

## CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS1001 GENERAL

100101. This chapter provides format, content, and instruction for the preparation and presentation of notes to the principal statements. In addition, specific required disclosures of material departures from Statements of Federal Financial Accounting Standards (SFFAS) will be issued by memorandum each year for inclusion in the financial statements of the Department of Defense (DoD) reporting entities.

1002 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

100201. Note 1 to the financial statements should summarize the accounting principles and the methods of applying those principles, that management has concluded are the most appropriate for presenting the entity's significant assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies should identify and describe the accounting policies followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgements as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Disclosure of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements.

100202. The summary of significant accounting policies should disclose any significant changes, from the prior year, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

100203. In many cases, the underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with this form and content guidance. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies will be explained and the reason(s) for noncompliance annotated. At the discretion of entity management, such explanation may be included in the "Overview of the Reporting Entity;" but must be included in individual "Notes" to the financial statements or at Note 1, "Significant Accounting Policies."

100204. A sample summary of significant accounting policies follows:

Note 1. Significant Accounting Policies:

A. Basis of Presentation. These financial statements have been prepared to report the financial position and results of operations of the Department of Defense (DoD), as required by the Chief Financial Officers (CFO) Act of 1990, expanded by the Government Management Reform Act (GMRA) of 1994, and other appropriate legislation. The financial statements have been prepared from the books and records of

the Department in accordance with "Department of Defense Financial Management Regulation" ("DoDFMR") as adopted from Office of Management and Budget (OMB) Bulletin No. 97-01, "Form and Content of Agency Financial Statements." These statements are different from the financial reports, also prepared by the DoD pursuant to OMB directives that are used to monitor and control DoD's use of budgetary resources.

B. Reporting Entity. The Department was created on September 18, 1947, by the National Security Act of 1947. The overall mission of the Department is to organize, train, and equip armed forces to deter aggression and, if necessary, defeat aggressors of the United States and its allies. Fiscal year 1998 represents the third year that the Department will prepare and have audited, DoD Agency-wide financial statements as required by the CFO Act and the GMRA.

1. The accounts used to prepare the statements are classified as entity/nonentity. Entity accounts consist of resources that the agency has the authority to decide how to use, or where management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets that are held by an entity but are not available for use in the operations of the entity. [List accounts and title categorized by fund type and grouped by entity and nonentity (see appendix A)]

2. The accompanying audited financial statements account for all resources for which the Department is responsible except that information relative to classified assets, programs, and operations have been excluded from the statement or otherwise aggregated and reported in such a manner that it is no longer classified. The audited financial statements are presented on the accrual basis of accounting as required by federal financial accounting standards.

C. Budgets and Budgetary Accounting. The Department's major activities are funded through general, working capital (revolving funds), trust, special, and deposit funds.

1. General funds are used to record financial transactions arising under congressional appropriations.

2. The Department expanded the use of businesslike financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. On December 11, 1996, the DBOF became the Defense Working Capital Funds (DWCFs). The DWCFs ("the Funds") operate with financial principles that provide improved cost visibility and accountability to enhance business management and improve the decision making process. The Funds build on revolving fund principles previously used for industrial and commercial-type activities. The Department's working capital funds include industrial and commercial type transactions, i.e., Supply Management and Distribution Depot funds, and are composed of four divisions administered by the Departments of the Army, Navy, Air Force and Defense Agencies. These activities provide goods and services on a commercial-like basis. Receipts derived from operations generally are available in their entirety for use without further congressional action.

3. Trust funds are used to record the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute.

4. Special funds account for receipts of the government that are earmarked for a specific purpose.

5. Deposit funds generally are used to (1) hold assets for which the Department is acting as an agent or a custodian or whose distribution awaits legal determination or (2) account for unidentified remittances.

D. Basis of Accounting. Transactions generally are recorded on a budgetary basis, but are required to be reported (in these financial statements) on an accrual accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds. Known intrafund balances are eliminated.

E. Revenues and Other Financing Sources. Financing sources for general funds are provided through congressional appropriations that are received on both an annual and a multi-year basis. Revenue for business fund activities is recognized at the point the rendered service is completed and billed or at the point inventory items are sold.

1. For financial statement reporting purposes under accrual accounting, operating expenses for general fund activities are recognized in the period incurred. Expenditures for capital and other long-term assets are not recognized as expenses until consumed in the Department's operations. Unexpended appropriations are recorded as equity of the U.S. Government.

2. Certain expenses, such as annual and military leave earned but not taken, are not funded when accrued. Such expenses are financed in the period in which payment is made.

F. Accounting for Intragovernmental Activities. The Department, as an agency of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to the Department as though the agency was a stand-alone entity.

1. The Department's proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related interests costs are not apportioned to federal agencies. The Department's financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues. Material disclosures are provided at Note 10.

2. Financing for the construction of DoD facilities is obtained through budget appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the Treasury Department does not allocate such interest costs to the benefiting agencies.

3. The Department's civilian employees participate in the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. The Department funds a portion of the civilian and military pensions. Reporting civilian pension benefits under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). The Department recognizes an imputed expense for civilian employee pensions and other retirement benefits in the statement of net cost; and recognizes imputed revenue for the

civilian employee pensions and other retirement benefits in the statement of changes in net position. The Department reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Trust Fund financial statements. The Department recognizes the actuarial liability for the military retirement health benefits in the DoD Agency-wide statements.

4. Most legal actions, other than contract claims, to which the Department may be a named party are covered by the provisions of the Federal Tort Claims Act and the provisions of Title 10, United States Code, Chapter 163, governing military claims. Either because payments under these statutes are limited to amounts well below the threshold of materiality for claims payable from the Department's appropriations or because payments will be from the permanent, indefinite appropriation "Claims, Judgments, and Relief Acts" (the Judgment Fund), these legal actions should not materially affect the Department's operations or financial condition.

5. Each year, the Department's Components sell assets to foreign governments under the provisions of the Arms Export Control Act of 1976. Under the provisions of the Act, the Department has authority to sell defense articles and services to foreign countries, generally at no profit or loss to the U.S. Government. Customers are required to make payments in advance to a trust fund maintained by the Department of the Treasury from which the Military Services are reimbursed for the cost of administering and executing the sales. In fiscal year 19\*\*, the Department received reimbursements of \$xxx thousands for assets and services sold under the Foreign Military Sales program.

G. Funds with the U.S. Treasury and Cash. The Department's financial resources are maintained in U.S. Treasury accounts. The Department's cash receipts and disbursements are processed by the Treasury Department, and the balance with the U.S. Treasury represents the aggregate of all unexpended balances. Material disclosures are provided at Note 2.

H. Foreign Currency. The Department conducts a significant portion of its operations overseas. Gains and losses from foreign currency transactions for five general fund appropriations (operation and maintenance, military personnel, military construction, family housing operation and maintenance, and family housing construction) are recognized and reported in the net cost statement. The gains or losses are computed as the variance between the exchange rate current at the date of payment and a budget rate established at the beginning of each fiscal year. Similar gains and losses for other appropriations are not recognized in the net cost statement. Instead, they are absorbed by budgetary transactions in which obligations are increased or decreased to reflect foreign currency fluctuations. Material disclosures are provided at Note 3.

I. Accounts Receivable. As presented in the balance sheet statement, accounts receivable includes accounts, claims, and refunds receivable from other entities. Allowances for uncollectable accounts are based upon analysis of collection experience by fund type. Material disclosures are provided at Note 5.

J. Loans Receivable. Loans are accounted for as receivables after funds have been disbursed. The amount of loans obligated but not disbursed are disclosed in Note 7. For loans obligated prior to October 1, 1991, loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience, present market conditions, and an analysis of outstanding balances. For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the present value of the subsidy costs (due to the interest rate differential between the loans and

U.S. Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

K. Inventories and Related Property. Inventories, are reported at Latest Acquisition Cost (LAC). LAC is determined by subtracting appropriate surcharges from the Standard Cost to arrive at the price most recently paid for a carried item. Gains and losses that result from valuation changes for inventory items are recognized and reported in the net cost statement and included in the calculation of the cost of goods sold. No gains or losses are recognized in the net cost statement as a result of changes in valuation for general fund operating supplies and materials. Such changes are reflected in the asset valuations and related invested capital as reported in the balance sheet statement. The related property portion of the amount reported includes operating materials and supplies, stockpile materials, seized property and forfeited property. Operating materials and supplies are valued at historical cost. Ammunition and munitions that are not held for sale are treated as operating materials and supplies. The consumption method of accounting for the recognition of expenses has been applied for operating materials and supplies, except where management determined that the purchases method is more appropriate as provided in SFFAS No. 3. Other material disclosures related to inventory and related property are provided at Note 8.

L. Investments in U.S. Government Securities. Investments in U.S. Government securities are reported at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment. The reporting entity's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. Material disclosures are provided at Note 4.

M. General Property, Plant and Equipment (PP&E).

1. The costs of Stewardship Assets (National Defense PP&E, Heritage Assets and Stewardship Land) are not reported on the balance sheet beginning in FY 1998. Any such previously reported costs have been charged to the Net Position of the Entity, and the adjustment is shown as a "prior period adjustment." Other information on Stewardship Assets is reported in the Required Supplemental Stewardship Information section. (See Chapter 11 for Stewardship Asset reporting requirements and instructions.)

2. (PP&E) are valued at historical acquisition cost. DoD Components are required to recognize and report General PP&E in accordance with an Under Secretary Defense (Comptroller) (USD(C)) policy memorandum dated May 22, 1998. All General PP&E, other than land, is required to be depreciated in accordance with the (USD(C)) policy memorandum dated March 26, 1998. These policy memorandums are available at: [http://www.dtic.mil/comptroller/fmr/04/04\\_recent.html](http://www.dtic.mil/comptroller/fmr/04/04_recent.html) on the Internet.

3. When records are not available to support the original acquisition cost of General PP&E, estimates may be used. Such estimates should be based on either (1) the cost of similar assets at the time of acquisition or (2) the current cost of similar assets discounted for inflation to the time of acquisition. If the original acquisition costs are not known for a significant amount of assets in a major class of General PP&E, the Notes to the principal statements should disclose the method of valuation and the reason for its use. Material disclosures are provided at Note 9.

4. Multi-use Heritage Assets are treated as General PP&E for reporting and accounting purposes. Therefore, the acquisition costs of Multi-use Heritage Assets, and any capitalized renovations or improvements, are required to be reported on

the balance sheet and depreciated. Multi-use Heritage Assets are Heritage Assets that are used predominantly for government operations (e.g., The Pentagon).

N. Prepaid and Deferred Charges. Payments in advance of the receipt of goods and services are recorded as prepaid and deferred charges at the time of prepayment and reported as an asset on the Balance Sheet. Prepaid charges are recognized as expenditures and expenses when the related goods and services are received.

O. Leases. Generally, these leases and agreements were for rental equipment, space, and operating facilities. The Department owns substantially all of the facilities and real property used in its domestic operations. Capital assets overseas are purchased with appropriated funds; however, title is retained by the host country.

P. Contingencies.

1. At any given time, the Department may be subject to various legal and administrative actions and claims brought against it. These actions or claims primarily involve tort claims that may result from events such as aircraft, ship, and vehicle accidents, medical malpractice, property or environmental damages, and contract disputes.

2. Most legal actions, other than contract claims, to which the Department may be a named party are covered by the provisions of the Federal Tort Claims Act and the provisions of Title 10, United States Code, Chapter 163, governing military claims. Either because payments under these statutes are limited to, amounts well below the threshold of materiality for claims payable from the Department's appropriations or because payments will be from the permanent, indefinite appropriation "Claims, Judgments, and Relief Acts" (the Judgment Fund), these legal actions should not materially affect the Department's operations or financial condition. Contingencies related to the Judgment Fund are reflected as current period imputed cost offset by a corresponding imputed financing entry.

