

**VOLUME 6B, CHAPTER 4: “BALANCE SHEET”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also 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 [November 2016](#) is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Reformatted chapter and updated hyperlinks to comply with current administrative instructions.	Revision
3.2.5.1. (040302.E.1)	Clarified definition of Inventory by adding “Held for repair” per Office of Management and Budget (OMB) Circular A-136, dated July 30, 2018.	Addition
3.2.5.2. (040302.E.2)	Clarified definition of Operating Materials and Supplies (OM&S) by adding “OM&S held for repair” and “OM&S in development” per Statement of Federal Financial Accounting Standards Number 3, “Accounting for Inventory and Related Property.”	Addition
3.3.3. (040303.C)	Added reference to liabilities not requiring budgetary resources per Office of Management and Budget Circular A-136, dated July 30, 2018.	Addition

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## CHAPTER 4

BALANCE SHEET

## 1.0 GENERAL (0401)

## 1.1 Overview (040101)

The Balance Sheet is a statement of financial position required to be completed by Department of Defense (DoD) reporting entities identified in Chapter 1. It is a principal financial statement that presents comparative fiscal year data (i.e., current and preceding), as of a specific time. Moreover, it reports amounts owned or managed by reporting entities (assets), amounts owed by the entities (liabilities), and amounts which comprise the difference (net position). Notes to the Balance Sheet are required to clarify or provide additional, more detailed information on the individual asset, liability, and net position line items reported on the face of the Balance Sheet.

## 1.2 Purpose (040102)

This chapter presents the form and content of the DoD Balance Sheet. It identifies general requirements for each asset, liability, and net position line item reported on the Balance Sheet. For detailed accounting policy, see the individual asset and liability chapters published in Volume 4. For detailed information regarding schedules/timelines and/or specific notes, see the Defense Finance and Accounting Service (DFAS) [Financial Reporting Guidance](#) and Chapter 10.

## 1.3 Authoritative Guidance (040103)

This chapter incorporates guidance found in Federal Accounting Standards Advisory Board [Statement of Federal Financial Accounting Standards \(SFFAS\)](#), as well as guidance on the content and submission of the Balance Sheet as given in the Office of Management and Budget (OMB) [Circular A-136](#), “Financial Reporting Requirements,” dated July 30, 2018. Updates to Circular A-136 are on the [OMB website](#). Basic information about each U.S. Standard General Ledger (USSGL) account is contained in the U.S. Department of the Treasury (Treasury) [\(USSGL\) Supplement Part 2](#), Section II: “Accounts and Definitions,” and Section V: “USSGL Crosswalks to Standard External Reports.” The DFAS [Financial Reporting Guidance](#) provides annual and quarterly financial statement reporting requirements as well as quarterly and year-end reporting schedules. Refer to Chapter 10 for specific required footnote disclosures to the financial statements.

## 2.0 BALANCE SHEET FORMAT (0402)

2.1 General [Information](#) (040201)

The Balance Sheet should present summary information necessary to make the statement most useful to readers. Where substantial detail is required to properly explain specific line items, present the detail in the notes. See [OMB Circular A-136 and Chapter 10](#) for additional instructions regarding the preparation and presentation of notes for each specific line item on the Balance Sheet.

Individual statement crosswalks are prepared using the [Treasury USSGL](#). The crosswalk for each line of the Balance Sheet is incorporated into the Defense Departmental Reporting System (DDRS) Audited Financial Statements ([AFS](#)) and can be accessed with proper authorization by selecting “Query” from the main DDRS AFS menu, then selecting option “Referential Data” and option “Report Map.”

## 2.2 [Materiality](#) Amounts (040202)

Separate reporting of items on the Balance Sheet is appropriate if the amounts are [material](#) to the Balance Sheet. [Material](#) is defined as any item (asset or liability) that represents more than 10 percent of the value of total assets or total liabilities. If an item is determined to be [material](#), DoD reporting entities may report the item separately on the face of the Balance Sheet.

## 2.3 Final Published Balance Sheet (040203)

The format presented in Figure 4-1 [must](#) be used for the final DoD-wide consolidated Balance Sheet. The final DoD-wide consolidated Balance Sheet and notes will display dollars rounded to millions with one decimal point. All DoD reporting entity Balance Sheets and notes must display dollar amounts rounded to the nearest whole thousand. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$340.1 million). Foreign currency account balances reported on the Balance Sheet must be translated into U.S. dollars at exchange rates determined by Treasury and which are effective at the financial reporting date. Additionally, the Balance Sheet will use pre-closing balances for all amounts. The line numbers shown in Figure 4-1 (e.g., 1.A.1) will not be included on the final published version of the [DoD-wide or reporting entity](#) Balance Sheet. The line numbers are for reference purposes only.

