ \$\$\$
Category B	\$ \$\$\$	\$ \$\$\$
Exempt from Apportionment	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$
	Non-Budgetary	
Type	Direct (\$ in thousands)	Reimbursable (\$ in thousands)
Category A	\$ \$\$\$	\$ \$\$\$
Category B	\$ \$\$\$	\$ \$\$\$

2. Disclose that intra-entity transactions have not been eliminated because the statements are presented as combined.

3. Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.
4. Disclose material adjustments made to budgetary resources available at the beginning of the year and provide an explanation.
5. Disclose the existence, purpose, and availability of permanent indefinite appropriations.
6. Disclose information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the [Reporting Entity] unobligated balances of budget authority represent the portion of trust fund receipts collected in the current FY that: (1) exceed the amount needed to pay benefits or other valid obligations; and (2) exceed the receipts temporarily precluded from obligation by law. The receipts are assets of the trust fund and available for obligation as needed in the future.
7. Explain any contributed capital received during the reporting period including the amount, the source, and the reason for these additional funds. (Only applies to those who received funds in excess of their original appropriation.)
8. For Service entities and the DoD Consolidated entity, identify and explain material differences between amounts reported on SBR and the President's budget. For all other reporting defense organizations, identify and explain differences between amounts reported on the SBR and Standard Form 133, Report on Budget Execution and Budgetary Resources.
9. Disclose that "Appropriations Received" on the SBR does not agree with "Appropriations Received" on SCNP. Cite the total difference and summarize significant components of the difference in Note 19, "Disclosures Related to the Statement of Changes in Net Position."
10. Disclose any other relevant information relating to the reporting entity that promotes a better understanding of the entity's SBR.

1024 NOTE 21. DISCLOSURES RELATED TO THE RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Figure 10-39 identifies a reporting entity's disclosures related to the Reconciliation of Net Cost of Operations to Budget for the current and prior FYs.

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget

Note 21.	Disclosures Related to the Reconciliation of Net Cost of Operations to Budget	
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
1. Obligations incurred	\$ \$\$\$	\$ \$\$\$
2. Less: Spending authority from offsetting collections and recoveries	\$\$\$	\$\$\$
3. Obligations net of offsetting collections and recoveries	\$ \$\$\$	\$ \$\$\$
4. Less: Offsetting receipts (-)	\$\$\$	\$\$\$
5. Net obligations	\$ \$\$\$	\$ \$\$\$
Other Resources:		
6. Donations and forfeitures of property	\$\$\$	\$\$\$
7. Transfers in/out without reimbursement (+/-)	\$\$\$	\$\$\$
8. Imputed financing from costs absorbed by others	\$\$\$	\$\$\$
9. Other (+/-)	\$\$\$	\$\$\$
10. Net other resources used to finance activities	\$ \$\$\$	\$ \$\$\$
11. Total resources used to finance activities	\$ \$\$\$	\$ \$\$\$
Resources Used to Finance Items not Part of the Net Cost of Operations:		
12. Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided:		
a. Undelivered orders (-)	\$ \$\$\$	\$ \$\$\$
b. Unfilled customer orders	\$\$\$	\$\$\$
13. Resources that finance expenses recognized in prior Periods	\$\$\$	\$\$\$
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	\$\$\$	\$\$\$
15. Resources that finance the acquisition of assets (-)	\$\$\$	\$\$\$
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations (+/-):		
a. Less: Trust or special fund receipts related to exchange in the entity's budget (-)	\$\$\$	\$\$\$
b. Other (+/-)	\$\$\$	\$\$\$
17. Total resources used to finance items not part of the Net Cost of Operations	\$ \$\$\$	\$ \$\$\$
18. Total resources used to finance the Net Cost of Operations	\$ \$\$\$	\$ \$\$\$

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget (Continued)

Note 21.	Disclosures Related to the Reconciliation of Net Cost of Operations to Budget	
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
19. Increase in annual leave liability	\$ \$\$\$	\$ \$\$\$
20. Increase in environmental and disposal liability	\$\$\$	\$\$\$
21. Upward/Downward re-estimates of credit subsidy expense (+/-)	\$\$\$	\$\$\$
22. Increase in exchange revenue receivable from the public	\$\$\$	\$\$\$
23. Other (+/-)	\$\$\$	\$\$\$
24. Total components of net cost of operations that will require or generate resources in future periods	\$ \$\$\$	\$ \$\$\$
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	\$ \$\$\$	\$ \$\$\$
26. Revaluation of assets or liabilities (+/-)	\$\$\$	\$\$\$
27. Other (+/-)		
a. Trust fund exchange revenue	\$\$\$	\$\$\$
b. Cost of goods sold	\$\$\$	\$\$\$
c. Operating material and supplies used	\$\$\$	\$\$\$
d. Other	\$\$\$	\$\$\$
28. Total components of net cost of operations that will not require or generate resources	\$ \$\$\$	\$ \$\$\$
29. Total components of net cost of operations that will not require or generate resources in the current period	\$ \$\$\$	\$ \$\$\$
30. Net cost of operations	\$ \$\$\$	\$ \$\$\$

102401. Reconciliation Objective

[SFFAS 7](#), “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” requires a reconciliation explaining the relationship between budgetary obligations incurred by the entity and the net cost of operations of the entity.