Q. Accrued Leave. Civilian annual leave and military leave are accrued as earned and the accrued amounts are reduced as leave is taken. The balances for annual and military leave at the end of the fiscal year reflect current pay rates for the leave that is earned but not taken. Sick and other types of nonvested leave are expensed as taken. Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

R. Equity.

1. Equity consists of unexpended appropriations and cumulative result of operations. Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn, and amounts obligated but for which neither legal liabilities for payments have been incurred nor actual payments made.

2. Cumulative results of operations represents the difference since inception of an activity between expenses and losses, and financing sources including appropriations, revenue, and gains. Beginning in FY 1998, this will include the cumulative amount of donations and transfers of assets in and out without reimbursement. In addition, there will no longer be a segregation of cumulative amounts related to investments in capitalized assets, such as PP&E, or precredit reform loans, or a separate negative amount shown for future funding requirements. Cumulative results of

operations for working capital funds represents the excess of revenues over expenses since fund inception, less refunds to customers and returns to the U.S. Treasury.

S. Treaties for Use of Foreign Bases. The DoD Components have the use of land, buildings, and other facilities, which are located overseas and have been obtained through various international treaties and agreements negotiated by the Department of State. Generally, treaty terms allow the DoD Components continued use of these properties until the treaties expire. Capital investments in buildings and other facilities (for example, runways) located on the overseas bases are capitalized as stipulated in Note 1-M. These fixed assets are subject to loss in the event treaties are not renewed or other agreements are not reached which allow for the continued use by the Department. Therefore, in the event treaties or other agreements are terminated whereby use of foreign bases is no longer allowed, losses will be recorded for the value of any nonretrievable capital assets after negotiations between the United States and the host country have been concluded to determine the amount to be paid the United States for such capital investments.

T. Comparative Data. Comparative data for the prior year has not been presented because this is the first year for which financial statements are prepared using the OMB 97-01 prescribed format. In future years, comparative data will be presented in order to provide an understanding of changes in the financial position and operations of the Department's reporting activities.

U. Undelivered Orders. The Department is obligated for goods and services which have been ordered but not yet received (undelivered orders) and thus do not represent a liability for payment. The Department has Undelivered Orders outstanding at the end of FY 1998 of \$xxx thousands.

1003 NOTE 2. FUND BALANCES WITH TREASURY

100301. Footnote Format.

<u>Note 2. Fund Balances with Treasury:</u> (\$ in Thousands)					
	<u>Trust Funds</u>	<u>Revolving Funds</u>	<u>Appropriated Funds</u>	<u>Other Fund Types</u>	<u>Total</u>
A. Entity Fund and Account Balances:					
Unobligated Balance Available:					
Available	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Restricted	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Reserve For Anticipated Resources	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Obligated (but not expensed)	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Unfunded Contract Authority	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Unused Borrowing Authority	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
 Total Entity Treasury Balance	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>
 B. Non-Entity Fund and Account Balance	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>	 <u>\$ xxx,xxx</u>
 C. Other Information:					
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Figure 10-1

100302. Instructions.

A. Entity Fund and Account Balances. Entity Fund Balance with Treasury represents the total of all obligated, but not yet disbursed, as well as all unobligated undisbursed account balances with the U.S. Treasury that are available for use by the Department, as reflected in the entity's records. Unobligated amounts shall be further classified as available and restricted. Restricted unobligated fund balances include (1) amounts related to expired authority and (2) funds that have not been transferred into the general fund as of the report date that are unavailable for agency use. Included also are balances in deposit, suspense, clearing and related nonspending accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others. If any of the balances under restricted unobligated fund balances are material, list them separately. The Fund Balance with Treasury line does not include any amounts for which The Department of the Treasury is willing to accept corrections to cancelled appropriation accounts,

in accordance with SFFAS Number 1. The amount reported on the line entitled “Total Entity Treasury Balance” should agree with the amount reported on line 1.A.1 of the balance sheet. Differences between this amount and the amount reported on Financial Management Service Form 2108, “Year End Closing Statement”, must be explained. For Working Capital Funds, only the Treasury Index Sub-Numbered accounts will complete Note 2. Agencies also should provide information on material amounts of unused funds in expired appropriations that are returned to Treasury at the end of a fiscal year.

B. Non-Entity Fund and Account Balance. Include fund balance in deposit, suspense, and clearing accounts that are not available to finance the entity’s activities. The amount reported in this note entitled “Non-Entity Fund and Account Balance” should agree with line 2.A.1 of the balance sheet.

C. Other Information. Provide other information relative to fund balances with Treasury, cash, or foreign currency not disclosed. Disclose any material differences between the amounts of fund balances with Treasury in the entity’s records and the corresponding account balances reported on the Treasury’s end of period (post closing) trial balances.

1004 NOTE 3. CASH, AND OTHER MONETARY ASSETS

100401. Footnote Format.

<u>Note 3. Cash, and Other Monetary Assets:</u>		
(\$ in Thousands)		
	<u>Entity Assets</u>	<u>Non-Entity Assets</u>
A. Cash	\$ xxx,xxx	\$ xxx,xxx
B. Foreign Currency	xxx,xxx	xxx,xxx
C. Other Monetary Assets	<u>xxx,xxx</u>	<u>xxx,xxx</u>
D. Total Cash, Foreign Currency, and Other Monetary Assets	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
E. Other Information:		

Figure 10-2

100402. Instructions.

A. Cash. The total of cash resources under the control of the reporting entity, which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use should include petty cash funds and other revolving funds, which will not be transferred into the general fund.

B. Foreign Currency. The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts.

C. Other Monetary Assets. This amount represents other items including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund.

D. Total Cash, Foreign Currency, and Other Monetary Assets. Entity cash equals line 1.C. of the balance sheet statement. Non-Entity cash equals line 2.B.3 of the balance sheet statement.

E. Other Information. Disclose in Other Information any restricted cash. Restricted cash includes holdings, which have not been transferred into the general fund as of the report date, which are unavailable for agency use (Nonentity Cash). Restricted cash also includes cash held in escrow to pay property taxes and insurance for defaulted guaranteed loans. Disclose any restrictions on the use or conversions of cash denominated in foreign currencies; and the significant effects, if any, of exchange rate changes on the entity's financial position that occur

after the end of the reporting period but before the issuance of financial statements. Disclose other information, as appropriate, such as the valuation rate for gold.

1005 NOTE 4. INVESTMENTS, NET

100501. Footnote Format.

<u>Note 4. Investments, Net :</u> (\$ in Thousands)						
	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Cost</u>	<u>Amorti- zation Metho d</u>	<u>Amortized Premium/ (Discount)</u>	<u>Invest- ments, Net</u>	<u>Other Adjust- ments</u>	<u>Market Value Disclosure</u>
<b>A. Intragovernmental Securities:</b>						
(1) Marketable	\$ xxx,xxx		\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) Non-Marketable, Par Value	xxx,xxx		xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
(3) Non-Marketable, Market-Based	<u>xxx,xxx</u>		<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Subtotal	<u>\$ xxx,xxx</u>		<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
(4) Accrued Interest	xxx,xxx					<u>xxx,xxx</u>
Total	<u>\$ xxx,xxx</u>					<u>\$ xxx,xxx</u>
<b>B. Other Securities:</b>						
(1) Commercial Paper	\$ xxx,xxx		\$ xxx,xxx	\$ xxx,xxx		\$ xxx,xxx
(2) Other	<u>xxx,xxx</u>		<u>xxx,xxx</u>	<u>xxx,xxx</u>		<u>xxx,xxx</u>
Subtotal	<u>xxx,xxx</u>		<u>xxx,xxx</u>	<u>xxx,xxx</u>		<u>xxx,xxx</u>
(4) Accrued Interest	\$ xxx,xxx					\$ xxx,xxx
C. Total	<u>\$ xxx,xxx</u>					<u>\$ xxx,xxx</u>
D. Other Information: _____						

Figure 10-3

100502. Instructions. Columns 1 through 4 are for disclosing amounts to be recognized on the balance sheet. Column 4 equals column 1 plus or minus column 3, column 5 includes any reduction in value that is more than temporary and other adjustments, and column 6 equals column 4 minus column 5. The DoD Military Retirement Trust Fund shall report investments at net value. Securities are normally recognized at cost or amortized cost on the Balance Sheet. However, market value is used for Balance Sheet purposes (except for pension and other retirement plans) when (a) there is intent to sell the securities prior to maturity and (b) there is a reduction in value that is more than temporary. Column 6 is to be used to disclose the market value of all marketable securities and all nonmarketable market-based securities.

A. Intragovernmental Securities. Intragovernmental securities are nonmarketable par value Treasury securities issued by the Bureau of the Public Debt to federal accounts and are purchased and redeemed at par exclusively through Treasury's Finance and

Funding Branch. Non-Marketable Market-Based Treasury Securities are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. The total net investment in federal securities should agree with the amount reported on line 1.A.2. of the balance sheet.

B. Other Securities. Securities issued by organizations other than the federal government (e.g., state and local governments, private corporations, and government-sponsored enterprises). The total net investment in non-Federal securities should agree with the amount reported on line 1.C. of the balance sheet.

C. Total. Sum of intergovernmental and other investments.

D. Other Information. Disclose any other information relative to relative to understanding the nature of reported investments, such as permanent impairments.

1006 NOTE 5. ACCOUNTS RECEIVABLE, NET

100601. Footnote Format.

<u>Note 5. Accounts Receivable, Net</u> (\$ in Thousands)			
	(1)	(2)	(3)
	<u>Gross Amount Due</u>	<u>Allowance for Estimated Uncollectibles</u>	<u>Net Amount Due</u>
A. Entity Receivables:			
Intragovernmental	\$ xxx,xxx	N/A	\$ xxx,xxx
With the Public	xxx,xxx	xxx,xxx	xxx,xxx
B. Non-Entity Receivables:			
Intragovernmental	xxx,xxx	N/A	xxx,xxx
With the Public	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
C. Allowance Method Used:	_____		
D. Other Information:	_____		

Figure 10-4

100602. Instructions. Present, for both entity and nonentity receivables, the gross receivables, the method used to estimate the allowance for uncollectible accounts, and the net amount due. Do not include receivables related to direct or guaranteed loans, which are reported in note 7.

A. Entity Receivables. These receivables arise from transactions among federal entities and from transactions of the federal government or an entity of the federal government with nonfederal entities. These receivables, when collected, can be used in the reporting entity’s operations. Receivables a federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection are “Entity Receivables” and should be reported separately from “Non-entity receivables.”

1. Intragovernmental. Intragovernmental entity receivables are claims of a federal entity against other federal entities. Net amount due must equal line 1.A.3 of the balance sheet statement.

2. With the Public. Governmental entity receivables are claims of the federal government or an entity within the federal government against nonfederal entities. The

term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S. Government. Net amount due must equal line 1.B.2 of the balance sheet statement.

B. Non-Entity Receivables. These receivables arise from transactions among federal entities and from transactions of the federal government or an entity of the federal government with nonfederal entities. These receivables, when collected, cannot be used in the reporting entity’s operations and must be deposited or transferred to another account or fund.

1. Intragovernmental. Intragovernmental nonentity receivables are claims of a federal entity against other federal entities. Net amount due must equal line 2.A.2 of the balance sheet statement.

2. With the Public. Governmental nonentity receivables are claims of the federal government or an entity within the federal government against nonfederal entities. The term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S. Government. Net amount due must equal line 2.B.1 of the balance sheet statement.