## 3.0 [INSTRUCTIONS FOR PREPARATION OF THE BALANCE SHEET](#) (0403)

### 3.1 [General Instructions](#) for the Assets Section (040301)

3.1.1. [Assets](#). Assets are defined in accordance with [SFFAS 1](#), “Accounting for Selected Assets and Liabilities.” [The Balance Sheet must include both entity assets and nonentity assets.](#) (Note: Clearing and suspense accounts are entity assets).

3.1.2. [Disclosure of Entity and Nonentity Assets](#). The Balance Sheet combines entity and nonentity assets. For example, entity intragovernmental accounts receivable and nonentity intragovernmental accounts receivable are combined and reported as a single intragovernmental accounts receivable line item on the Balance Sheet. However, DoD reporting entities must separately disclose nonentity assets in [notes](#) to the financial statements.

3.1.3. [Intragovernmental Assets](#). Intragovernmental assets arise from transactions within or between federal entities [and represent](#) claims by a DoD reporting entity against other federal entities. DoD reporting entities must report intragovernmental assets separately from nonfederal assets on the Balance Sheet. Nonfederal includes domestic and foreign persons and organizations outside the U.S. Federal Government. DoD reporting entities must classify Foreign Military Sales

Trust Fund assets (accounts receivable) as intragovernmental. DoD reporting entities should review the [Treasury Financial Manual](#), Volume 1, Part 2, Chapter 4700, Appendix 10, “[Intragovernmental Transaction \(IGT\) Guide](#),” for guidance on the accounting, reporting, and reconciliation of IGT activity with their federal trading partners.

### 3.2 Line Item Instructions for the Assets Section (040302)

#### 3.2.1. Intragovernmental Assets.

3.2.1.1. Fund Balance with Treasury (FBWT), Line 1.A.1. FBWT is the aggregate amount of funds (i.e., entity and nonentity) in a DoD reporting entity's accounts with Treasury for which the reporting entity is authorized to make expenditures and pay liabilities. FBWT is an asset account because it represents an entity's claim to the U.S. Federal Government's resources. [Fiduciary assets](#) are not recognized on the Balance Sheet but **must** be separately disclosed in accordance with the provisions of [SFFAS 31](#), “Accounting for Fiduciary Activities.” It does not include any amounts for which Treasury is willing to accept corrections to canceled appropriation accounts, in accordance with SFFAS 1. The amount reported must include extended obligation authority for obligations incurred in closing and closed accounts. For a detailed definition and accounting policy regarding FBWT, see Volume 4, Chapter 2.

3.2.1.2. Investments, Line 1.A.2. Intragovernmental investments are federal securities. Federal securities include nonmarketable par value Treasury securities, market-based Treasury securities expected to be held to maturity, marketable Treasury securities expected to be held to maturity, and securities issued by other federal entities. DoD reporting entities must report their investments on the Balance Sheet at their acquisition cost, adjusted for amortization of a premium or discount, if appropriate.

3.2.1.3. Accounts Receivable, Line 1.A.3. Intragovernmental accounts receivable are DoD claims to cash or other assets due from other federal entities. Receivables related to direct or guaranteed loans are not included on this line. No allowance for estimated uncollectible amounts is recognized for intragovernmental receivables because they are considered collectible. For accounts receivable elimination requirements, see Chapter 13.

3.2.1.4. Other Assets, Line 1.A.4. Intragovernmental other assets are assets not reported in a separate category under the Intragovernmental Assets section of the Balance Sheet. This line reports other intragovernmental advances and prepayments, including advance payments, and other intragovernmental assets that are immaterial to an entity and do not warrant separate reporting. For other assets elimination requirements, see Chapter 13.

3.2.1.5. Total Intragovernmental Assets, Line 1.A.5. This line is the sum of Lines 1.A.1 through 1.A.4.

3.2.2. Cash and Other Monetary Assets, Line 1.B. This line reports entity and nonentity cash and other monetary assets. The amount of cash and other monetary assets that the DoD reporting entity holds and is authorized to spend is entity cash. The assets under this category that [are collected and held](#) on behalf of the U.S. Federal Government or other entities are nonentity

cash and other monetary assets; report both on this line. This line also includes DoD disbursing officers' cash from the Standard Form (SF) [1219](#), "Statement of Accountability," and the total U.S. dollar equivalent of foreign currencies held in special program foreign currency fund accounts. Cash consists of:

3.2.2.1. Coins, paper currency, and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit;

3.2.2.2. Amounts on demand deposit with banks or other financial institutions, including nonconfirmed collections and disbursements;

3.2.2.3. [Cash held by a Disbursing Office](#);

3.2.2.4. Cash held in imprest funds;

3.2.2.5. [Seized cash](#);

3.2.2.6. Foreign currencies translated for accounting purposes into U.S. dollars at the exchange rate on the financial statement date; and

3.2.2.7. Investments held outside of Treasury.

3.2.3. [Accounts Receivable, Net, Line 1.C](#). This line reports DoD claims to cash or other assets due from nonfederal entities, net of an allowance for estimated doubtful amounts. It also includes interest receivable, [fines, penalties, and administrative fees](#) from nonfederal entities and supported undistributed collections. However, DoD reporting entities must report interest receivable related to direct loans and acquired defaulted guaranteed loans as a component of loans receivable on Line 1.D.

3.2.4. [Loans Receivable, Net, Line 1.D](#). This line reports the net value of direct loans receivable (i.e., prior to 1992 and post-1991) and acquired defaulted guaranteed loans receivable. The net value of credit program receivables and related foreclosed property are considered entity assets if the entity has the authority to determine the use of the funds collected or is legally obligated to use the funds to meet entity obligations (e.g., loans payable to the Treasury). If a DoD reporting entity administers a loan guarantee program and forecloses on property, then refer to [SFFAS 2](#), "Accounting for Direct Loans and Loan Guarantees," for detailed requirements. When a loan guarantee program (generating a negative subsidy) guarantees a loan and the lender has not disbursed the loan as of the Balance Sheet date, a proprietary receivable from borrowings should not be reported. The undelivered order recorded to obligate the funds is sufficient disclosure when reported as part of the total undelivered orders.

\* 3.2.5. Inventory and Related Property, Line 1.E. This line includes inventory, operating materials and supplies (OM&S), and stockpile materiel. For accounting policy regarding inventory, see [SFFAS 48](#), “Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials;” [SFFAS 3](#), “Accounting for Inventory and Related Property;” Volume 4, Chapter 4; and applicable [Policy Memoranda](#). The following categories make up this line:

3.2.5.1. Inventory. Inventory is tangible personal property that is:

3.2.5.1.1. Held for sale, including raw materials and work in process;

3.2.5.1.2. Held for repair;

3.2.5.1.3. In the process of production for sale;

3.2.5.1.4. To be consumed in the production of goods for sale or in the provision of services for a fee; and

3.2.5.1.5. To be transferred to entities within or outside of the U.S. Federal Government.

3.2.5.2. OM&S. OM&S are tangible personal property to be consumed in normal operations. OM&S consist of secondary supply items and munition items that a logistics activity holds in stock pending issue, without reimbursement, to the unit or organization that will consume the item in normal operations. [This may include OM&S held for repair and OM&S in development.](#)

3.2.5.3. Stockpile Materiel. Stockpile materiel is strategic and critical materiel held due to statutory requirements for use in national defense, conservation, or national emergencies as required by the [Strategic and Critical Materials Stock Piling Act](#). Specifically, this line reports only materiel applicable to and reported by the Defense Logistics Agency (DLA). The DLA National Defense Stockpile Center manages DoD stockpile materiel and only the DLA National Defense Stockpile Transaction Fund is authorized to use this inventory category and associated accounts.

3.2.6. General Property, Plant and Equipment (PP&E), Net, Line 1.F. This line reports all PP&E (net of accumulated depreciation) as defined in [SFFAS 6](#), “Accounting for Property, Plant and Equipment;” Volume 4; and applicable Policy Memoranda related to [Volume 4](#). DoD reporting agencies must recognize [permanent](#) impairments of General PP&E that will remain in use by the entity, in accordance with [SFFAS 44](#), “Accounting for Impairment of General Property, Plant and Equipment Remaining in Use.” Please refer to [SFFAS 50](#), “Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, and SFFAS 23, and Rescinding SFFAS 35,” for additional guidance. Refer to Volume 4, Chapter 26 for a more detailed description of impairment. The rules regarding recognition of impairment apply to all capitalized assets. In addition, although the value of stewardship assets does not appear on the Balance Sheet, it is disclosed in [the notes](#) to the financial statements. General PP&E, Net, includes:

3.2.6.1. Capitalized PP&E. Capitalized PP&E includes general and personal property and any related modifications, modernizations, upgrades, and improvements whose values or costs meet or exceed the capitalization thresholds established by the Department. For additional policy regarding capitalization, see Volume 4 and applicable Policy Memoranda related to [Volume 4](#).