A. The Reconciliation of Net Cost of Operations to Budget is the mechanism to accomplish this reconciliation. The objective of the Reconciliation of Net Cost of Operations to Budget is to help the users understand how information on the use of budgetary resources relates to information on the cost of program operations. This is accomplished by means of a reconciliation of budgetary obligations and nonbudgetary resources available to the reporting entity with its net cost of operations. It explains the use of resources used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity’s net

cost of operations. In addition, the computation and presentation of items in the schedule demonstrate that the budgetary (obligation based amount) and proprietary (accrual based amounts) cost information in an entity's financial management systems agree.

B. The reconciliation was formerly called the Statement of Financing. In FY 2007, OMB and the CFOs Council decided that this reconciliation would be better placed and understood as a note titled, "Reconciliation of Net Cost of Operations to Budget," rather than as a basic statement.

102402. Budgetary to Proprietary Accounting Reconciling Differences

Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or USGAAP (e.g., accrual of unfunded environmental and disposal liabilities that are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlaid in the budgetary accounts).

A. The reconciliation summarizes differences due solely to budgetary and proprietary accounting. Other differences encountered must be researched and corrected. DDRS has automated proprietary to budgetary reconciliations (Section V Reconciliations) that highlight certain discrepancies between budgetary and proprietary data.

B. See the DFAS, Enterprise Solutions and Standards, Financial Reporting, Audited Financial Statements Reconciliation [Manual](#) for additional information on DDRS reconciliations used for financial reporting.

102403. Reconciliation Crosswalk

It is imperative to comply with the "Additional Information Required" column in the crosswalk. This column limits or provides further detail on items that can be reported in these lines. A crosswalk for this note is available in the query section of DDRS-AFS.

102404. Instructions

Preparers of financial statements perform a detailed reconciliation of net obligations and other resources to net cost of operations, identifying all applicable reconciling items. Preparers should refer to FASAB's [Implementation Guide to SFFAS 7](#) for detailed guidance on preparing the reconciliation. The reconciliation is structured to first identify total resources (budgetary and other) used by an entity during the period and then makes adjustments (Lines 12 through 29) to the resources based upon how they were used to finance net obligations or net cost of operations. Budgetary resources reported in this schedule are those resources reported on the SBR and defined in OMB Circular A-11. Other resources reported in this schedule are also reflected in the SCNP. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

A. Resources Used to Finance Activities (Lines 1 through 11). This section reflects the budgetary resources obligated and other resources used to finance the activities of the reporting entity. The obligations of budgetary resources are net of offsetting collections, recoveries, and offsetting receipts. The other resources are financing sources that increase net position but are not budgetary resources.

1. Budgetary Resources Obligated (Lines 1 through 5)

a. Obligations incurred (Line 1). This amount must equal the obligations incurred as reported for the current FY on Line 2190 of the SBR. This line includes amounts for such items as new orders placed, contracts awarded, services received, undelivered orders, and expended authority (paid or unpaid).

b. Less: Spending authority from offsetting collections and recoveries (Line 2). This line consists of three primary components: offsetting collections, recoveries of budget authority, and changes in unfilled customer orders. Offsetting collections are collections from the public that result from business type or market oriented activities and collections from other government accounts (e.g., collections from other federal agencies for various activities, in which the Department engages; trust funds; and credit program collections).

(1) Recoveries of the prior FY budget authority consist of budget authority recovered during the current FY due to a reduction in a prior FY obligation. Consider unfilled customer orders a budgetary resource at the time the order is accepted. Also, consider any collections on those orders a resource.

(2) In order to avoid double counting when relating net obligations to net outlays, deduct the change in unfilled customer orders from the beginning of the period to the end of the period from obligations incurred.

c. Obligations net of offsetting collections and recoveries (Line 3). This line item is the sum of Lines 1 and 2.

d. Less: Offsetting receipts (Line 4). Refer to Chapter 7 for detail information pertaining to offsetting receipts. This line item must agree with the offsetting receipts as reported on Line 4200 of the SBR.

e. Net obligations (Line 5). This line item is the difference between Line 3 and Line 4. Net obligations reflect obligations incurred net of offsetting collections, recoveries, and receipts.

2. Other Resources (Lines 6 through 10). The line items in this section represent nonexchange revenue and other financing sources that increase net position, but are not budgetary resources as reported on the SBR or defined as such in OMB Circular A-11. The items in this section must agree with the corresponding line items as reported on the SCNP.

a. Donations and forfeitures of property (Line 6). This line item represents resources generated from donations or forfeitures of property, excluding cash. This line must agree with the Line 5.A of the SCNP.

b. Transfers in/out without reimbursement (+/-) (Line 7). This line includes intragovernmental transfers in or out of investment, inventory, capitalized assets, WCF cash transfers, and the quarterly rollup of disbursements and collections to the component level. Record capitalized assets transferred at the book value of the transferring entity. If the book value is not known, the amount recorded is the asset's estimated fair value at the date of the transfer. This line does not include appropriations transferred in or out shown on the Line 13.B of the SCNP or appropriated dedicated collections and expenditure financing sources transferred on Line 4.E of the SCNP. This line must agree with Line 5.B of the SCNP.

c. Imputed financing from costs absorbed by others (Line 8). This line represents the costs paid on behalf of the Department by another federal entity (e.g., the payment of certain employee benefit costs by Office of Personnel Management for the Department). This line must agree with Line 5.C of the SCNP.

d. Other (+/-) (Line 9). This line represents other nonexchange resources not previously disclosed that do not have a budgetary impact. This line must agree with Line 5.D of the SCNP.

e. Net other resources used to finance activities (Line 10). This line is the sum of Line 6 through Line 9.