C. Allowance Method Used. Disclose the method(s) of calculating the allowance for estimated uncollectables.

D. Other Information. Disclose any other information relative to Accounts Receivable.

1007 NOTE 6. OTHER ASSETS

100701. Footnote Format.

<u>Note 6. Other Assets:</u>	
(\$ in Thousands)	
A. Other Entity Assets	
1. Intragovernmental	
(a) Assets Returned for Credit	\$ xxx,xxx
(b) Other	<u>xxx,xxx</u>
Total Intragovernmental	<u>\$ x,xxx,xxx</u>
2. Other	
(a) Outstanding Contract Financing Payments	\$ xxx,xxx
(b) _____	<u>xxx,xxx</u>
Total Other	<u>\$ x,xxx,xxx</u>
B. Other Information related to entity assets. _____	
C. Other Non-entity Assets	
1. Intragovernmental	
(a) _____	\$ xxx,xxx
(b) _____	<u>xxx,xxx</u>
Total Intragovernmental	<u>\$ x,xxx,xxx</u>
2. Other	
(a) _____	\$ xxx,xxx
(b) _____	<u>xxx,xxx</u>
Total Other	<u>\$ x,xxx,xxx</u>
D. Other Information related to nonentity assets. _____	

Figure 10-5

100702. Instructions.

A. Other Entity Assets. List and describe each major category of intragovernmental and other assets not included on other lines on the statement. Total of "Other Entity Assets-Intragovernmental" should agree with the amount reported on line 1.A.4. of the balance sheet statement. The total of "Other Assets" should agree with line 1.J. on the statement.

B. Other Information. Provide other relative information needed to understand the nature other entity assets. The Department will report financing payments for fixed contracts as advances and prepayments and include on the appropriate "Other Assets" line(s).

C. Other Non-Entity Assets. List and describe each major category of intragovernmental and other nonentity assets not included on other lines on the statement. The total of Other Non-Entity Assets Intragovernmental should agree with the amount reported on line 2.A.3. of the balance sheet. The total of Other Non-Entity Assets should agree with the amount reported on line 2.E. of the statement.

D. Other Information. Provide other information relative to other nonentity assets needed to understand the nature other nonentity assets.

1008 NOTE 7. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS If applicable use the following note disclosure. If this note is applicable, the total amount disclosed should agree with the amount reported on line 1.E. on the balance sheet. Some examples of DoD direct loans or loan guarantees are Navy Ship Vessel Transfer Account and Family Housing Improvement Fund.

100801. A. Footnote Format.

**Note 7. Direct Loans and Loan Guarantees, Non-Federal Borrowers:**

A. The entity operates the following direct loan and/or loan guarantee programs:

(1) \_\_\_\_\_  
 (2) \_\_\_\_\_  
 (3) \_\_\_\_\_

An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy and administrative costs associated with the direct loans and loan guarantees is provided in the following sections.

B.1. Direct Loans Obligated Prior to FY 1992 (Present Value Method):

<u>Loan Programs</u>	<u>Loans Receivable Gross</u>	<u>Interest Receivable</u>	<u>Foreclosed Property</u>	<u>Present Value Allowance</u>	<u>Value Of Assets Related To Direct Loans</u>
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ ( xxx)	\$ xxx
(2) _____	xxx	xxx	xxx	xxx	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

B.2. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):

<u>Loan Programs</u>	<u>Loans Receivable Gross</u>	<u>Interest Receivable</u>	<u>Allowance for loan Losses</u>	<u>Fore-closed Property</u>	<u>Value Of Assets Related To Direct Loans</u>
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ ( xxx)	\$ xxx
(2) _____	xxx	xxx	xxx	xxx	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

Figure 10-6

C. Direct Loans Obligated After FY 1991:					
<u>Loan Programs</u>	<u>Loans Receivable Gross</u>	<u>Interest Receivable</u>	<u>Foreclosed Property</u>	<u>Allowance for Subsidy Cost (Present Value)</u>	<u>Value Of Assets Related To Direct Loans</u>
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ ( xxx)	\$ xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>
D.1. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Present Value Method):					
<u>Loan Guarantee Programs</u>	<u>Defaulted Guaranteed Loans Receivable, Gross</u>	<u>Interest Receivable</u>	<u>Foreclosed Property</u>	<u>Present Value Allowance</u>	<u>Defaulted Guaranteed Loans Receivable, Net</u>
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ ( xxx)	\$ xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>
D.2. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):					
<u>Loan Guarantee Programs</u>	<u>Defaulted Guaranteed Loans Receivable, Gross</u>	<u>Interest Receivable</u>	<u>Allowance For Loan Losses</u>	<u>Foreclosed Property</u>	<u>Defaulted Guaranteed Loans Receivable, Net</u>
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ ( xxx)	\$ xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

Figure 10-6 (cont.)

E. Defaulted Guaranteed Loans from Post-1991 Guarantees:					
Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ ( xxx)	\$ xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>(xxx)</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

  

F. Guaranteed Loans Outstanding:			
Loan Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	
(1) _____	\$ xxx	<u>xxx</u>	
(2) _____	<u>xxx</u>	<u>xxx</u>	
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	

  

G1. Liability for Loan Guarantees (Present Value Method, pre 1992):			
Loan Programs	Liabilities for Losses on Pre-1992 Guarantees, Present Value	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities For Loan Guarantees
(1) _____	\$ xxx	\$ xxx	\$ xxx
(2) _____	<u>Xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

Figure 10-6 (cont.)

G.2. Liability for Loan Guarantees (Present Value Method, pre 1992):					
<u>Loan Programs</u>	Liabilities for Losses on Pre-1992 Guarantees, Estimated <u>Future Default Claims</u>	Liabilities for Loan Guarantees for Post-1991 Guarantees, <u>Present Value</u>	Total Liabilities For Loan <u>Guarantees</u>		
(1) _____	\$ xxx	\$ xxx	\$ xxx		
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>		
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>		
H. Subsidy Expense for Post-1991 Direct Loans					
1. Current Year's Direct Loans					
<u>Loan Programs</u>	Interest Differential	Defaults	Fees	Other	Total
(1) _____	\$ xx	\$ xx	\$ xx	\$ xx	\$ xx
(2) _____	Xx	xx	xx	xx	<u>xx</u>
Total					<u>\$ xxx</u>
2. Direct Loan Modifications and Reestimates					
<u>Loan Programs</u>	<u>Modifications</u>		<u>Reestimates</u>		
(1) _____	\$ xx		\$ xx		
(2) _____	xx		xx		
Total					
3. Total Direct Loan Subsidy Expenses					
<u>Loan Programs</u>					
(1) _____	\$ xx				
(2) _____	<u>xx</u>				
Total	<u>\$ xxx</u>				

Figure 10-6 (cont.)

I. Subsidy Expense for Post-1991 Loan Guarantees:					
1. Current Year's Loan Guarantees					
<u>Loan Programs</u>	<u>Defaults</u>	<u>Fees</u>	<u>Interest Supplement</u>	<u>Other</u>	<u>Total</u>
(1) _____	\$ xx	\$ (xx)	\$ xx	\$ xx	\$ xx
(2) _____	xx	(xx)	xx	xx	<u>xx</u>
Total					<u>\$ xxx</u>
2. Loan Guarantee Modifications and Reestimates					
<u>Loan Programs</u>	<u>Modifications</u>		<u>Reestimates</u>		
(1) _____			\$ xx		\$ xx
(2) _____			xx		xx
3. Total Loan Guarantee Subsidy Expense					
<u>Loan Programs</u>					
(1) _____		\$ xx			
(2) _____		<u>xx</u>			
Total		<u>\$ xxx</u>			
J. Administrative Expense:					
Direct Loans			Loan Guarantees		
<u>Loan Programs</u>			<u>Loan Programs</u>		
(1) _____		\$ xx	(1) _____		\$ xx
(2) _____		<u>xx</u>	(2) _____		<u>xx</u>
Total		<u>\$ xxx</u>	Total		<u>\$ xxx</u>
K. Other Information: _____					

Figure 10-6 (cont.)

100802. Instructions.

A. Identity.

1. Enter the names of the direct loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: (a) Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees,

and (b) Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to the Office of Management and Budget (OMB) Circular A-34, Section 12, and OMB Circular A-11, Section 33.

2. Section 506(a)(1) of the Federal Credit Reform Act exempts the credit activities of certain agencies, such as Federal Depositors Insurance Corporation and Tennessee Valley Authority. These agencies can report in accordance with other requirements.

3. Agencies should disclose that direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. The Act provides that the present value of the subsidy costs (which arises 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 a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value.

4. Agencies should also disclose 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 agency 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, and the liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.) Depending on the reporting method selected by management for pre-1992 direct loans and loan guarantees, agencies should choose the appropriate format from the alternatives shown in sections B, D, and G, above. (Note: Agencies should follow either the net present value method or the allowance for loss method but not both. They may not change from one method to the other without the advance approval of OMB.)

5. Agencies should disclose that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans. When the reporting entity has made payments on behalf of borrowers which should be collected from the borrowers, the resulting receivables shall be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans. Receivables related to administrative costs of operating these programs shall be reported as accounts receivable in Note 5 and not as credit program receivables in this note.

B. Direct Loans Obligated Prior to FY 1992. For each program with pre-1992 Direct Loans, report Loans Receivable Gross and Interest Receivable in columns 2 and 3 respectively. If the present value method is used, report in column 4 the estimated net realizable

value of related foreclosed property and report in column 5 the present value allowance. The sum of columns 2 through 4 less column 5 is reported as Loans Receivable, Net (column 6). If the allowance for loss method is used, report in column 4 the allowance for loan losses and in column 5 the estimated net realizable value of related foreclosed property. The sum of columns 2, 3, and 5 less column 4 is reported as Loans Receivable, Net (column 6).

C. Direct Loans Obligated After FY 1991.

1. For each program with post-1991 Direct Loans, report Loans Receivable, Gross, Interest Receivable and the estimated net realizable value of related foreclosed property in columns 2, 3, and 4, respectively.

2. Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans shall be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement, foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For guidance in recording transactions related to foreclosures, see Treasury's case 5B, Accounting for Collateral and Escrow Transactions for a Loan Guarantee Program Under the Credit Reform Act of 1990 (Present Value Reporting Approach), dated August 24, 1993.

3. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Direct Loans (column 6).

D. Defaulted Guaranteed Loans from Pre-1992 Guarantees. For each program with pre-1992 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection in column 2 and the related interest receivable in column 3. If the present value method is used, report the estimated net realizable value of related foreclosed property in column 4, and the present value allowance in column 5. The sum of columns 2 through 4 less column 5 is reported as Defaulted Guaranteed Loans Receivable, Net (column 6). If the allowance for loss method is used, report the allowance for loan losses in column 4 and the estimated net realizable value of related foreclosed property in column 5. The sum of columns 2, 3 and 5 less column 4 is reported as Defaulted Guaranteed Loans Receivable, Net (column 6).

E. Defaulted Guaranteed Loans for Post-1991 Guarantees. For each program with post-1991 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection, related interest receivable, and the estimated net realizable value of related foreclosed property in columns 2, 3, and 4, respectively. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Defaulted Guaranteed Loans Receivable (column 6). For foreclosed property, see the instructions for section C. The sum of the amounts reported in column 6 of sections B, C,

D, and E shall equal the amount reported on the Balance Sheet as credit program receivables and related foreclosed property, net.

F. Guaranteed Loans Outstanding. For each loan guarantee program, report in column 2 the outstanding principal of guaranteed loans at face value. In column 3, report the amount of this outstanding principal that is guaranteed.