3.2.6.2. Real Property. Real property includes buildings, structures, linear structures, facilities, installed building equipment (e.g., control systems, heating, cooling, electrical, and emergency lighting), and related capital improvements. DoD reporting entities must record the value of Base Realignment and Closure real property (once the mission of that installation terminates or transfers) in USSGL account 189000, “Other General Property, Plant, and Equipment.”

3.2.6.3. Assets Acquired through Capital Leases, including Leasehold Improvements. Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. For additional policy regarding capital leases, see SFFAS 6 and [Volume 4, Chapter 26](#). DoD reporting entities must separately disclose capital leases in the footnotes.

3.2.6.4. Internal Use Software. DoD reporting entities must capitalize, as a General PP&E [asset](#), the cost of software, whether commercial off-the-shelf, internally developed, or contractor-developed, that meets the DoD capitalization criteria for General PP&E. For further policy on internal use software, see [SFFAS 10](#), “Accounting for Internal Use Software;” Federal Financial Accounting and Auditing [Technical Release 16](#); and Volume 4, Chapter 27.

3.2.6.5. Depreciation/Amortization. Depreciation/[amortization](#) is the expense associated with the use of General PP&E. It is a contra-asset account that reduces the amount reported for [General PP&E](#). DoD reporting entities must recognize depreciation/[amortization](#) on all General PP&E, except land and land rights of unlimited duration. For additional policy regarding depreciation/[amortization](#), see Volume 4 and applicable Policy Memoranda related to [Volume 4](#).

3.2.6.6. Construction-in-Progress (CIP). CIP is a temporary asset account in which DoD reporting entities must record the costs of constructing real property and general equipment. CIP accounts include all costs incurred to bring the asset to a form and condition suitable for its intended use. Capital expenditures or Contract Financing Payments (CFPs), coinciding with the portion of the work completed for real property and/or general equipment, must be recorded in a CIP account. For additional policy regarding CIP and/or CFPs, see Volume 4 and applicable Policy Memoranda related to [Volume 4](#).

3.2.6.7. Land. General PP&E includes land and land rights acquired for or in connection with other General PP&E. Acquired for or in connection with other General PP&E is defined as land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E, including not only land used as the foundation, but also adjacent land considered to be the General PP&E’s common grounds. DoD reporting entities that have not yet undergone a financial statement audit where they received an unmodified audit opinion must



exclude (or adjust their land and land rights opening balances to zero) the value of land and land rights from opening balances of General PP&E on their balance sheets in accordance with SFFAS 6, as amended by SFFAS 50. Moreover, these entities must continue to exclude and expense future land and land rights acquisitions. Conversely, DoD reporting entities that have received an unmodified audit opinion will continue to account for land and land rights in accordance with SFFAS 6. All DoD reporting entities must disclose, in [the notes to the financial statements](#), with a reference on the balance sheet, the number of acres of General PP&E land and land rights held. DoD reporting entities must report this acreage amount separately from Stewardship Land. There are no disclosure requirements for General PP&E land rights not measured in acres in establishing opening balances.

3.2.6.8. Government Furnished Equipment (GFE) and Contractor Acquired Property (CAP). GFE is property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. CAP means property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. DoD reporting entities must use the most reliable source of information available as a means to report the value of GFE and CAP. For additional policy regarding GFE and CAP, see Volume 4 [and](#) applicable Policy Memoranda related to [Volume 4](#).

3.2.6.9. Working Capital Fund (WCF) PP&E. DoD WCF reporting entities operate as business-type activities. DoD WCF reporting entities must categorize all PP&E used in the performance of their missions as General PP&E, whether or not it meets the definition of other PP&E categories [in SFFAS 6](#).

3.2.6.10. Multi-use Heritage Assets. Heritage assets predominantly used in general government operations (e.g., buildings such as the Pentagon, which is used as an office building) are classified as multi-use heritage assets. As required by [SFFAS 29](#), “Heritage Assets and Stewardship Land,” DoD reporting entities must capitalize as General PP&E and depreciate the cost of acquiring, improving, and reconstructing all multi-use heritage assets. [Refer to Volume 4, Chapter 28 for more detailed information on Multi-use Heritage Assets](#).