3. Total resources used to finance activities (Line 11). This line is the sum of Line 5 and Line 10.

B. Resources Used to Finance Items Not Part of the Net Cost of Operations (Line 12 through Line 17). This section adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the net cost of operations. This section would include items in which the expense was recognized in a prior period, but the budgetary resource and obligation are recognized in the current period (e.g., unfunded environmental liabilities expense accrued in the prior period but funded, obligated, and delivered in the current period). It would also include budgetary resources and obligations recognized in the current period that do not affect the net cost of operations (e.g., the acquisition of assets reflected in net obligations and on the Balance Sheet but not in net cost of operations for the period).

1. Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided (Line 12). This amount reflects undelivered orders or adjustments, included in net obligations, but not part of the net cost of operations.

a. Undelivered orders (Line 12.a). Subtract net increases in undelivered orders and upward adjustments of prior FY undelivered orders from the net obligations because they have no impact on the entity's net cost of operations. Add net decreases in

undelivered orders and downward adjustments of prior FY undelivered orders. Show increases in undelivered orders as negative amounts and decreases as positive amounts.

b. Unfilled customer orders (Line 12.b). This line reverses the effect of unfilled customer orders included in net obligations, but not part of net cost of operations. Therefore, add net increases in unfilled customer orders to net obligations and subtract net decreases in unfilled customer orders. Unfilled customer orders were included in Line 2.

2. Resources that finance expenses recognized in prior periods (Line 13). This line item reflects the net decrease in future funded liabilities. Report net increases in future funded liabilities on Line 19 through Line 24. This line includes obligations of budgetary resources in the current period for expenses previously classified as future funded and included in the net cost of operations in a prior period. These expenses were reported on this statement in a prior period as “Components Requiring or Generating Resources in Future Periods” (Lines 19 through 24). Examples include decreases in annual leave and environmental cleanup liabilities. This line item represents credit balances of unfunded expense accounts or net decreases in the unfunded liabilities. This line also includes vendor overpayments collected.

3. Budgetary offsetting collections and receipts that do not affect net cost of operations (Line 14). This line item reflects offsetting collections and receipts (Lines 2 and 4) not reported as exchange revenue on the SNC. It consists of the credit reform financing fund collections that increase liabilities for loan guarantees or allowance for subsidy and offsetting collections or receipts that are included in “Total Resources Used to Finance Activities,” but are not exchange revenue.

a. Since all offsetting collections and receipts are included in the determination of “Resources Used to Finance Activities” and only exchange revenue is reported on the SNC, this line adjusts net obligations for the portion of offsetting collections and receipts that are not reported on the SNC. Examples of nonexchange revenues include amounts for accrued interest from U.S. Treasury securities held by special and trust funds, and the nonbudgetary portion of other revenue associated with nonexchange revenue.

b. Amounts on Line 14 must agree with those reported on the SCNP as part of financing sources other than exchange revenue.

(1) Certain collections in the financing account represent budgetary resources but do not affect net cost. These collections adjust amounts on the Balance Sheet. For example, the accounting for subsidy expense illustrates this reconciling item. In determining net obligations, in the “Resources Used to Finance Activities” section, subsidy expense is reflected as both a component of obligations incurred and offsetting collections. The program account obligates the subsidy expense and the financing account collects and retains the subsidy until disbursement of a loan or default claim. The subsidy expense is reflected as both an obligation on the SBR and an expense on the SNC. The collection, however, is reflected as an offsetting collection on the SBR, but reflected as a contra asset or liability on the Balance Sheet.

(2) Other transactions generating differences between net obligations and net cost of operations reflected on this line include the collection of exchange revenue receivable from the public and advances received for work not yet performed.

4. Resources that finance the acquisition of assets (Line 15). This line item reflects budgetary resources obligated that are not expenses as reported on the SNC. Examples include purchases of General PP&E, nonfederal securities, and investments. Report the current FY purchase only. If an entity cannot derive current FY purchases from the change in the asset accounts, the entity may accumulate the amounts needed for capitalized purchases in memorandum accounts. Other items reported on this line include credit reform financing funds, delivered orders or adjustments thereto, and losses incurred when an asset is sold or disposed of and a budgetary resource is recognized.

a. Two options exist for reporting such losses on Note 21. The first option is to include the book value on Line 15 and exclude the loss in “Components Not Requiring or Generating Resources” (Lines 25 through 28).

b. The second option is to include the loss in “Components Not Requiring or Generating Resources” (Lines 25 through 28) and include the book value less the loss on Line 15. Subtract increases in this line from net obligations and report on the Reconciliation of Net Cost of Operations to Budget as a credit balance. Report net decreases as a debit on the note.