G. Liability for Loan Guarantees. For each program with pre-1992 loan guarantees, report in column 2 the liability 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 guarantees. 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 in column 3 the present value of the estimated net cash flows (outflows less inflows) to be paid by the entity as a result of the loan guarantees. Report the total of columns 2 and 3 as total liabilities for loan guarantees (column 4).

H. Subsidy Expense for Post-1991 Direct Loans.

Report the direct loan subsidy expense, consisting of the following, at present value, as follows:

1. Current Year's Direct Loans. In column 2, the present value of the amount of the subsidy expense attributable to the interest rate differential between the interest rate to be collected from the borrowers and the interest rate to be paid on funds borrowed to finance the loans; in column 3, the present value of the estimated delinquencies and defaults (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows, including prepayments and proceeds of loan asset sales; and in column 6, the total of columns 2 through 5.

2. Direct Loan Modifications and Reestimates. In column 2, the subsidy cost of modifications of direct loans previously disbursed (whether pre-1992 or post-1991); and in column 3, reestimates of the subsidy cost of direct loans previously disbursed.

3. Total Direct Loan Subsidy Expense. The total subsidy expense for current year's direct loans, modifications, and reestimates.

I. Subsidy Expense for Post-1991 Loan Guarantees.

Loan Guarantees. Report the loan guarantee subsidy expense consisting of the following present values:

1. Current Year's Loan Guarantees. In column 2, the present value of the estimated payments for delinquencies and defaults on loan guarantees (net of recoveries); in column 3, the present value of the estimated fees collected (offsetting expense); in column 4, the

present value of the amount of the interest supplement; in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

2. Loan Guarantee Modification and Reestimates. In column 2, the subsidy cost of modifications of loan guarantees previously made (whether pre-1992 or post-1991); in column 3, the reestimates of the subsidy cost of loan guarantees previously made.

3. Total Loan Guarantee Subsidy Expense. The total subsidy expense for current year's loan guarantees, modifications, and reestimates.

J. Administrative Expense. Report the portions of salaries and other administrative expenses that have been accounted for in support of the direct loan programs and loan guarantee programs. Report the expenses for the individual programs, if material.

K. Other Information.

1. Provide other information related to direct loan and loan guarantee programs, as appropriate, including any commitments to guarantee, management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on nonperforming loans.

2. 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 modification. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

3. With respect to the foreclosed property reported in sections B, C, D, and E, the following information should be disclosed: changes from prior year's accounting methods, if any; restrictions on the use/disposal of the property; number of properties held and average holding period by type or category; and number of properties for which foreclosure proceedings are in process at the end of the period.

1009 NOTE 8. INVENTORY AND RELATED PROPERTY

100901. Note 8.A. Inventory and Other Related Property.

A. Footnote Format.

<u>Note 8.A. Inventory:</u> (\$ in Thousands)				
	(1)	(2)	(3)	(4)
	<u>Inventory</u> <u>Amount</u>	<u>Allowance</u> <u>for (Gains)</u> <u>Losses</u>	<u>Inventory, Net</u>	<u>Valuation</u> <u>Method</u>
1. Inventory Categories:				
(a) Held for Current Sale	\$ xxx,xxx,xxx	\$ xxx,xxx	\$ xxx,xxx,xxx	
(b) Held in Reserve For Future Sale	xxx,xxx,xxx	xxx,xxx	xxx,xxx,xxx	
(c) Excess, Obsolete, and Unserviceable	xxx,xxx,xxx	xxx,xxx	xxx,xxx,xxx	
(d) Held for Repair	xxx,xxx,xxx	xxx,xxx	xxx,xxx,xxx	
Total	<u>\$ xxx,xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx,xxx</u>	
2. Restrictions on Inventory Use, Sale, or Disposition: _____				
3. Other Information: _____				
Legend: Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		O = Other		
AC = Actual Cost				

Figure 10-7

B. Instructions.

1. For each category of inventory, disclose the reported value (column 1), the allowance for losses on inventory, if any (column 2), the net book value of the inventory (column 1 minus column 2), and the method used to value the inventory (column 4). Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other.

2. Describe any restrictions on the use, sale or disposition of inventory.

3. Disclose on line 3. "Other Information:" the general composition of inventory and the basis for determining inventory values, including any cost flow assumptions.

Disclose changes from the prior year’s accounting method, if any. The decision criteria for identifying the category to which inventory is assigned and changes in the criteria for identifying the category to which inventory is assigned. Disclose other information relative to inventory not disclosed in part A items 1 or 2.

100902. Note 8.B. Operating Materials and Supplies (OM&S).

A. Footnote Format.

<u>Note 8.B. Operating Materials and Supplies (OM&amp;S):</u> (\$ in Thousands)				
	(1)	(2)	(3)	(4)
	<u>OM&amp;S Amount</u>	<u>Allowance for (Gains) Losses</u>	<u>OM&amp;S, Net</u>	<u>Valuation Method</u>
1. OM&S Categories:				
(a) Held for Use	\$ xxx,xxx,xxx	\$ xxx,xxx	\$ xxx,xxx,xxx	
(b) Held in Reserve For Future Use	xxx,xxx,xxx	xxx,xxx	xxx,xxx,xxx	
(c) Excess, Obsolete, and Unserviceable	<u>xxx,xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx,xxx</u>	
Total	<u>\$ xxx,xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx,xxx</u>	
2. Restrictions on operating materials and supplies:	_____			
3. Other Information:	_____			
Legend: Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		O = Other		
AC = Actual Cost				

Figure 10-8

B. Instructions.

1. For each category of Operating Materials and Supplies (OM&S), disclose the reported value (column 1), the allowance for losses on OM&S, if any (column 2), the net book value of OM&S (column 1 minus column 2), and the method used to value OM&S (column 4). Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other.

2. Describe any restrictions on the use, sale or disposition of OM&S.

3. Disclose on line 3. “Other Information:” the general composition of operating materials and supplies and the basis for determining operating materials and supplies values, including the valuation method and any cost flow assumptions. The decision criteria for

identifying the category to which operating materials and supplies are assigned and changes in the criteria for identifying the category to which operating materials are assigned. Disclose other information relative to OM&S not disclosed in parts 1 or 2.

4. Operating materials and supplies are valued at historical cost.

Ammunition and munitions that are not held for sale are treated as operating materials and supplies. Also, disclose the method of accounting for the recognition of expenses that was applied for operating materials and supplies.

100903. Note 8.C. Stockpile Materials.

A. Footnote Format.

<u>Note 8.C. Stockpile Materials:</u> (\$ in Thousands)				
	(1)	(2)	(3)	(4)
	<u>Stockpile Materials Amount</u>	<u>Allowance for Losses</u>	<u>Stockpile Materials, Net</u>	<u>Valuation Method</u>
1. Stockpile Materials:				
a. Held for Sale*	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	
b. Held in Reserve for Future Sale	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	
Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	
2. Restrictions on stockpile materials and supplies:	_____			
3. Other Information:	_____			
* Not held for sale in the normal course of business				
Legend: Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		O = Other		
AC = Actual Cost				

Figure 10-9

B. Instructions.

1. Explain the general composition of stockpile materials. Disclose the basis for valuing stockpile materials, including the valuation method. Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other. Note: Column (2) is to be used only when stockpile materials are not valued at historical cost.

2. For each category of Stockpile Materials, disclose the reported value (column 1), the allowance for losses on stockpile materials, if any (column 2), the net book value of stockpile materials (column 1 minus column 2), and the method used to value the stockpile materials (column 4). This category of inventory reserved for use exclusively by the National Defense Stockpile Transaction Fund within the DoD.

3. Describe any restrictions on the use, sale or disposition of stockpile materials.

4. Disclose on line 3. "Other Information:" the decision criteria for any stockpile materials held for sale and any changes in prior year accounting methods.

100904. Note 8D. Seized Property. If applicable follow OMB Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Seized Property – Required Disclosures, page 59.

100905. Note 8E. Forfeited Property, Net. If applicable follow Office of Management and Budget Bulletin Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Forfeited Property – Required Disclosures, page 59.

100906. Note 8F. Goods Held Under Price Support and Stabilization Programs, Net. If applicable follow Office of Management and Budget Bulletin Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Goods Held Under Price Support and Stabilization Programs, page 60. Also, add line to Recap schedule described in paragraph 100807.

100907. Recap of Inventory and Other Related Property. The total amounts of inventories and other related property schedules in Note 8 (A through F). Should agree with line 1.G. on the balance sheet statement.

<u>Note 8. Recap of Inventory and Other Related Property:</u>	
(\$ in Thousands)	
	<u>Amount</u>
Inventory, Net	\$ xxx,xxx,xxx
Operating Materials and Supplies, Net	Xxx,xxx,xxx
Stockpile Materials, Net	Xxx,xxx,xxx
Seized Property, Net	Xxx,xxx,xxx
Forfeited Property, Net	<u>Xxx,xxx,xxx</u>
Total	\$ xxx,xxx,xxx

Figure 10-10

1010 NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT (PP&E), NET

101001. Footnote Format.

<u>Note 9. General (PP&amp;E), Net:</u> (\$ in Thousands)					
	(1)	(2)	(3)	(4)	(5)
	<u>Depreciation Method</u>	<u>Service Life</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Major Classes of Assets					
A. Land	N/A	N/A	\$ xxx,xxx	N/A	\$ xxx,xxx
B. Structures, Facilities, and Leasehold Improvements			xxx,xxx	\$ xxx,xxx	xxx,xxx
C. ADP Software			xxx,xxx	xxx,xxx	xxx,xxx
D. Equipment			xxx,xxx	xxx,xxx	xxx,xxx
E. Assets Under Capital Lease			xxx,xxx	xxx,xxx	xxx,xxx
F. Construction-in-Progress			xxx,xxx	N/A	xxx,xxx
G. Other			xxx,xxx	xxx,xxx	xxx,xxx
Total			<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
I. Other Information: _____					
Legends:					
<u>Column (1) Above</u> <u>Depreciation Methods</u>					
SL = Straight Line					
O = Other (explain)					

Figure 10-11

101002. Instructions. Report the following information for each major classes of General PP&E:

A. Column 1. Report the depreciation method used: SL = Straight Line or O = Other. Explain in the note to the principal statements any other depreciation method used. See Under Secretary of Defense (Comptroller) (USD(C)) memorandum dated October 22, 1998, subject "Revised Policy for the Depreciation of DoD General Property, Plant, and Equipment Assets" for additional guidance on the exception to the straight line method of depreciation allowed for Defense Working Capital Fund activities.

B. Column 2. Report the range of service useful lives by major class of assets. (e.g., 5 to 10 years, or 20 to 40 years). See USD(C) memorandum dated October 22, 1998, subject "Revised Policy for the Depreciation of DoD General Property, Plant, and Equipment Assets" for additional guidance on service life.

C. Column 3. Report the historical costs of assets.

D. Column 4. Report the accumulated depreciation.

E. Column 5. Report the net book value of the assets, i.e., the historical cost less accumulated depreciation (column 3 minus column 4). The total of this column shall agree with the amounts on line 1.E. of the statement.

F. Disclose on line 3. "Other Information:" information relative to property, plant and equipment, such as the nature and extent of material physical assets that are reported at zero or nominal value, e.g., public domain land; restrictions on the use or convertibility of General PP&E (i.e., OCONUS real property). If acquisition cost is unknown, disclose the valuation method for significant amounts of real and personal property. When implementing the requirements of SFFAS No. 6 that require prior period adjustments, disclose the removal from the balance sheet of previously recognized Federal Mission (National Defense) PP&E, Heritage Assets, and Stewardship Land. Also, any changes in capitalization threshold must be disclosed.

