

VOLUME 6B, CHAPTER 12: “REQUIRED SUPPLEMENTARY INFORMATION”**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 [February 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120102	Added an Authoritative Guidance section in accordance with Departmental administrative guidance.	Addition
1203	Added paragraphs to this section to improve readability and focus of various policy content.	Addition
120301 (previous version)	Deleted the deferred maintenance and repair (DM&R) information to be reported as Required Supplementary Information (RSI) that was based on Statement of Federal Financial Accounting Standards (SFFAS) No. 40. (SFFAS No. 42 replaced SFFAS No. 40 RSI reporting requirements.)	Deletion
120302 (previous version)	Deleted the guidance and table preparation instructions for reporting on real property DM&R. (The reporting requirements were changed by SFFAS No. 42.)	Deletion
120302	Added definition for DM&R as stated in SFFAS No. 42.	Addition
120303 (previous version)	Deleted the paragraph containing guidance and table preparation instructions for reporting on military equipment DM&R.	Deletion
120303.A	Added the required reporting of DM&R in RSI as established in SFFAS No. 42. Also added a reference to the Defense Finance and Accounting Service reporting guidance for details on required reporting formats and timing.	Addition
120303.B	Added the methods permitted by SFFAS No. 42 to measure DM&R.	Addition
120303.C	Added guidance from SFFAS No. 42 to assist in determining whether a change is significant to warrant discussion in the RSI narrative.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120303.D	Added language to specify that SFFAS No. 42 requires consistent application of condition standards, assessments, and reporting formats, and that it eliminated the previous requirement to report condition information in the RSI.	Addition
120303.E	Added references to existing policy that identifies which DoD Component is responsible for reporting RSI for DM&R.	Addition
120303.F	Added requirement to present RSI on a comparative basis when it would be meaningful to users of the agency financial report.	Addition
1204 (previous version)	Deleted the section "Heritage Assets and Stewardship Land Condition Information" since SFFAS No. 42 deleted the requirement to report condition information.	Deletion

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CHAPTER 12

REQUIRED SUPPLEMENTARY INFORMATION

1201 GENERAL

120101. Purpose

This chapter provides the Department of Defense (DoD) policy and guidance for reporting Required Supplementary Information (RSI) to accompany the basic financial statements.

*120102. Authoritative Guidance

A. Statement of Federal Financial Accounting Standards (SFFAS) 42, “Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32” establishes the detailed reporting requirements for deferred maintenance and repairs (DM&R) in the RSI.

B. The Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements” provides overall agency and government-wide financial reporting guidance.

C. DoD Deputy Chief Financial Officer (DCFO) policy memorandum dated September 30, 2015 entitled “Accounting Policy Update for Financial Statement Reporting for Real Property Assets”, hereafter referred to as “DCFO Memo” in this chapter, provides the guidance for determining which DoD reporting entity is responsible for reporting real property on its financial statements. The memo will be incorporated into relevant chapters in Volume 4.

1202 DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)

DoD reporting entities must prepare and report the disaggregated SBR as RSI. The format of the disaggregated SBR must follow the format contained in Chapter 7. As stated in OMB Circular A-136, for purposes of this presentation, small budget accounts may be aggregated. DoD has elected to aggregate smaller budget accounts within an account grouping titled "Other Accounts." The major account groupings and the aggregate of smaller budget accounts must, in total, agree with the amounts reported on the face of the reporting entity's SBR. The DoD Agency-wide SBR must be disaggregated into the following appropriation/fund account groupings: (1) Military Retirement Benefits; (2) Civil Works; (3) Military Personnel; (4) Operations, Readiness, and Support; (5) Procurement; (6) Research, Development, Test, and Evaluation; and (7) Family Housing and Military Construction. Refer to Chapter 7 for additional guidance and detail on the disaggregated SBRs for the various military departments, funds, and other Defense entities.

*1203 DEFERRED MAINTENANCE AND REPAIRS (DM&R)

120301. Policy

DoD reporting entities are required to report material amounts of DM&R on property, plant, and equipment (PP&E) (if applicable) as supplementary information to accompany their annual financial statements. PP&E related accounting policy and definitions are contained in Volume 4.

*120302. Definition

As defined in SFFAS 42, DM&R are maintenance and repairs that were not performed when they should have been or were scheduled to be, and which are put off or delayed for a future period. Maintenance and repairs (M&R) are activities directed toward keeping fixed assets in an acceptable condition. M&R activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use. The amounts reported must include both funded and unfunded DM&R, but need not be separately reported as such in the RSI.

*120303. Required Reporting in RSI

* A. In accordance with SFFAS No. 42, DoD reporting entities, if applicable, are required to:

1. Describe their M&R policies and how they are applied (i.e., method of measuring DM&R);
2. Discuss how they rank and prioritize M&R activities among their other activities;
3. Identify the factors considered in determining acceptable condition standards;
4. State whether DM&R relates solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E;
5. Identify the PP&E for which management does not measure and/or report DM&R, and provide the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E;
6. Provide estimated beginning and ending DM&R balances for each major category of PP&E (i.e., general PP&E; heritage assets; and stewardship land), for which M&R has been deferred. (Refer to the Defense Finance and Accounting Service (DFAS)

“Annual and Quarterly Financial Statement Guidance” for specific reporting formats and timing);

7. Explain significant changes in estimated DM&R balances by category (i.e., general PP&E, heritage assets, and stewardship land) from the prior year; and

8. Explain significant changes in the policies and factors subject to the reporting requirements from the prior year.

* B. SFFAS 42 permits the following methods to measure DM&R:

1. Condition assessment surveys, which are periodic visual (i.e., physical) inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies;

2. Life cycle cost forecasts, which are acquisition techniques that consider operating, maintenance, and other costs in addition to the acquisition cost of assets; or

3. Other methods similar to the condition assessment survey or life cycle cost forecast methods.

* C. To comply with the guidance in subparagraph 120303.A.7 and A.8, the determination of whether a change is significant is a matter for professional judgement at the reporting entity level. Significance is separate and distinct from materiality and could consider:

1. The absolute dollar amount or the percentage change in DM&R estimates,

2. The perceived importance of the reason for the change to the financial statement users, or

3. The potential consequences arising from the change (e.g., the effect on mission).

* D. SFFAS No. 42 also requires that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary. Although condition information is essential in developing DM&R amounts, SFFAS No. 42 eliminated the previous requirement to report condition information.

* E. The DoD Component that reports the real property in its financial statements in accordance with the DCFO Memo identified in paragraph 120102 is primarily responsible for preparing, compiling and reporting the RSI for deferred maintenance and repairs on that real property. Volume 6B, Chapter 2 provides additional Component responsibilities involving preparation of the draft/working versions and final version of the Financial section of the Agency Financial Report that includes the RSI.

* F. Information presented in the RSI should be presented on a comparative basis when the information would be meaningful to the user of the financial report.