5. Other resources or adjustments to net obligated resources that do not affect net cost of operations (+/-) (Line 16). This line includes Trust or Special fund receipts related to exchange revenue in the entity's budget.

a. Less: Trust or special fund receipts related to exchange in the entity's budget (-) (Line 16.a). An activity reported on Line 16a is an element of net cost. This activity would normally be classified as offsetting collections, but is not reported as such based on instructions in OMB Circular A-11. This line adjusts obligations, in the same manner as offsetting collections reported on Line 2.

b. Other (+/-) (Line 16.b). This line item includes activities not otherwise classified. This activity may include non-cash recoveries of prior FY obligations. Recoveries are budgetary resources that offset obligations on the SBR, but are not a proprietary financing source used to offset costs on the SNC. Other examples include prior period adjustments, transfers of current FY authority, and transfers of property. These examples are reported as other resources in the first section of this statement, but are not reported on the SNC or budgetary resources. If any of the individual components of Line 16.b represent 10 percent or more of the value of the line, disclose this information in Note 21.

6. Total resources used to finance items not part of the net cost of operations (Line 17). This line is the sum of Lines 12 through 16.

C. Total resources used to finance the net cost of operations (Line 18). This line is the sum of Lines 11 and 17.

D. Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period (Lines 19 through 29). This section adjusts total resources used to finance the activities of the entity to account for items that were part of the net cost of operations, but were not included in net obligations. This section includes items in which the expense was recognized in the current period, but the budgetary resource and obligation will be recognized in a future period (e.g., unfunded environmental liabilities expense accrued in the current period that will be funded, obligated, and liquidated in a future period). It would also include current period expenses that affect the net cost of operations, but will not require budgetary resources and obligations in a future period (e.g., depreciation expense).

1. Components Requiring or Generating Resources in Future Periods. The costs of the Federal Government are not always funded in the period the costs are incurred. This section identifies items recognized as a component of the net cost of operations for the period, but the budgetary resources (and related obligations) will not be provided (or incurred) until a subsequent period.

a. Increase in annual leave liability (Line 19). This line item includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to annual leave. Report decreases in annual leave on Line 13.

b. Increase in environmental and disposal liability (Line 20). This line item includes the expense related to the increase in environmental and disposal liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to the environmental and disposal liability. Report decreases in the environmental and disposal liability on Line 13.

c. Upward/Downward re-estimates of credit subsidy expense (+/-) (Line 21). This line item includes the expense recognized because of an upward/downward re-estimate of credit program subsidy cost, for which the budgetary resources (or obligation) will be provided (or incurred) in a subsequent period. Even though budgetary resources are not provided in the current period, credit subsidy re-estimates must be reflected as liabilities covered by budgetary resources since the budget authority to fund the re-estimates is permanent and indefinite and no further congressional action is needed to provide the resources.

d. Increase in exchange revenue receivable from the public (Line 22). This line item represents exchange revenue not in the entity's budget. It reflects nonfederal accounts or interest receivable generated from exchange revenue. It accounts for the difference in the way budgetary and proprietary accounting recognizes public exchange revenue. According to OMB Circular A-11, budgetary resources are normally not recognized from the public until collected, but these revenues with the public are recognized and reported on the SNC when earned (proprietary accounting).

(1) Consider future collection of public receivables a budgetary resource, but not financial revenue because it had already been recorded as financial revenue upon the establishment of the account receivable. Examples of public interest revenue include interest earned on donations and investments in trust funds.

(2) Subtract changes in public receivables as a reconciling item in order to arrive at the net cost of operations on the Reconciliation of Net Cost of Operations to Budget. Line 22 excludes accounts receivable related to vendor overpayments and interest receivable related to credit reform financing.

e. Other (+/-) (Line 23). This line item represents net increases in future funded liabilities other than annual leave and environmental and disposal liabilities. It includes net increases in actuarial pension, health and life liabilities, contingent liabilities, other unfunded employment related liabilities, and FECA liabilities billed to the reporting entity by DOL for FECA payments made on the reporting entity's behalf. It also includes the actuarial present value of future FECA benefits provided to federal employees or their beneficiaries because of work related deaths, disabilities, or occupational diseases. DOL computes and provides the actuarial value. Report all net decreases in these future funded liabilities on Line 13. If any of the individual components of Line 23 represent 10 percent or more of the value of the line, disclose this information in Note 21.

f. Total components of net cost of operations that will require or generate resources in future periods (Line 24). This line is the sum of Lines 19 through 23.

2. Components Not Requiring or Generating Resources. This section includes items recognized as part of the net cost of operations for the period, but will not generate or require the use of resources.

a. Depreciation and amortization (Line 25). This line item includes the depreciation and amortization of assets reflected as a component of the net cost of operations for the period. For capitalized assets, budgetary resources are obligated when the asset is acquired, not when it is depreciated.

b. Revaluation of assets or liabilities (+/-) (Line 26). This line item includes exchange transaction gains and losses recognized during the revaluation of assets or liabilities.

c. Other (+/-) (Line 27). This line item represents items not requiring or generating resources other than depreciation, amortization, and revaluation of assets or liabilities.

(1) Trust fund exchange revenue (Line 27.a). This line item represents undistributed offsetting receipts related to trust funds with exchange revenue. It consists primarily of benefit program revenue and interest revenue generated from the investments.

(2) Cost of goods sold (Line 27.b). Cost of goods sold is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. Recognize the budgetary resources or obligations when the item is purchased.

(3) Operating material and supplies used (Line 27.c). This line item represents the consumption of OM&S. Report balances for the consumption of OM&S in USSGL 679000, Other Expenses Not Requiring Budgetary Resources. USSGL 679000 is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. Recognize the budgetary resources or obligations when the item is purchased.