1011 NOTE 10. DEBT

101101. Footnote Format.

Note 10. Debt: (\$ in Thousands)	<u>Beginning Balance</u>	<u>Net Borrowing</u>	<u>Ending Balance</u>
<b>A. Public Debt:</b>			
(1) Held by Government Accounts	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
(2) Held by the Public	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
(3) Total Public Debt	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
<b>B. Agency Debt:</b>			
(1) Held by Government Accounts	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
(2) Held by the Public	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
(3) Total Agency Debt	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
<b>C. Other Debt:</b>			
(1) Debt to the Treasury	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
(2) Debt to the Federal Financing Bank	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(3) Debt to Other Federal Agencies	<u>\$ x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
(4) Total Other Debt	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
<b>D. Total Debt</b>	<b><u>\$ x,xxx,xxx</u></b>	<b><u>\$ x,xxx,xxx</u></b>	<b><u>\$ x,xxx,xxx</u></b>
<b>E. Classification of Debt</b>			
Intragovernmental Debt			\$ x,xxx,xxx
Governmental Debt			<u>x,xxx,xxx</u>
Total Debt			<u>\$ x,xxx,xxx</u>
<b>F. Other Information:</b> _____			
_____			
_____			

Figure 10-12

101102. Instructions.

A. Most debt is classified as not covered by budgetary resources. Lines A.(1) and (2), Public Debt, should be reported by the Treasury Department only and shall distinguish between public debt held by government agencies and public debt held by the public. On line B, enter the amounts of agency debt issued under special financing authorities (e.g., Federal Housing Administration (FHA) debentures and Tennessee Valley Authority bonds). Report separately agency debt held by government agencies and agency debt held by the public. On line C., enter the amounts of debt owed to federal agencies as follows: on line C.(1), Debt to the Treasury, which includes direct loan and guaranteed loan financing account liabilities to Treasury as well as other debt owed to Treasury, on line C.(2), Debt to the Federal Financing Bank, and, on line C.(3), Debt to other federal agencies. Net borrowing and repayment is not to include amounts that result from refinancing. The sum of Balance Sheet lines 4.A.3., 5.A.2., and 5.B.2. shall equal the amount on the "Total Debt" lines of this note at lines D. and E.

B. Classification of Debt. Report as intragovernmental debt all debt owed to Treasury, the Federal Financing Bank or other federal agencies or accounts (line A.(1), B.(1)), and C.(4). This amount shall equal the intragovernmental debt amount reported on line 5.A.2 of the balance sheet. Report as governmental debt all debt held by the public (Note lines A.(2) and B.(2)). This amount shall equal the governmental debt amount reported on line 5.C. of the balance sheet.

C. Other Information. Provide the names of the agencies, other than Treasury or the Federal Financing Bank, to which intragovernmental debt is owed and the amounts. Provide other information relative to debt (e.g., redemption or call of debts owed to the public before maturity dates, write-offs of debts owed to the U. S. Treasury or the Federal Financing Bank).

1012 NOTE 11. OTHER LIABILITIES

101201. Footnote Format.

<u>Note 11.A. ENVIRONMENTAL CLEANUP:</u>			
(\$ in Thousands)			
1. Environmental Cleanup Liabilities Covered by Budgetary Resources			
	<u>Noncurrent Liability</u>	<u>Current Liability</u>	<u>Total</u>
(a) Intragovernmental			
(1) Accrued Cleanup Costs	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) Other Environmental Liabilities	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
(b) With the Public			
(1) Accrued Cleanup Cost	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) Other Environmental Liabilities	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
2. Environmental Cleanup Liabilities Not Covered by Budgetary Resources			
	<u>Noncurrent Liability</u>	<u>Current Liability</u>	<u>Total</u>
(a) Intragovernmental			
(1) Accrued Cleanup Cost	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) Other Environmental Liabilities	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
(b) With the Public			
(1) Accrued Cleanup Cost	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) Other Environmental Liabilities	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

Figure 10-13

<u>Note 11.B. OTHER LIABILITIES:</u>			
(\$ in Thousands)			
1. Other Liabilities Covered by Budgetary Resources			
	<u>Noncurrent Liability</u>	<u>Current Liability</u>	<u>Total</u>
(a) Intragovernmental			
(1) Advances from Others	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
(2) Deferred Credits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(3) Deposit Funds and Suspense Account Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(4) Liability for Borrowings to be Received	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(5) Liability for Subsidy Related to Undisbursed Loans	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(6) Other Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(7) Resources Payable to Treasury	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
(b) With the Public			
(1) Accrued Funded Payroll and Benefits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(2) Advances from Others	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(3) Deferred Credits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(4) Deposit Funds and Suspense Accounts	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(5) Other Liabilities	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
2. Other Information: _____			

Figure 10-13 (cont.)

3. Other Liabilities Not Covered by Budgetary Resources:			
	<u>Noncurrent Liability</u>	<u>Current Liability</u>	<u>Total</u>
(a) Intragovernmental			
(1) Accounts Payable - Canceled Accounts	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
(2) Custodial Liability	x,xxx,xxx	x,xxx,xxx	X,xxx,xxx
(3) Deferred Credits	x,xxx,xxx	x,xxx,xxx	X,xxx,xxx
(4) Liability for Borrowings to be Received	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(5) Other Actuarial Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(6) Other Liabilities	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
(b) With the Public			
(1) Account Payable Canceled	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
(2) Accrued Cleanup/Cost	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(3) Accrued Unfunded Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(4) Deferred Credits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(5) Other Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(6) Prior Liens Outstanding on Acquired Collateral	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
4 Other Information: _____			

Figure 10-13 (cont.)

101202. Instructions.

A. Environmental Cleanup Liabilities Covered by Budgetary Resources. Disclose environmental cleanup costs in accordance with SFFAS No. 5 and SFFAS No. 6. For environmental hazards resulting from ongoing operations, include the: (1) sources of cleanup requirements, (2) method for assigning estimated total cleanup costs to current operating periods, (3) unrecognized portion of estimated total cleanup cost associated with general PP&E, (4) material changes in total estimated cleanup costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations, and (5) nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations. Include all environmental liabilities not included elsewhere on the statement. Provide other information necessary for understanding Environmental cleanup liabilities.

B. Environmental Cleanup Liabilities Not Covered by Budgetary Resources. Provide other information necessary for understanding environmental liabilities.

C. Other Liabilities Covered by Budgetary Resources. Include all other liabilities not included elsewhere on the statement. Separately report other liabilities covered by budgetary resources and those not covered by budgetary resources, and separately disclose the current portion of other liabilities covered by budgetary resources. Sections 11.B.1. and 11.B.2 will be used to disclose “Other Liabilities Covered by Budgetary Resources.” The total amount disclosed as “Other Liabilities Covered by Budgetary Resources” should equal the total of lines 4.A.4. and 4.G. of the balance sheet. Provide other information necessary for understanding other liabilities.

D. Other Liabilities Not Covered by Budgetary Resources. Include all other liabilities not included elsewhere on the statement. Separately disclose the current portion of other liabilities not covered by budgetary resources. Sections C. and D. will be used to disclose “Other Liabilities Not Covered by Budgetary Resources.” The total amount disclosed as “Other Liabilities Not Covered by Budgetary Resources” should equal the total of lines 5.A.3. and 5.F. of the balance sheet. Provide other information necessary for understanding other liabilities.

1013 NOTE 12. LEASES

101301. Footnote Format.

**NOTE 12. LEASES:**  
(\$ in Thousands)

**A. ENTITY AS LESSEE:**

1. Capital Leases:

a. Summary of Assets Under Capital Lease:

Land and Buildings	\$ x,xxx,xxx
Machinery and Equipment	\$ x,xxx,xxx
Other	\$ x,xxx,xxx
Accumulated Amortization	\$ x,xxx,xxx

b. Description of Lease Arrangements: \_\_\_\_\_

---

c. Future Payments Due:

Fiscal year	Asset Category			Totals
	(1)	(2)	(3)	
Year 1	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Lease Payments	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Less: Imputed Interest				
Executory Costs (e.g., taxes)	<u>(x,xxx,xxx)</u>	<u>(x,xxx,xxx)</u>	<u>(x,xxx,xxx)</u>	<u>(x,xxx,xxx)</u>
Net Capital Lease Liability	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

d. Liabilities Covered by Budgetary Resources \$ x,xxx,xxx

e. Liabilities Not Covered by Budgetary Resources \$ x,xxx,xxx

2. Operating Leases

a. Description of Lease Arrangement: \_\_\_\_\_

---

b. Future Payments Due:

Fiscal year	Asset Category			Totals
	(1)	(2)	(3)	
Year 1	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Lease Payments	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

Figure 10-14

B. ENTITY AS LESSOR:

1. Capital Leases:

a. Description of Lease Arrangements: \_\_\_\_\_

---

b. Future Rejected Receipts:

<u>Fiscal year</u>	<u>Asset Category</u>			<u>Totals</u>
	(1)	(2)	(3)	
Year 1	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Capital Lease Receivable	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

2. Operating Leases:

a. Description of Lease Arrangement: \_\_\_\_\_

---

b. Future Projected Receipts:

<u>Fiscal year</u>	<u>Asset Category</u>			<u>Totals</u>
	(1)	(2)	(3)	
Year 1	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Operating Leases Receivable	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

Figure 10-14 (cont.)

101302. Instructions. SFFAS Nos. 5 and 6 provide the criteria for liability and asset recognition with respect to capital leases.

A. Entity as Lessee.

1. Summary of Assets Under Capital Lease. Enter the gross assets under capital lease, by major category of asset and the total accumulated amortization.

2. Description of Lease Arrangements. Provide information that would disclose the level of the agency's funding commitments including, but not limited to, the major asset categories and such lease terms as the existence and terms of renewal options, escalation clauses, restrictions imposed by lease agreements, contingent rentals, and the amortization period.

3. Future Payments Due. Enter future lease payments, by major category, for all noncancelable leases with terms longer than one year.

4. For Capital Leases, Show Deductions for Imputed Interest and Executory Costs. Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources (see Appendix B of OMB Circular A-11 for additional guidance but observe a difference in terminology that the term “capital leases” as used in this includes “capital leases and lease purchases” as the terms are used in Circular A-11). Lease “Liabilities Covered by Budgetary Resources” should equal line 4.E. on the balance sheet. Lease “Liabilities Not Covered by Budgetary Resources” should equal line 5.D. on the balance sheet.

B. Entity as Lessor.

1. Description of Lease Arrangements. Provide the information necessary to disclose the commitment of the entity's assets including but not limited to the major asset category and lease terms.

2. Future Projected Receipts. Enter future lease revenues by asset category for all noncancelable leases with terms longer than one year.

C. Other Information. Provide other information relevant to leases that is not disclosed in the above categories.

1014 NOTE 13. PENSIONS AND OTHER ACTUARIAL LIABILITIES

101401. Footnote Format.

<u>Note 13. Pensions and Other Actuarial Liabilities:</u> (\$ in Thousands)	(1) <u>Actuarial</u> <u>Present</u> <u>Value of</u> <u>Projected Plan</u> <u>Benefits</u>	(2) <u>Assumed</u> <u>Interest</u> <u>Rate (%)</u>	(3) <u>Assets</u> <u>Available to</u> <u>Pay Benefits</u>	(4) <u>Unfunded</u> <u>Actuarial</u> <u>Liability</u>
<u>Major Program Activities</u>				
A. Pension and Health Benefits:				
1. Military Retirement Pensions	\$ x,xxx,xxx	0.00%	\$ x,xxx,xxx	\$ x,xxx,xxx
2. Military Retirement Health Benefits	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
B. Insurance/Annuity Programs:				
1. _____	\$ x,xxx,xxx	0.00%	\$ x,xxx,xxx	\$ x,xxx,xxx
2. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
3. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
Total	<u>\$ x,xxx,xxx</u>		<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
C. Other:				
1. _____	\$ x,xxx,xxx	0.00%	\$ x,xxx,xxx	\$ x,xxx,xxx
2. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
3. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
Total	<u>\$ x,xxx,xxx</u>		<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
D. Total Lines A+B+C:	<u>\$ xxx,xxx,xxx</u>		<u>\$ xxx,xxx,xxx</u>	<u>\$ xxx,xxx,xxx</u>
E. Other Information: _____				
1. Actuarial Cost Method Used: _____				
2. Assumptions: _____				

Figure 10-15

101402. Instructions. (Note: The above information shall only be reported by the entity that administers the program or activity.) Disclose the actuarially determined liability for pensions earned to date and for benefit programs and similar activities, including social security, for which the event that establishes eligibility has occurred. The actuarial method for calculating accrued liabilities should be disclosed in Section E, Other Information.