3.2.7. Investments, Line 1.G. This line reports investments in nonfederal securities. DoD reporting entities must report investments in nonfederal securities separately from investments in federal securities. Nonfederal securities include those issued by state and local governments, government-sponsored enterprises, and other private corporations. [Report](#) nonfederal securities at acquisition cost or amortized acquisition cost (less an allowance for loss [due to changes in market value](#), if any). This line represents other DoD investments as allowed by public law. Specifically, [Public Law 104-106](#), Section 2801 authorizes DoD to enter into limited partnerships in support of the Military Housing Privatization Initiative.

3.2.8. Other Assets, Line 1.H. Other assets are nonfederal assets that are not reported in a separate category on the Balance Sheet.

3.2.8.1. Other assets reports the values of all advances and prepayments made to nonfederal entities, and includes travel advances and those assets that are immaterial to the entity and do not warrant separate reporting.

3.2.8.2. This line does not include invoice payments, to include payments for partial deliveries or lease and rental payments. In addition, CFPs are not Other Assets. DoD reporting entities must record CFPs in a CIP account and report them on the General PP&E line of the Balance Sheet.

3.2.9. Total Assets, Line 2. This line is the sum of Line 1.A.5. and Lines 1.B. through 1.H.

3.2.10. Stewardship PP&E, Line 3. Stewardship PP&E consists of assets whose physical properties resemble those of General PP&E. However, due to their unique nature, stewardship assets are not capitalized and carry no book value. DoD reporting entities must demonstrate accountability over these assets by reporting on their existence and condition. SFFAS 29 reclassified heritage assets and stewardship land information as basic information, with the exception of condition reporting, which is considered Required Supplemental Information. Specifically, it requires reporting entities to reference a note on the face of the Balance Sheet that discloses information about heritage assets and stewardship land, but report no asset dollar amount. [Refer to Volume 4, Chapter 28 for more detailed information on Heritage Assets and Stewardship Land.](#) Stewardship PP&E includes:

3.2.10.1. Heritage Assets. Heritage assets are PP&E that are unique for one or more of the following reasons: (1) historical or natural significance; (2) cultural, educational, or artistic importance; or (3) significant architectural characteristics. Heritage assets consist of collection type heritage assets (i.e., objects gathered and maintained for exhibition) and non-collection type heritage assets (i.e., parks, memorials, monuments, and buildings). These assets are preserved indefinitely.

3.2.10.2. Stewardship Land. Stewardship land is land and land rights owned by [the Government](#), but not acquired for or in connection with items of General PP&E. Examples of stewardship land include land used as forests and parks or land used for wildlife and grazing.

### \*3.3 [General Instructions for the Liabilities Section \(040303\)](#)

3.3.1. Liability. A liability is a probable future outflow or other sacrifice of resources resulting from past transactions or events. Financial statements must recognize probable and measurable future outflows or other sacrifices of resources arising from:

3.3.1.1. Past exchange transactions;

3.3.1.2. Government-related events;

3.3.1.3. Government-acknowledged events; and

3.3.1.4. Nonexchange transactions that are unpaid amounts due as of the reporting date.

### 3.3.2. Liability Recognition.

3.3.2.1. SFFAS 5, “Accounting for Liabilities of The Federal Government,” describes the general principles governing the recognition of a liability. The concept of a liability includes not only those liabilities that routinely recur in normal operations and are due within a fiscal year (e.g., accounts payable, as outlined in SFFAS 1), but also contingent liabilities resulting from an existing condition that involve uncertainty as to possible loss.

3.3.2.2. DoD reporting entities must recognize liabilities resulting from normal operations when they are incurred, regardless of whether they are covered by available budgetary resources. This requirement includes liabilities related to appropriations canceled under “M” account legislation included in Title 31, United States Code, section 1552, “Procedure for Appropriation Accounts Available for Definite Periods.”

\* 3.3.3. Liabilities Covered, Not Covered by, and Not Requiring Budgetary Resources. Liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources are combined on the Balance Sheet. For example, intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources are combined and reported as a single intragovernmental accounts payable line item on the Balance Sheet.

#### 3.3.3.1. Liabilities Covered by Budgetary Resources

3.3.3.1.1. Liabilities Covered by Budgetary Resources are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority, but also other resources available to cover liabilities for specified purposes in a given year. OMB Circular A-11 identifies amounts included as available budgetary resources.

3.3.3.1.2. Liabilities are considered covered by budgetary resources when they are funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date. The resources must be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Custodial liabilities are covered by the assets that are collected and held for eventual transfer to other entities.

3.3.3.2. Liabilities Not Covered by Budgetary Resources. This category is for liabilities not covered by budgetary resources as provided in subparagraph 040303.C.1.b, and that will require budgetary resources.