(4) Other (Line 27.d). This line item includes activities not otherwise classified. It includes amounts for bad debts related to uncollectible noncredit reform receivables, net credit balance for vendor overpayment receivables, and extraordinary items. If any of the individual components of Line 27.d represent 10 percent or more of the value of the line, disclose this information in Note 21.

d. Total components of net cost of operations that will not require or generate resources (Line 28). This line is the sum of Lines 25 through 27.

3. Total components of net cost of operations that will not require or generate resources in the current period (Line 29). This line is the sum of Lines 24 and 28.

E. Net cost of operations (Line 30). This amount is the sum, of Lines 18 and 29, not requiring or generating resources in the current period. This line item must agree with the net cost of operations as reported on the SNC.

102405. Narrative Disclosures

Report any information relating to the reporting entity that provides a further understanding of the entity's note. At a minimum, discuss the following:

A. Abnormal Balance. Disclose and explain abnormal balances in accordance with paragraph 100308.

B. Adjustment to Align Budgetary Data to Proprietary Data. For reporting entities whose budgetary data does not agree with proprietary data, disclose that because of the reporting entity's financial system limitations, budgetary data will not be in agreement with proprietary expenses and assets capitalized. The differences between budgetary and proprietary data are a previously identified deficiency. Also, disclose the amount (absolute value) of the adjustment to the note to bring it into balance with the SNC. Report the adjustment in one of three categories: Resources That Finance the Acquisition of Assets; Other Components Not Requiring or Generating Resources; or Revaluation of Assets or Liabilities (if applicable).

C. Budgetary Information. Disclose that the following note schedule lines are presented as combined instead of consolidated due to interagency budgetary transactions not being eliminated:

1. Obligations Incurred (Line 1);
2. Less: Spending Authority from Offsetting Collections and Recoveries (Line 2);
3. Obligations Net of Offsetting Collections and Recoveries (Line 3);
4. Less: Offsetting Receipts (Line 4);
5. Net Obligations (Line 5);
6. Undelivered Orders (Line 12.a); and
7. Unfilled Customer Orders (Line 12.b).

D. Other Lines (Line 9, Line 16.b, Line 23, and Line 27.d). If any of the individual components of Lines 9, 16.b, 23, or 27.d represent 10 percent or more of the value of the line, disclose those components separately.

1025 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

102501. Instructions

Reporting entities collecting immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes. Disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

102502. Disclosures

A. Disclose that the reporting entity collected [\$XXX] of incidental custodial revenues generated primarily from [identify the source of collections]. Also, disclose that the reporting entity distributed [\$XXX] to [name of organization or agency] or that the reporting entity has not yet distributed the incidental custodial revenues collected.

B. Disclose other information relating to the further understanding of incidental custodial collections.

1026 NOTE 23. FUNDS FROM DEDICATED COLLECTIONS

Figure 10-40 identifies a reporting entity's funds from dedicated collections balance for the current and prior FYs.

Figure 10-40. Funds from Dedicated Collections

Note 23.		Funds from Dedicated Collections						
<i>As of [Current Fiscal Period End Date]</i>		Current FY						
		Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Combined Total			
(Amounts in thousands)								
BALANCE SHEET								
ASSETS								
Fund Balance with Treasury	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
Investments, net		\$\$\$		\$\$\$		\$\$\$		
Accounts and Interest Receivable		\$\$\$		\$\$\$		\$\$\$		
Other Assets		\$\$\$		\$\$\$		\$\$\$		
Total Assets		\$		\$		\$	\$	\$
LIABILITIES and NET POSITION								
Accounts Payable and Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
Total Liabilities		\$		\$		\$	\$	\$
Unexpended Appropriations	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
Cumulative Results of Operations		\$\$\$		\$\$\$		\$\$\$		
Total Liabilities and Net Position		\$		\$		\$	\$	\$
STATEMENT OF NET COST								
Program Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
Less Earned Revenue		\$\$\$		\$\$\$		\$\$\$		
Net Program Costs		\$		\$		\$	\$	\$
Less Earned Revenues Not Attributable to Programs		\$\$\$		\$\$\$		\$\$\$		
Net Cost of Operations		\$		\$		\$	\$	\$
STATEMENT OF CHANGES IN NET POSITION								
Net Position Beginning of the Period	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
Net Cost of Operations		\$\$\$		\$\$\$		\$\$\$		
Budgetary Financing Sources		\$\$\$		\$\$\$		\$\$\$		
Other Financing Sources		\$\$\$		\$\$\$		\$\$\$		
Change in Net Position		\$		\$		\$	\$	\$
Net Position End of Period		\$		\$		\$	\$	\$

Figure 10-40. Funds from Dedicated Collections (Continued)