A. Pension and Health Benefits. Agency administered pension and health benefit plans are to be reported in this category.

1. Column 1. Enter the actuarial present value of projected plan benefits accrued to date. For pensions, this would be the projected benefit obligation.

2. Column 2. Enter the assumed interest rate used to discount the projected plan benefits cost to its present value.

3. Column 3. Enter the net assets, if any, available to pay benefits.

4. Column 4. Enter the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).

B. Insurance/Annuity Programs. Insurance/annuity programs for which future payments can be actuarially estimated, e.g., Veterans Benefits and Compensation, Black Lung, Federal Employees Compensation Act (FECA), and Longshore and Harbor Workers Program. Enter the name of each program plus:

1. Column 1. Actuarial present value of projected plan benefits accrued to date.

2. Column 2. Assumed interest rate.

3. Column 3. Enter the net assets, if any, available to pay benefits.

4. Column 4. The actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).

C. Other. Other benefit programs or activities not reported in A or B, above. Enter the description of each program plus:

1. Column 1. Actuarial present value of projected plan benefits accrued to date.

2. Column 2. Assumed interest rate.

3. Column 3. Enter the net assets, if any, available to pay benefits.

4. Column 4. The actuarial liability not covered by budgetary resources is the actuarial present value of projected plan benefits less fund assets.

D. Total, Lines A+B+C. For columns 1, 3, and 4, enter the sum of the totals on lines A, B, and C above. The total funded actuarial liability (column 3) should agree with line 4.b.(5) on the Balance Sheet, and the liability not covered by budgetary resources (column 4) should agree with line 5.b.(4).

E. Other Disclosure Information. Provide other information related to pensions and other actuarial liabilities as follows:

1. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.
  
2. Assumptions. Disclose the actuarial, economic, and health care cost trend assumptions used in the calculations.

1015 NOTE 14. UNEXPENDED APPROPRIATIONS

101501. Footnote Format.

<u>Note 14: Unexpended Appropriations:</u>	
(\$ in Thousands)	
A. Unexpended Appropriations	
(1) Unobligated,	
a. Available	\$ x,xxx,xxx
b. Unavailable	x,xxx,xxx
(2) Undelivered Orders	<u>x,xxx,xxx</u>
Total	<u>\$xxx,xxx,xxx</u>
B. Other Information: _____	
_____	

Figure 10-16

101502. Instructions.

A. Unexpended Appropriations. This amount includes the portion of the entity's appropriations represented by unobligated balances and undelivered orders. Unobligated balances should be segregated to show available and unavailable amounts. The unexpended appropriations unobligated, available and unexpended appropriations unobligated, unavailable must agree with the Statement of Budgetary Resources, line 7 and line 8, respectively. The undelivered orders amounts should be developed by using U.S.Government Standard General Ledger (USGSGL) accounts 4801, undelivered orders - unpaid and 4802, undelivered orders - paid.

B. Other Information. Provide other information relevant to unexpended appropriations that is not disclosed in the above categories. The total amount of Note 14 should equal line 7. of the Balance Sheet.

1016 NOTE 15. CONTINGENCIES

101601. Footnote Format.

Note 15. Contingencies: _____ _____ _____ _____
--

Figure 10-17

101602. Instructions. Contingencies are existing conditions, situations, or sets of circumstances involving uncertainty as to possible gain or loss to an entity that ultimately will be resolved when one or more future events occur or fail to occur. Contingent liabilities should be disclosed if any of the conditions for liability recognition are not met and there is a reasonable possibility that a loss or additional loss may have been incurred. SFFAS No. 5 contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment should also be disclosed.

1017 NOTE 16. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF NET COST

101701. NOTE 16.A. Suborganization Program Costs. (Optional) For some entities, the organizational structure and operations are so complex that supporting schedules should be used to fully display their suborganizations' major programs and activities. Supporting schedules similar to those illustrated below should be included in the notes to the financial statements and present detailed cost and revenue information supporting the summary information presented in the Statement of Net Cost. Reconcile program costs in Note 16.A. with program costs in Consolidating Statement of Net Cost.

A. Footnote Format.

<u>Note 16.A. SUBORGANIZATION PROGRAM COSTS:</u>			
Reporting Entity			
Supporting schedules by suborganization			
For the year ended September 30, xxxx			
(\$ in Thousands)			
	<u>SUBORGANIZATION A</u>		
	<u>Program A</u>	<u>Program B</u>	
<b>COSTS:</b>			
Intragovernmental costs	\$ -----	\$ x,xxx,xxx	
Public:			
Transfer payments	x,xxx,xxx	-----	
Administrative costs	x,xxx,xxx	-----	
Other costs	-----	x,xxx,xxx	
Total program costs	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	
	<u>SUBORGANIZATION B</u>		
	<u>Program C</u>	<u>Program D</u>	<u>Program E</u>
<b>COSTS:</b>			
Intragovernmental costs	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ -----
Public:			
Other costs	x,xxx,xxx	-----	x,xxx,xxx
Administrative costs	x,xxx,xxx	-----	-----
Total program costs	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Less earned revenue	-----	(x,xxx,xxx)	(xxx,xxx)
Net program cost	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
	<u>SUBORGANIZATION C</u>		
	<u>Program F</u>	<u>Program G</u>	<u>Other Programs</u>
<b>COSTS:</b>			
Intragovernmental costs	\$ -----	\$ -----	\$ x,xxx,xxx
Public:			
Cost of Stewardship land	x,xxx,xxx	-----	-----
Cost of National Defense PP&E	-----	x,xxx,xxx	-----
Other costs	-----	x,xxx,xxx	x,xxx,xxx
Total program costs	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

Figure 10-18

101702. NOTE 16.B. - Cost of National Defense PP&E. The cost of acquiring, constructing, improving, reconstructing, or renovating National Defense PP&E assets shall be recognized as a cost in the Statement of Net Cost in the period when it is incurred. These costs shall be disclosed in the footnotes, depending on the materiality of the amounts and the need to distinguish such amounts from other costs relating to measures of outputs or outcomes of the reporting entity (see SFFAS No. 6).

101703. NOTE 16.C. - Cost of Stewardship Assets. The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets and the cost of acquiring stewardship land and any costs to prepare stewardship land for its intended use shall be recognized as a cost in the Statement of Net Cost in the period when it is incurred. These costs shall be disclosed in the footnotes, depending on the materiality of the amounts and the need to distinguish such amounts from other costs relating to measures of outputs or outcomes of the reporting entity (see SFFAS No. 6).

101704. NOTE 16.D. - Stewardship Assets Transferred. If the cost of heritage assets and stewardship land transferred from other federal entities or acquired through donation or devise is not known, then the receiving entity shall disclose the fair value. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received shall be disclosed (see SFFAS No. 6).

101705. NOTE 16.E. - Exchange Revenue. Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies and any expected losses under goods made to order. These disclosures are described in SFFAS No. 7.

101706. NOTE 16.F - Revenue and Expense Amounts for Foreign Military Sales (FMS) Program Procurements From Contractors. This note provides a disclosure of management's estimate of amounts related to FMS program procurements from contractors during the period. The amounts disclosed are not included in the net cost principal or supporting statements. These amounts and this note are applicable to only the DoD Agency-wide financial statements. Suggested wording for this footnote is, "Amounts pertaining to FMS items provided by DoD contractors are not reported in the Statement of Net costs. In FY \_\_\_\_, we estimate these amounts to be \$ \_\_\_\_\_. A Statement of Custodial Activity is provided which reports the amounts of cash receipts and disbursements of the FMS Trust Fund during the year."

101707 NOTE 16.G. Benefit Program Expenses.

A. Footnote Format.

<u>Note 16.G. Benefit Program Expense:</u>	
Reporting Entity	
For the year ended September 30, xxxx	
(\$ in Thousands)	
1. Service Cost	\$ x,xxx,xxx
2. Period Interest on the Benefit Liability	\$ x,xxx,xxx
3. Prior (or Past) Service Cost	\$ x,xxx,xxx
4. Period Actuarial Gains or losses	\$ x,xxx,xxx

Figure 10-19

B. Instructions. Benefit Plan administering entities must disclose the Benefit Program Expenses as shown in Table 10-17. Within the DoD, this disclosure requirement applies to only the Military Retirement Trust Fund and the Military Post Retirement Health Benefits Program.

1. Service Cost. The service costs represent that portion of the actuarial present value (using the aggregate entry age normal actuarial method) of pension plan and other retirement benefits and expenses that is allocated to a valuation year by the actuarial cost method.

2. Period Interest on the Benefit Liability. Disclose the interest on the benefit liability for the period. This cost is based on the future benefit obligation at the start of the period and increases the net pension cost.

3. Prior (or Past) Service Cost. The prior (or past) service cost resulting from any change in the future benefit obligation that results from a plan amendment (new plan initiation).

4. Period Actuarial Gains or Losses. The period actuarial gains or losses are those gains or losses that result from deviations between actual experience and the actuarial assumptions used, or from changes in actuarial assumptions.

101708. NOTE 16.H. Gross Cost and Earned Revenue by Budget Functional Classification.

A. Footnote Format.

Note 16.H. Gross Cost and Earned Revenue by Budget Functional Classification.				
(\$ in Thousands)				
	Budget Function Code	Gross Cost	Earned Revenue	Net Cost
A. Department of Defense Military	051	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
B. Water Resources by US Army Corps of Engineers	301	xxx,xxx	xxx,xxx	xxx,xxx
C. Pollution Control and Abatement by US Army Corps of Engineers	304	xxx,xxx	xxx,xxx	xxx,xxx
D. Federal Employee Retirement and Disability by Department of Defense Military Retirement Trust Fund	602	xxx,xxx	xxx,xxx	xxx,xxx
E. Veterans Education, Training, and Rehabilitation by Department of Defense Education Benefits Trust Fund	702	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total		<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>

Figure 10-20

B. Instructions. Disclose the gross cost and earned revenue by budget functional classification. Gross cost and earned revenue should be net of intra-entity transactions (consolidated).

## 1018 NOTE 17. DEFERRED MAINTENANCE ON PP&amp;E

101801. General.

A. The DoD is required to disclose in annual financial statements material amounts of deferred maintenance on PP&E. This reporting requirement is prescribed in the SFFASs No. 6, "Accounting for Property, Plant, and Equipment."

B. Specifically, the Statement of Net Cost shall have a line for Deferred Maintenance amounts; however, no amounts shall be reported on this line. Rather, the line shall reference Note 17 - Deferred Maintenance on PP&E, where the amounts of deferred maintenance shall be disclosed.

C. For the DoD, the only types of PP&E where material amounts of deferred maintenance exist are General PP&E real property and National Defense PP&E at the depot level. Therefore, the DoD Components, as applicable, shall prepare three tables for Note 17, as follows:

1. Note 17A Summary of Deferred Maintenance Amounts Table,
2. Note 17B General PP&E Real Property Deferred Maintenance Table, and
3. Note 17C National Defense PP&E Deferred Maintenance Table.