3.3.3.3. Liabilities Not Requiring Budgetary Resources. This category is for liabilities that have not in the past required and will not in the future require the use of budgetary resources.

3.3.4. Current Liability. A current liability is an amount that is due to be paid within 12 months of the Balance Sheet date. Current liabilities must be disclosed separately from noncurrent liabilities in the notes to the financial statements.

3.3.5. Noncurrent Liability. A noncurrent liability is an amount that is due to be paid beyond 12 months of the Balance Sheet date and will be disclosed separately from current liabilities in the notes to the financial statements.

3.3.6. Contingent Liability. A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Record a contingent liability if the contingency is probable and the amount of the liability can be reasonably estimated.

3.3.7. Intragovernmental Liabilities. Intragovernmental liabilities arise from transactions within or between federal entities. Intragovernmental liabilities are claims against a DoD reporting entity by other federal entities. DoD reporting entities must report intragovernmental liabilities separately from nonfederal liabilities, including government-sponsored enterprises and the Federal Reserve System, on the Balance Sheet. Classify liabilities with the Foreign Military Sales Trust Fund as intragovernmental.

3.3.8. Interest Payable. Interest payable is a current liability used to report the amount of interest incurred, but not paid by DoD reporting entities as of the date of the Balance Sheet. DoD reporting entities must report interest payable as a component of the appropriate liability accounts. Interest payable to federal entities is an intragovernmental liability and must be accounted for separately from interest payable to nonfederal entities (or the public).

#### 3.4 Line Item Instructions for the Liabilities Section (040304)

This paragraph includes those liabilities incurred as of the reporting date.

##### 3.4.1. Intragovernmental Liabilities

3.4.1.1. Accounts Payable, Line 4.A.1. Intragovernmental accounts payable are amounts owed by a DoD reporting entity for goods and services received from other federal entities. They include payables for progress made in contract performance by other federal entities and rents due to other federal entities. DoD reporting entities must adjust accounts payable for undistributed disbursements. For intragovernmental accounts payable elimination requirements, see Chapter 13.

3.4.1.2. Debt, Line 4.A.2. This line reports the amounts of borrowings from the Treasury, the Federal Financing Bank, or other federal agencies under general or specific financing authority (e.g., Treasury bills, notes, bonds, and Federal Housing Administration debentures). DoD reporting entities must classify all debt not covered by budgetary resources, except for direct loan and guaranteed loan financing account debt to Treasury, and that portion of other debt covered by budgetary resources, at the Balance Sheet date.

3.4.1.3. Other Liabilities, Line 4.A.3. Intragovernmental other liabilities are liabilities not reported in a separate category under the Intragovernmental liabilities section of the Balance Sheet. This line reports the total amount due to federal entities for liabilities owed by DoD reporting entities that are not included on lines 4.A.1 and 4.A.2. This amount includes, but is not limited to, deferred credits, advances and prepayments received from other federal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, [amounts collected from payroll and remitted to the Office of Personnel Management](#), and capital leases. This line also includes pecuniary liability to the Treasury for DoD disbursing officer's cash reported on SF 1219.

3.4.1.4. Total Intragovernmental Liabilities, Line 4.A.4. This is the sum of Lines 4.A.1 through 4.A.3.

3.4.2. Accounts Payable, Line 4.B. Accounts payable are amounts owed by a DoD reporting entity for goods and services received from nonfederal entities. They include payables for progress made in contract performance by nonfederal entities and rents due to nonfederal entities. DoD reporting entities must report interest payable as a component of the accounts payable on this line. Accrued interest payable is also included in this line as detailed by the Prompt Payment [Act](#). DoD reporting entities must adjust accounts payable for undistributed disbursements.

3.4.3. Military Retirement and Other Federal Employment Benefits, Line 4.C. This line is applicable to and reports military retirement pension benefits, retired military health benefits, and other employment related actuarial liabilities for civilian and military personnel. DoD reporting entities responsible for the administration of pensions [and](#) other retirement benefits, including health benefits for retirees and other postemployment benefits, must calculate and report these liabilities and related expenses in accordance with SFFAS 5 and [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." Liabilities for federal employee and veterans' benefits include the actuarial portion of these benefits. They do not include liabilities related to ongoing continuous expenses (e.g., employee accrued salary and accrued annual leave), which are reported on the Other Liabilities line.