Note 23.		Funds from Dedicated Collections				
<i>As of [Current Fiscal Period End Date]</i>		Prior FY				
		Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Combined Total	
(Amounts in thousands)						
BALANCE SHEET						
ASSETS						
Fund Balance with Treasury	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Investments, net		\$\$\$		\$\$\$		\$\$\$
Accounts and Interest Receivable		\$\$\$		\$\$\$		\$\$\$
Other Assets		\$\$\$		\$\$\$		\$\$\$
Total Assets	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
LIABILITIES and NET POSITION						
Accounts Payable and Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Total Liabilities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Unexpended Appropriations	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Cumulative Results of Operations		\$\$\$		\$\$\$		\$\$\$
Total Liabilities and Net Position	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
STATEMENT OF NET COST						
Program Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Less Earned Revenue		\$\$\$		\$\$\$		\$\$\$
Net Program Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Less Earned Revenues Not Attributable to Programs		\$\$\$		\$\$\$		\$\$\$
Net Cost of Operations	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
STATEMENT OF CHANGES IN NET POSITION						
Net Position Beginning of the Period	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Net Cost of Operations		\$\$\$		\$\$\$		\$\$\$
Budgetary Financing Sources		\$\$\$		\$\$\$		\$\$\$
Other Financing Sources		\$\$\$		\$\$\$		\$\$\$
Change in Net Position	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Net Position End of Period	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$

102601. Instructions

A. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by nonfederal sources, often supplemented by other financing sources, and which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Federal Government's general revenues. The three required criteria for funds from dedicated collections are:

1. A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a nonfederal source only for designated activities, benefits, or purposes;
2. Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

B. [SFFAS 27](#), "Identifying and Reporting Funds from Dedicated Collections," required disclosure of all funds from dedicated collections for which the reporting entity had program management responsibility. [SFFAS 43](#), "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds," changed the term "earmarked funds" to "funds from dedicated collections" and modified the definition. The modified definition clarifies that at least one source of funds must be external to the Federal Government for a fund to qualify as a fund from dedicated collections. It explicitly excludes any fund established to account for pensions, other retirement benefits, other post-employment benefits or other benefits provided for federal employees (civilian and military).

C. If more than one component entity is responsible for carrying out the program financed with revenues and other financing sources that are dedicated collections, and the separate portions of the program can be clearly identified with a responsible component entity, then each component entity reports its portion in accordance with the requirements of SFFAS 43. If separate portions cannot be identified, the component entity with program management responsibility reports the fund. Disclose the following information for each individually reported fund from dedicated collections, or portion thereof, for which a component entity has program management responsibility:

1. A description of each fund's purpose, how the entity accounts for and reports the fund, and its authority to use those revenues and other financing sources;
2. The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the government or the result of intragovernmental flows; and

3. Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.

102602. Reporting

A. Optional formats are available for displaying information on the face of the Balance Sheet and SCNP. The number of DoD “Earmarked Funds” will be reduced due to the revised description of these funds, to be known as “Dedicated Collections” as of FY 2013. Funds established to account for pensions, other retirement benefits, other post-employment benefits, and other employee benefits are also excluded. The note schedule must show current FY and prior FY data.

B. Disclose and explain abnormal balances in accordance with paragraph 100308. Report all eliminations between funds from dedicated collections and other funds within the reporting entity. If a Component entity reports a different portion of a fund from dedicated collections than it reported in prior FYs, it will not restate its prior FY financial statements, but disclose the change in the note. This applies if a DoD Component entity does not report a fund from dedicated collections, or a portion thereof, that it reported in the previous year. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

C. DoD presents funds from dedicated collections on a combined basis. Note 19, “Disclosures Related to the Statement of Changes in Net Position,” summarizes the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated net position totals presented on the Balance Sheet.

1027 NOTE 24. FIDUCIARY ACTIVITIES

Figure 10-41 identifies the items contributing to the change in a reporting entity's fiduciary net asset balance for the current and prior FYs. Figure 10-42 identifies the items contributing to the total fiduciary net asset balance for the current and prior FYs.

Figure 10-41. Schedule of Fiduciary Activity

Note 24.		Fiduciary Activities	
Schedule of Fiduciary Activity			
<i>As of [Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in millions)			
1. Fiduciary net assets, beginning of year		\$ \$\$\$	\$ \$\$\$
2. Fiduciary revenues		\$\$\$	\$\$\$
3. Contributions		\$\$\$	\$\$\$
4. Investment earnings		\$\$\$	\$\$\$
5. Gain (Loss) on disposition of investments, net		\$\$\$	\$\$\$
6. Administrative and other expenses		\$\$\$	\$\$\$
7. Disbursements to and on behalf of beneficiaries		(\$\$\$)	(\$\$\$)
8. Increase/(Decrease) in fiduciary net assets		\$ \$\$\$	\$ \$\$\$
9. Fiduciary net assets, end of year		\$ \$\$\$	\$ \$\$\$
[Fiduciary Fund A] was authorized by [legislation], which authorized [component entity] to collect [type of collections] on behalf of [beneficiaries]. Other fiduciary activities by [component entity] include [fiduciary activities included in "other"].			

Figure 10-42. Schedule of Fiduciary Net Assets

Note 24.		Fiduciary Activities	
Schedule of Fiduciary Net Assets			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in millions)			
FIDUCIARY ASSETS			
1. Cash and cash equivalents		\$ \$\$\$	\$ \$\$\$
2. Investments		\$\$\$	\$\$\$
3. Other Assets		\$\$\$	\$\$\$
FIDUCIARY LIABILITIES			
4. Less: LIABILITIES		\$ \$\$\$	\$ \$\$\$
5. TOTAL FIDUCIARY NET ASSETS		\$ \$\$\$	\$ \$\$\$

102701. Instructions

Disclose the fiduciary assets, liabilities, and flows of the reporting entity in accordance with SFFAS 31. Also, disclose and explain abnormal balances in accordance with paragraph 100308. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

102702. Fiduciary Activities

Fiduciary activities collect the receipt for cash or other assets in which nonfederal individuals or entities (or “nonfederal parties”) have an ownership interest that the Federal Government must uphold. Base the fiduciary relationship on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship. Fiduciary activities are not recognized on the proprietary financial statements, but they are required to be reported on schedules in the notes to the financial statements. Fiduciary activities may involve a variety of fiduciary assets, liabilities, and transactions. Examples include but are not limited to:

A. Cash. Fiduciary cash may be held in a variety of ways. Balances on deposit with the U.S. Treasury or commercial banks may represent cash.