101802. Disclosure Criteria.

A. Deferred maintenance is material amounts of required maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.

B. For reporting purposes, maintenance is described as the act of keeping PP&E assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.

C. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.

101803. General Disclosure Requirements. In addition to the amounts of deferred maintenance, the two deferred maintenance tables shall include a narrative statement that discloses the following:

A. A description of the requirements or standards for acceptable operating condition for the applicable PP&E assets,

B. Identification of any changes in the condition requirements or standards for the applicable PP&E assets, and

C. The condition of the PP&E assets must be described either in narrative form that adequately addresses all classes of PP&E within that category or the table should be modified to depict either:

1. Averages of standardized condition rating codes, or
2. Percentages of assets above, at or below acceptable condition.

D. The method used to determine the estimated amounts of deferred maintenance must be disclosed. The accounting standard permits the two following methods:

1. Cost assessment survey method, or
2. Total life cycle cost method.

Although the life-cycle cost method may be used, the cost assessment survey method generally is the method employed by the DoD Components.

101804. Note 17.A. Summary of Deferred Maintenance Amounts Table.

A. Footnote Format.

<u>Note 17.A. Summary of Deferred Maintenance Amounts By Category of Property, Plant, and Equipment:</u>	
As of September 30, 19CY	
(\$ in Thousands)	
(a)	(b)
<u>Category</u>	
1. General Property, Plant, and Equipment	\$ x,xxx
2. National Defense Property, Plant, and Equipment	x,xxx
3. Heritage Assets	0
4. Stewardship Land	0
Total	<u>\$ x,xxx</u>

Figure 10-21

B. Instructions.

1. A summary table (Figure 10-18) shall be prepared that discloses the total deferred maintenance amounts for the major categories of PP&E. The table reflects the four categories PP&E (General PP&E, National Defense PP&E, Heritage Assets, and Stewardship Land). The source of the deferred maintenance amounts in the summary table for

General PP&E and National Defense PP&E shall be the total amounts from the applicable individual deferred maintenance tables for those types of PP&E. Although the Department does not have any material amounts of deferred maintenance on Heritage Assets and Stewardship Land, these categories shall be included in the summary table with a 0 (zero) in the amount column (Column b in Figure 10-18).

2. The format used for the summary table is provided in Figure 10-18. Specific instructions for preparing the summary table follow.

a. Column (a) identifies the major categories of PP&E. If a DoD Component does not have any deferred maintenance amounts for either General PP&E or National Defense PP&E, the appropriate category shall be reflected in the table with 0 (zero) in Column (b). Heritage Assets and Stewardship Land shall be included in the table and reflect a 0 (zero) in Column (b). Therefore, all four categories shall always be reflected in the summary table unless a DoD Component does not have any material deferred maintenance amounts in any PP&E category, in which case Note 17 shall contain only a brief statement indicating the DoD Component does not have any deferred maintenance on its PP&E assets.

b. Column (b) shall report the applicable amounts from the total lines of the two individual tables for General PP&E and National Defense PP&E.

101805. Note 17.B. General PP&E Deferred Maintenance Amount.

A. Footnote Format.

<u>Note 17.B. General Property, Plant, and Equipment Deferred Maintenance Amounts:</u>	
As of September 30, 19CY	
(\$ in Thousands)	
(a)	(b)
<u>Property Type/Major Class</u>	
1. Personal Property	\$ 0
2. Real Property	
A. Buildings	\$ x,xxx
B. Structures	x,xxx
C. Land	<u>x,xxx</u>
D. Total Real Property	\$ x,xxx
3. Total	<u>\$ x,xxx</u>
Narrative Statement:	

Figure 10-22

B. Instructions.

1. The DoD Components shall report in a table (Figure 10-19) material amounts of deferred maintenance on General PP&E real property assets.

a. General PP&E consists of personal property and real property. General PP&E is property, plant, and equipment used by a DoD Component in the

accomplishment of its mission and has a capitalized cost that equals or exceeds the DoD capitalization threshold.

b. Since the DoD does not have any material amounts of deferred maintenance on General PP&E Personal Property, amounts of deferred maintenance on General PP&E real property only shall be reported. However, as indicated in Figure 10-19, the category of personal property shall be included in the table with a 0 (zero) in Column (b).

c. Specific guidance for preparing the General PP&E Deferred Maintenance Table for real property deferred maintenance amounts follows:

(1) Real property deferred maintenance amounts disclosed in the table shall be consistent with the amounts reflected in the Budget Exhibit OP-27, Backlog of Maintenance and Repair (BMAR), and Budget Exhibit OP-27P, Real Property Maintenance and Minor Construction Projects Over \$500,000. Guidance for the preparation of these budget exhibits is contained in Volume 2 of this Regulation. Although the updated Budget Exhibits OP-27 and OP-27P are not due to the Office of the Under Secretary of Defense (Comptroller) until January, the DoD Components must ensure that the same amounts reported in the updated Budget Exhibits OP-27 and OP-27P also are reported in the General PP&E Deferred Maintenance Table. According to the schedule contained in Chapter 2 of this Volume, the financial statements must be prepared and submitted to the DoD Chief Financial Officer by December 21. Therefore, it is imperative that the DoD Components move up their schedules for preparation of the updated Budget Exhibits OP-27 and OP-27P to ensure that the deferred maintenance amounts are available for this requirement.

(2) Real property deferred maintenance amounts shall be reported by major class of real property (Buildings, Structures, and Land). Do not include deferred maintenance amounts for Stewardship Land in the General PP&E land major class.

2. The format used for the General PP&E deferred maintenance table is provided in Figure 10-19. Specific instructions for preparing the table follow.

a. Column (a) identifies the two types of General PP&E, as well as the major classes of property within General PP&E real property. Personal Property shall be included in the table and shall reflect a 0 (zero) in Column (b). If a DoD Component does not have any deferred maintenance amounts for any of the major classes of real property a 0 (zero) shall be reported in Column (b) for that major class.

b. The dollar amounts of General PP&E deferred maintenance shall be reported in Column (b).

c. A narrative statement shall be included in the table to explain the condition of the General PP&E, the method used to value the deferred maintenance amounts, and any other pertinent information that should be disclosed. More information on the preparation of the narrative statement is discussed in paragraph 101703.

d. The total amount of General PP&E deferred maintenance shall be carried to the Summary of Deferred Maintenance Amounts by Category of PP&E Table, as described in paragraph 101704, above.

101806. Note 17C National Defense Property, Plant, and Equipment Deferred Maintenance Table.

A. Footnote Format.

<u>Note 17.C. National Defense Property, Plant, and Equipment Deferred Maintenance Amounts:</u>	
As of September 30, 19CY	
(\$ in Thousands)	
(a)	(b)
<u>Major Type</u>	
1. Aircraft	\$ x,xxx
2. Ships	x,xxx
3. Missiles	x,xxx
4. Combat Vehicles	x,xxx
5. Other Weapons Systems	<u>x,xxx</u>
Total	<u>\$ x,xxx</u>
Narrative Statement:	

Figure 10-23

B. Instructions.

1. The Military Departments shall report in a table (Figure 10-20) material amounts of deferred maintenance on National Defense PP&E assets.

a. National Defense PP&E generally is considered to be those assets owned and used by the Military Departments in the accomplishment of military missions which includes war, operations short of war, training, peacekeeping, and support to civilian authorities during civil emergencies.

b. There are four categories of National Defense PP&E assets. Deferred maintenance amounts are not reported by these categories. The categories are provided to assist in determining what military equipment is categorized as National Defense PP&E. The four categories are as follows:

(1) Weapon Systems PP&E. Weapon Systems PP&E is military equipment that launches, releases, carries, or fires ordnance and/or carries weapon systems-related property, equipment, materials, or personnel. Examples of National Defense PP&E include: aircraft, ships, combat vehicles, and missiles.

(2) Weapon Systems Support Principal End Items. These are end items and replacement assemblies. These items are acquired to support weapon

systems and may ultimately be incorporated in weapon systems. Examples of these items include aircraft engines, tank engines, aircraft radars, ship sonars, uninstalled missile motors, missile control panels, gun mounts, gun turrets, and guidance systems that are currently installed on the weapon system.

(3) Weapon Systems Support Real Property. Weapon Systems Support Real Property is facilities and structures affixed to the land that are integral to a weapon system. Examples include ammunition bunkers in active use and missile silos in active use. Weapon System Support Real Property must be:

- (a) Of a permanent/fixed nature,
- (b) Essential to the effective operation of a weapon system, and
- (c) Currently utilized to support an active weapon system.

(4) Mission Support PP&E. Mission Support PP&E is deployable PP&E that:

- (a) Is essential to the effective operation of a weapon system or is used by the Military Departments to effectively perform their military missions,
- (b) Has an indeterminate or unpredictable useful life due to the manner in which they are used, improved, retired, modified, or maintained; and
- (c) Is at high risk of being destroyed during use or of premature obsolescence.
- (d) Examples of Mission Support PP&E include satellite communication (SATCOM) terminals, automatic test equipment (ATE), decontamination sets, drones, spacelift equipment, air traffic control (ATC) centers, and non-tactical vehicles.

2. Maintenance of National Defense PP&E. Maintenance of National Defense PP&E is accomplished by two different, yet complementary components--depot-level maintenance activities and field-level maintenance activities. For the purposes of this reporting requirement, the term "field-level maintenance" includes all non-depot-level maintenance activities (e.g., organizational, intermediate, and regional).

a. Depot-Level Maintenance. Depot-level maintenance includes: major repair, overhaul or complete rebuilding of weapon systems, end items, parts, assemblies, and subassemblies; manufacture of parts; technical assistance; and testing. Depot-level maintenance complements field-level maintenance operations by performing maintenance

beyond field-level capabilities. Material amounts of depot-level deferred maintenance due to the availability of funding and capacity constraints historically have been reported through the Department's budget process by the Military Departments, and the Department annually reports such amounts to the Congress in the Department's President's Budget submission. Such amounts shall be reported in the National Defense PP&E Deferred Maintenance Table, and specific instructions are provided below.

b. Field-Level Maintenance.

(1) Field-level maintenance comprises maintenance activities at lower organizational levels than depot level. The Military Departments may or may not separate this level of maintenance into intermediate and organizational maintenance activities in describing the field-level (non-depot-level) maintenance structure and capability.

(a) Intermediate field-level maintenance includes limited repair of commodity-oriented components and end items, job shop, bay, and production line operations for special mission requirements; repair of printed circuit boards, software maintenance and fabrication or manufacture of repair parts, assemblies and components. The intermediate maintenance mission is to sustain the combat readiness and mission capability of supported activities by providing quality and timely materiel support at the nearest location with the lowest practical resource expenditure.

(b) Organizational field-level maintenance is normally performed by an operating unit on a day-to-day basis in support of its own operations. The organizational maintenance mission is to maintain assigned equipment by performing functions such as inspections, servicing, handling, preventive maintenance, and corrective maintenance.

(2) Generally, any year end amounts of field-level deferred maintenance on National Defense PP&E, whether at the intermediate field-level or organizational field-level, have been determined to be immaterial in amount. Therefore, the Military Departments are not required to report such amounts.