3.4.4. Environmental and Disposal Liabilities, Line 4.D. Environmental and disposal liabilities include the costs to remove, contain, and dispose of hazardous waste from General PP&E, as well as the costs to remove, contain, and dispose of materiel and property that is deemed to be hazardous waste at a permanent or temporary closure or shutdown of associated General PP&E. SFFAS 5 provides criteria for recognizing a contingent liability and DoD reporting entities must apply such criteria to determine when cleanup costs are recognized as liabilities and disclosed in the notes. SFFAS 6 supplements the liability standard by providing policy for recording cleanup costs related to General PP&E and Stewardship PP&E used in federal operations. For accounting policy regarding Environmental and Disposal Activities, see Volume 4, Chapter 13.

3.4.5. Loan Guarantee Liability, Line 4.E. This line reports the present value of the estimated net cash flows to be paid as a result of loan guarantees after 1991. For loan guarantees prior to 1992, the amount of known and estimated losses to be payable must be included. When the total loan guarantee liability for all credit programs of a DoD reporting entity is negative, the entity must report the loan as an asset. If a loan guarantee liability is the result of both positive and negative amounts for the various components, then the total must be shown as a liability and negative components disclosed.

#### 3.4.6. Other Liabilities, Line 4.F

3.4.6.1. Included Amounts. This line reports the total amount due to nonfederal entities for other liabilities owed by DoD reporting entities that are not included on lines 4.A through 4.E. This amount includes, but is not limited to, liabilities related to deferred credits from nonfederal entities, accrued liabilities related to ongoing continuous expenses, such as federal employee salaries, accrued employee annual leave, capital leases, advances and prepayments received from other nonfederal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and estimated contingent liabilities. In addition, report cleanup costs as other liabilities if they are not material to the Balance Sheet. Cleanup costs that exceed the materiality threshold are reported separately as environmental and disposal liabilities.

3.4.6.2. Accrued Entitlement Benefits. Accrued entitlements benefits include:

3.4.6.2.1. Salaries and wages which represent the estimated liability for salaries and wages of civilian personnel that have been earned, but are unpaid; and the estimated military personnel funded compensation earned, but unpaid, as of the end of the current accounting month; and

3.4.6.2.2. Both funded and unfunded accrued annual leave, which represent the accrued leave for civilians and military personnel earned and expected to be paid in the future.

3.4.6.3. Commitments and Contingencies. 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.

3.4.6.3.1. DoD reporting entities must recognize a contingent liability when a past event or exchange transaction has occurred; a future outflow or other sacrifice of resources is probable; and the future outflow or sacrifice of resources is measurable. Contingencies that do not meet any of the conditions for liability recognition, and for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred, must be disclosed in a separate note. For additional policy regarding contingent liabilities, see SFFAS 5, as amended by [SFFAS 12](#), “Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government;” Volume 4, Chapter 12; and applicable Policy Memoranda related to this chapter.

3.4.6.3.2. DoD reporting entities must also disclose the following commitments:

3.4.6.3.2.1. An estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; and

3.4.6.3.2.2. Amounts for contractual arrangements that may require future financial obligations.

3.4.6.3.3. DoD reporting entities must recognize a contingent liability for pending or threatened litigation and unasserted claims when the future outflow or other sacrifice of resources is measurable and "likely to occur" as detailed by SFFAS 12.

3.4.6.3.4. DoD reporting entities must recognize a contingent liability for contingencies not related to pending or threatened litigation when the future outflow or other sacrifice of resources is measurable and "more likely than not to occur" as detailed in SFFAS 12. If a contingency exists for clean-up costs related to Stewardship PP&E, DoD reporting entities must recognize a contingent liability when the Stewardship PP&E is placed in service. DoD reporting entities must report such liability on Line 4.D. [Please refer to OMB Circular A-136, Section II.3.3.4 for additional information.](#)

3.4.6.4. Lease Liabilities. DoD reporting entities must report the liability for nonfederal capital leases, including those capital leases entered into during Fiscal Year 1992 and thereafter, and required to be fully funded in the first year of the lease.

3.4.7. Total Liabilities, Line 5. This line is the sum of Line 4.A.4 and Lines 4.B. through 4.F.

3.4.8. Commitments and Contingencies, Line 6. DoD reporting entities must disclose on Line 6 and in the notes, any contingencies that do not meet any of the conditions for liability recognition and for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

### 3.5 [General Instructions for the Net Position Section](#) (040305)

Net Position is comprised of unexpended appropriations and cumulative results of operations, including those attributable to funds from dedicated collections. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, 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 Government's general revenues. [SFFAS 27](#), "Identifying and Reporting Funds from Dedicated Collections," as amended by [SFFAS 43](#), "Funds from Dedicated Collections: Amending Statement of Federal Financial Standards 27, Identifying and Reporting Earmarked Funds," requires disclosure of all funds from dedicated collections for which the reporting entity

has program management responsibility. [A crosswalk from the consolidated to combined net position amounts is included in the notes as a disclosure to the Balance Sheet.](#)

### 3.6 Line Item Instructions for the Net Position Section (040306)

3.6.1. Unexpended Appropriations, Dedicated Collections, Line 7.A. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances related to funds from dedicated collections. DoD reporting entities must report unexpended appropriations attributable to funds from dedicated collections separately on the Balance Sheet. The prior period columns of the basic financial statements and related disclosures must not be restated in the year funds from dedicated collections are initially reported by an entity.