B. Investments. Fiduciary assets may include investments in Treasury securities or non-Treasury securities.

C. Other Assets. Fiduciary assets may include assets other than cash, e.g., real or personal property held temporarily pending disposition, or held long-term in a fiduciary capacity.

D. Liabilities. A fiduciary activity may include expenses that will be paid with fiduciary assets. This may result in the settlement of fiduciary liabilities with fiduciary assets.

E. Inflows. A fiduciary activity may include collections of cash or other assets that represent contributions from or for beneficiaries or revenue derived from fiduciary assets.

F. Outflows. A fiduciary activity may include the payment of expenses with fiduciary assets and distributions of assets to the beneficiaries.

102703. Exclusions

The following are exclusions from the reporting requirements for fiduciary activities, and recognized in the principal financial statements of the federal component entity and not in the fiduciary note disclosure:

A. Unpaid Payroll Withholdings and Garnishments. Amounts related to unpaid payroll withholdings and garnishments are excluded from the reporting requirements of this standard. Recognize liabilities for unpaid payroll withholdings and garnishments as accounts payable according to SFFAS 1.

B. Unearned Revenue. Unearned revenue is not reported as a fiduciary activity and must be recognized as a liability according to SFFAS 1 and SFFAS 7. Assets collected or received by a federal entity that represent prepayments or advance payments for which the components are expected to provide goods or services are not classified as fiduciary activities. This exclusion applies broadly to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if these amounts are not specifically classified as “unearned revenue” by the entity due to uncertainty about the ultimate realization of the revenue.

C. Operating Revenues and Expenses. Amounts related to operating revenues and expenses may be excluded.

D. Seized Property, Including Seized Monetary Instruments. Seized property is not subject to the reporting requirements for fiduciary activities because it does not meet the definition of a fiduciary activity. Report seized assets, including seized monetary instruments, in accordance with SFFAS 3.

102704. Reporting

Reporting on fiduciary activities is required in two notes to the financial statements. Within Note 1, “Significant Accounting Policies,” provide a statement that says, “Fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet.” In Note 24, provide a description of the fiduciary relationship, such as the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners. Also, disclose fiduciary activities in the following schedules:

A. Schedule of Fiduciary Activity. Disclose for all periods presented:

1. The beginning balance of net assets;
2. The inflows from the fiduciary activities by category (e.g., contributions, investment earnings, and gains on disposition of investments) and outflows by category (e.g., benefit payments, refunds, administrative expenses, and losses on disposition of investments);
3. The change in net assets; and
4. The ending balance of net assets.

B. Schedule of Fiduciary Net Assets. Disclose the current and prior period ending balances of cash and any other assets by category (e.g., FBWT, accounts receivable), liabilities by category (e.g., accounts payable, refunds payable), and a variance analysis addressing significant changes from the prior period.

C. Non-monetary Fiduciary Assets. Include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

D. Non-Valued Fiduciary Assets. No dollar value is required. These assets may include land held in trust. Component entities holding non-valued fiduciary assets disclose them in a Schedule of Changes in Non-Valued Fiduciary Assets, which includes a description of non-valued fiduciary assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in non-valued fiduciary assets, and ending total quantity.

1028 NOTE 25. OTHER DISCLOSURES

Figure 10-43 identifies information relating to the reporting entity's financial position and results that are not applicable to any other notes.

*Figure 10-43. Other Disclosures

Note 25.	Other Disclosures			
As of [Current Fiscal Period End Date]	Current FY Asset Category			
	Land and Buildings	Equipment	Other	Total
(Amounts in thousands)				
1. Entity As Lessee Operating Leases				
Future Payments Due				
FY				
A. Current FY - federal	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Current FY - nonfederal	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
C. FY 1 (CY + 1)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
D. FY 2 (CY + 2)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
E. FY 3 (CY + 3)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
F. FY 4 (CY + 4)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
G. FY 5 (CY + 5)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
H. After 5 Years	\$\$\$	\$\$\$	\$\$\$	\$\$\$
2. Total Future Lease Payments Due	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

102801. Instructions

Disclose information relating to the reporting entity's financial position and results that are not applicable to any other notes. Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure.

*102802. Entity as Lessee – Operating Leases

A. Description of Operating Lease Arrangements. Report information that would disclose the level of the reporting entity's funding commitments, which include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease

agreements; deviations from the standard lease terms; and the lease period. Disclose current year federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately.