3. National Defense PP&E Deferred Maintenance Reporting Requirements.

a. Criteria. It is presumed that National Defense PP&E assets are not in an acceptable operating condition if they are in a depot for maintenance. Therefore, any amounts of maintenance that were determined to be necessary, but were not accomplished due to funding availability or capability constraints, and are deferred into the next fiscal year, are considered deferred maintenance and shall be reported.

b. Reporting Approach. The deferred maintenance amounts reported in the updated (January timeframe) Budget Exhibit OP-30 that accompanies the President's Budget shall be reported in the National Defense PP&E Deferred Maintenance Table (Figure 17-3). Guidance for the preparation of the OP-30 Exhibit is contained in Volume 2 of this Regulation. Although the updated Budget Exhibit OP-30 is not due to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) until January, the Military Departments must ensure that the same amounts reported in the updated OP-30 also are reported for deferred maintenance in National Defense PP&E Deferred Maintenance Table (Figure 10-20). According to the schedule contained in Chapter 2 of this Volume, the financial statements must be prepared and submitted to the DoD, Chief Financial Officer by December 21. Therefore, it is imperative that the Military Departments move up their schedules for preparation of the updated Budget Exhibit OP-30 to ensure those amounts are available for this requirement. Specific instructions follow:

(1) For reporting, include Budget Exhibit OP-30 deferred maintenance estimates that are in the financial and capacity categories. Do not include operationally deferred requirements that may be identified in the Budget Exhibit OP-30.

(2) The fiscal year prior year (FY PY) dollar amounts contained in the "Total Unfunded Requirement" column of the Budget Exhibit OP-30, titled "Summary of Unfunded Deferred Requirements," shall be used, but must first be reduced by any amounts that were included in the Unexecutable Unfunded Requirement column amounts that were unexecutable due to operational commitments.

(3) The amounts reflected in the Budget Exhibit OP-30 are reported by lower level categories (i.e., for Aircraft: Airframe Maintenance, Engine Maintenance, Software Maintenance, and Other Maintenance) than the categories reflected in the National Defense PP&E Deferred Maintenance Table, and therefore, such amounts shall be rolled up to reflect the major asset type categories in Figure 10-20.

(4) The Military Departments shall consolidate the amounts disclosed in their National Defense PP&E Deferred Maintenance Table to include the amounts reported in the Budget Exhibits OP-30 for their Reserve and Guard Components.

4. The format used for the National Defense PP&E Deferred Maintenance Table is provided in Figure 10-20. Specific instructions for preparing the table are:

a. Column (a) identifies the major types National Defense PP&E. If a Military Department does not have any deferred maintenance amounts for any major type listed in the format, the major type shall be omitted from the table.

b. The dollar amounts of National Defense PP&E deferred maintenance shall be reported in Column (b).

c. A narrative statement shall be included in the table to explain the condition of the National Defense PP&E, the method used to value the deferred maintenance amounts, and any other pertinent information that should be disclosed. More information on the preparation of the narrative statement is discussed in paragraph 101703.

d. The total amount of National Defense PP&E deferred maintenance shall be carried to the Summary of Deferred Maintenance Amounts by Category of PP&E Table, as described in paragraph 101704, above.

1019 NOTE 18: FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

101901. Footnote Format.

<u>Note 18... Prior Period Adjustments:</u>	
(\$ in Thousands)	
A. Prior Period Adjustments:	
1. Changes in Accounting Standards	\$ x,xxx,xxx
2. Errors and Omission in Prior Year Accounting Reports	x,xxx,xxx
3. Other	<u>x,xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>
B. Other Information: _____	
_____	
_____	
 <u>Note 18.B. Other Disclosures to the Statement of Changes in Net Position:</u>	
(\$ in Thousands)	
A. Other Information: _____	
_____	
_____	

Figure 10-24

101902. Instructions to Note 18.A. Disclose the nature and amount of significant prior period adjustments. Any amounts over \$100M should be specifically identified. The total in section A should agree with the amount on line 4 of the Statement of Changes in Net Position.

A. Changes in Accounting Standards. Include in this category those adjustments that result from changes in SFFASs or DoD application of those standards. Under most circumstances changes in accounting standards will be recognized as current period activity. Prior period adjustments should not be made without prior approval from OUSD(C).

B. Errors and Omission in Prior Year Accounting Reports. Include in this category those adjustments that result from accounting errors and omission of data in prior year accounting records.

C. Other. Include any prior period adjustments that is not identified in the above categories.

D. Other Information. Disclose any other information relative to prior period adjustments that is not disclosed in the above.

101903. Instructions to Note 18.B. Disclose other information of a material amount relative to the Statement of Changes in Net Position in this note.

1020 NOTE 19. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

102001. Footnote Format.

<u>Note 19. Disclosures Related to the Statement of Budgetary Resources:</u>		
(\$ in Thousands)		
1. Net amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period		\$ x,xxx,xxx
2. Available Borrowing and Contract Authority at the End of Period		\$ x,xxx,xxx
3. Other Information:	_____	
	_____	
	_____	

Figure 10-25

102002. Instructions.

A. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period. Disclose the net amount of budgetary resources obligated for undelivered orders as of September 30.

B. Available Borrowing and Contract Authority at the End of Period. Disclose the amount of available borrowing authority on September 30.

C. The statement should exclude any amounts for which The Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with SFFAS Number 1.

D. Other Information. Reference the disaggregated Statements of Budgetary Resources in the Required Supplementary Information section of the financial statements, if applicable. Disclose material adjustments during the reporting period to budgetary resources available at the beginning of the year and an explanation thereof. Also if applicable, the existence, purpose, and availability of permanent indefinite appropriations; and information about legal arrangements affecting the use of unobligated balances of budget authority such as time limits, purpose, and obligation limitations. Explain any abnormal balances and disclose any other information relating to the reporting entity that provides a further understanding of the entity’s Statement of Budgetary Resources. In the event that the accounting records do not support the identification and reporting of eliminating entries, management is required to disclose in this footnote its best estimate of the amounts that should have been eliminated from the various lines on the consolidating statement. Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used. Explain the amount of any capital infusion received during the reporting period. Explain any material differences between the information required by the statement and amounts described as “actual” in the “Budget of

the United States Government.” Eliminating entries for this statement are deferred by the revised OMB 97-01 bulletin for FYs 1998 and 1999. A combined Statement of Budgetary Resources will be prepared and labeled accordingly.

**1021 NOTE 20. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF FINANCING**

102101. Footnote Format.

Note 20. Disclosures Related to the Statement of Financing: _____ _____ _____ _____
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Figure 10-26

102102. Instructions. Report information relating to the reporting entity that provides a further understanding of the entity's Statement of Financing. Disclose the amount of liabilities not covered by budgetary resources and provide an explanation that includes balance sheet components, when recognized liabilities not covered by budgetary resources do not equal the total financing sources yet to be provided.

**1022 NOTE 21. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF CUSTODIAL ACTIVITY**

102201. Footnote Format.

Note 21. Disclosures Related to the Statement of Custodial Activity: _____ _____ _____ _____
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Figure 10-27

102202. Instructions. Disclose basis of accounting and if trust fund revenues are not recorded in accordance with applicable law. Report other information relating to the reporting entity that provides a further understanding of the entity Statement of Custodial Activity, discussed further in Chapter 9.

1023 NOTE 22. INTER-AGENCY ELIMINATIONS

102301. Footnote Format.

Note 22 Inter-Agency Eliminations with Other Federal Agencies:  
(\$ in Thousands)

		Column A	Column B	Column C
<b>Part A. Department of Defense Eliminations of Seller Activity With Other Federal Agencies Arrayed by Department of Defense Entities</b>	Treasury Index (T.I.) or T.I and Appropriation	Accounts Receivable With Other Federal Entities	Revenue With Other Federal Entities	Unearned Revenue From Other Federal Entities
Department of the Army, General Funds	21	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx
Department of the Navy, General Funds	17	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Air Force, General Funds	57	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Army, WCF	97X4930.01	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Navy, WCF	97X4930.02	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Air Force, WCF	97X4930.03	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Defense Logistics Agency, WCF	97X4930.05xx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Defense Finance and Accounting Service, WCF	97X4930.05xx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Other Defense Organizations, General Funds	97-xxxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Other Defense Organizations, WCF	97X4930.04 97X4930.05xx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Defense Military Retirement Trust Fund	97-8097	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
U.S. Army Corps of Engineers	96	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Total		\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx

Figure 10-28

<b>Part B. Department of Defense Eliminations of Seller Activity With Other Federal Agencies Arrayed by Other Federal Agencies</b>	Treasury Index	DoD Accounts Receivable Arrayed by Customer:	DoD Revenue Arrayed by Customer:	DoD Unearned Revenue by Customer:
Executive Office of the President, Defense Security Assistance Agency	11	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx
Department of Agriculture*	12	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Commerce*	13	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Interior*	14	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Justice*	15	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Labor*	16	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of State*	19	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Treasury*	20	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Office of Personnel Management*	24	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Nuclear Regulatory Commission*	31	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Veterans Affairs*	36	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
General Service Administration*	47	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
National Science Foundation*	49	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Federal Emergency Management Agency*	58	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Environmental Protection Agency*	68	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Transportation*	69	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Agency for International Development*	72	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Small Business Administration*	73	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Health and Human Services*	75	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
National Aeronautics and Space Administration*	80	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Housing and Urban Development*	86	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Energy*	89	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Education*	91	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Social Security Administration*	28	xxx,xxx,xxx	Xxx,xxx,xxx	xxx,xxx,xxx
Unidentifiable Federal Agency Entity	00	xxx,xxx,xxx	Xxx,xxx,xxx	xxx,xxx,xxx
Miscellaneous Identifiable Federal Agencies Not Required to Prepare CFO Audited Financial Statements	00	xxx,xxx,xxx	Xxx,xxx,xxx	xxx,xxx,xxx
<b>Total</b>		<b>\$ xxx,xxx,xxx</b>	<b>\$ xxx,xxx,xxx</b>	<b>\$ xxx,xxx,xxx</b>

Figure 10-28 (cont.)

102302. Footnote Instructions.

A. All DoD reporting entities will prepare Note 22. The purpose of the eliminations note is to disclose to the reader information on the amount of DoD intergovernmental sales with other federal agencies.

B. In Part A. the Army General Fund (GF) and Working Capital Fund (WCF), Navy GF and WCF, Air Force GF and WCF, DLA WCF, DFAS WCF, DoD Military Retirement Trust Fund, and U.S. Army Corps of Engineers (USACE) CFO reporting entities will disclose the total elimination effect of entity sales of goods or services to other federal agencies by Accounts Receivable, Revenues, and Unearned Revenues. (Components use only their line in Part A)

C. In Part A. of the DoD Agency-wide financial statements disclose all DoD entities as shown by Accounts Receivable, Revenues, and Unearned Revenues.

D. All DoD reporting entities will breakout, in Part B., the entities eliminations identified for Accounts Receivable, Revenues, and Unearned Revenues by the federal entities listed.

E. The current source of elimination amounts for DoD entities is primarily the Report on Reimbursements, Accounting Report (M)725 or if available, proprietary general ledger accounts, or other financial information retrievals. Many current systems do not provide for the capture of the detail information required to identify all elimination transactions. The Department will use alternative query and data call methods until standard Government-wide requirements are approved, issued, and implemented.

102203. The eliminating entries with other federal agencies presented in Part B. will be reconciled with equivalent figures reported on the Federal Agencies' Centralized Trial Balance System (FACTS) and the "Report on Reimbursements," Accounting Report (M) 725 (or other source of elimination information used), prior to the release of the FACTS reporting to Treasury. The eliminations reported in FACTS are used by Treasury to prepare the Government-wide Consolidated Financial Statements. The total Accounts Receivable reflected in Part B. of this note should equal line 1.A.3. on the balance sheet.

1024 NOTE 23. OTHER DISCLOSURES

102401. Footnote Format.

Note 23. Other Disclosures: _____
_____
_____
_____

Figure 10-29

102402. Instructions. Report other information relating to the reporting entity's financial position and results that is not applicable to any other notes.