3.6.2. Unexpended Appropriations, Other Funds, Line 7.B. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances that do not relate to funds from dedicated collections. The amount of unexpended appropriations (including the amount of dedicated collections) reported on the Balance Sheet **must** equal the amount of unexpended appropriations reported on the Statement of Changes in Net Position (SCNP).

3.6.3. Cumulative Results of Operations, Dedicated Collections, Line 7.C. This line reports the net results of operations since inception, plus the cumulative amount of prior period adjustments related to funds from dedicated collections. DoD reporting entities must report the cumulative results of operations attributable to funds from dedicated collections separately on the Balance Sheet and in accordance with SFFAS 27, as amended by SFFAS 43. The prior period columns of the basic financial statements and related disclosures must not be restated in the year funds from dedicated collections are initially reported by an entity.

3.6.4. Cumulative Results of Operations, Other Funds, Line 7.D. This line reports the net results of operations since inception plus the cumulative amount of prior period adjustments that do not relate to funds from dedicated collections. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. The amount of cumulative results of operations (including the amount of dedicated collections) reported on the Balance Sheet **must** equal the amount of cumulative results of operations reported on the SCNP.

3.6.5. Total Net Position, Line 8. This line is the sum of Lines 7.A. through 7.D.

3.6.6. Total Liabilities and Net Position, Line 9. This line is the sum of Lines 5 and 8.



Figure 4-1. Department of Defense (Reporting Entity) Balance Sheet

<b>DEPARTMENT OF DEFENSE (REPORTING ENTITY)</b>				
<b>BALANCE SHEET</b>				
<b>As of Fiscal Year 20XX</b>				
<b>(Amounts in thousands)</b>		<b>(Current FY)</b>		<b>(Prior FY)</b>
<b>1. ASSETS:</b>				
A. Intragovernmental:				
1. Fund Balance with Treasury	\$	xxx	\$	xxx
2. Investments		xxx		xxx
3. Accounts Receivable		xxx		xxx
4. Other Assets		xxx		xxx
5. Total Intragovernmental Assets	\$	xxx	\$	xxx
B. Cash and Other Monetary Assets	\$	xxx	\$	xxx
C. Accounts Receivable, Net		xxx		xxx
D. Loans Receivable, Net		xxx		xxx
E. Inventory and Related Property, Net		xxx		xxx
F. General Property, Plant and Equipment, Net		xxx		xxx
G. Investments		xxx		xxx
H. Other Assets		xxx		xxx
<b>2. TOTAL ASSETS</b>	\$	xxx	\$	xxx
<b>3. STEWARDSHIP PROPERTY, PLANT &amp; EQUIPMENT</b>				
<b>4. LIABILITIES</b>				
A. Intragovernmental:				
1. Accounts Payable	\$	xxx	\$	xxx
2. Debt		xxx		xxx
3. Other Liabilities		xxx		xxx
4. Total Intragovernmental Liabilities	\$	xxx	\$	xxx
B. Accounts Payable	\$	xxx	\$	xxx
C. Military Retirement and Other Federal Employment Benefits		xxx		xxx
D. Environmental and Disposal Liabilities		xxx		xxx
E. Loan Guarantee Liability		xxx		xxx
F. Other Liabilities		xxx		xxx
<b>5. TOTAL LIABILITIES</b>	\$	xxx	\$	xxx
<b>6. COMMITMENTS AND CONTINGENCIES</b>				
<b>7. NET POSITION</b>				
A. Unexpended Appropriations, Dedicated Collections	\$	xxx	\$	xxx
B. Unexpended Appropriations, Other Funds		xxx		xxx
C. Cumulative Results of Operations, Dedicated Collections		xxx		xxx
D. Cumulative Results of Operations, Other Funds		xxx		xxx
<b>8. TOTAL NET POSITION</b>	\$	xxx	\$	xxx
<b>9. TOTAL LIABILITIES AND NET POSITION</b>	\$	xxx	\$	xxx