B. Future Payments Due for Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year. OMB Circular A-136 instructions for this note schedule reflect future payment disclosure requirements for five FYs and then all remaining payments due in later years (after 5 years). While this OMB Circular A-136 presentation is appropriate for end of year reporting, quarterly reporting requires additional Lines 1.A, “Current FY - federal,” and 1.B, “Current FY – nonfederal,” for payments due in the remaining current FY and will result in the reporting of 6 FYs during quarters 1 through 3, instead of the 5 FYs displayed in OMB Circular A-136. Disclose current year federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately.

*1029 NOTE 26. DISCLOSURE ENTITIES AND RELATED PARTIES

102901. Instructions

SFFAS 47 instructs preparers of the financial statements, at the government-wide and component reporting entity levels, in determining what organizations should be included in the reporting entity’s general-purpose federal financial reports for accountability purposes. The general-purpose federal financial reports include all organizations budgeted for by elected officials of the Federal Government, owned by the Federal Government, or controlled by the Federal Government with risk of loss or expectation of benefits. SFFAS 47 requires reporting entities to disclose certain information about disclosure entities and related parties.

102902. Disclosure Entities

Preparers should consider both qualitative and quantitative materiality in determining the information presented regarding disclosure entities. Materiality is the overarching consideration in financial reporting when making judgements about the extent of appropriate disclosures. Beyond materiality, reporting entities must also consider the relevance to reporting objectives, the nature and magnitude of the potential risks/exposures or benefits associated with the relationship, the complexity of the relationship, the number of interested parties, and the extent to which there are no alternative sources of reliable information. For each disclosure entity, or aggregation of disclosure entities, disclose information to meet the following objectives:

A. Relationship and Organization. Disclose the nature of the Federal Government’s relationship with the disclosure entity or entities.

B. Relevant Activity. Disclose the nature and magnitude of relevant activity during the period and balances at the end of the period.

C. Future Exposures. Disclose a description of financial and non-financial risks, potential benefits, and, if possible, the amount of the Federal Government’s exposures to gains and losses from the past or future operations of the disclosure entity or entities.

102903. Related Parties

Consider organizations related parties if an existing relationship, or one party to the existing relationship, has the ability to exercise significant influence over the other party's policy decisions. Only relationships that would be misleading to exclude information about such relationships warrant disclosure. For related party relationships of such significance that it would be misleading to exclude information about such relationships, disclose the following information:

A. The nature of the Federal Government's relationship with the party, including the name of the party, or if aggregated, a description of the related parties; and

B. Other information that would provide an understanding of the relationship and potential financial reporting impact, including financial-related exposures to risk of loss or potential gain to the reporting entity resulting from the relationship.

1030 NOTE 27. RESTATEMENTS

103001. Misstatements

Refer to the DFAS Financial Reporting Guidance for additional information related to this disclosure. Disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared.

103002. General Disclosures

A. Where amount of the misstatement is known, the disclosure must include the following:

1. The nature of the error and reason for the restatement;
2. The year(s) being restated;
3. The specific financial statement(s) and line items restated;
4. The amount of the error;
5. The effect of the restatement on the financial statements taken as a whole (e.g., change in overall net position and change in audit opinion); and
6. The actions taken by management after discovering an error in the published financial statements. Refer to OMB Circular A-136 for additional information related to adjustments for corrections of errors.

B. Where management has become aware that a material error has occurred, but the exact amount is not known and/or financial statements have not yet been corrected, include the following information:

1. A statement disclosing that a misstatement (or potential misstatement) affecting previously issued statements has been identified, but the specific amount(s) and effect(s) are not yet known;

2. The nature and causes of the misstatement (or potential misstatement);

3. An estimate of the magnitude of the misstatement (or potential misstatement), the related effects (financial statements and line items affected) that are known, and a statement that the specific amount(s) and related effect(s) cannot be determined without further investigation; and

4. A statement disclosing that a restatement to previously issued financial statements will or may occur.

1031 NOTE 28. PUBLIC-PRIVATE PARTNERSHIPS

103101. Definition

[SFFAS 49](#), “Public-Private Partnerships: Disclosure Requirements,” defines public-private partnerships as risk-sharing arrangements or transactions lasting more than five years between public and private sector entities.

*103102. Reporting

A. For periods beginning after September 30, 2018, any entity involved in public-private partnerships, as defined by SFFAS 49, reviews the conclusive risk characteristics, and possibly the suggestive risk characteristics, to determine the required disclosures. See paragraphs 20 and 21 of SFFAS 49 for a listing of conclusive and suggestive risk characteristics.

B. SFFAS 49 exempts certain arrangements or transactions from Public-Private Partnership disclosure requirements. Paragraph 15 of SFFAS 49 contains a listing of exempt arrangements and transactions. Such exempt arrangements or transactions are subject to existing disclosure requirements in other SFFAS applicable to such arrangements or transactions.

C. [Assess arrangements or transactions not excluded by paragraph 15 of SFFAS 49, which meet the definition in paragraphs 16 through 18, against the risk-based characteristics in paragraphs 20 and 21.](#) When an entity determines disclosures are required, include the information specified in SFFAS 49, paragraph 24. Disclosure requirements comprise quantitative and qualitative information to assist users in understanding the nature of public-private partnerships, such as the relative benefits/revenues being received in exchange for the government’s consideration, the contractual terms governing payments to and from the

government, and related risks including those deemed remote. Disclosures can be provided by individual public-private partnerships or summarized, for example, by an entity's strategic objectives, departmental or bureau categorizations, or program budget classifications.