

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14R, VOLUME 6B, CHAPTER 10
“NOTES TO THE FINANCIAL STATEMENT”**

Changes are denoted by **blue font**.

Substantive revisions are denoted by a ★ preceding the section,
paragraph, table, or figure that includes revision.

Hyperlinks are denoted by *underlined, bold italic fonts*.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Updated chapter in accordance with the revised Office of Management and Budget (OMB) Circular A-136 instructions and disclosure requirements.	Update
ALL	Moved fluctuation disclosure requirement for each note to the General Instructions of this volume. See Chapter 2, section 020505 for the reporting requirements for fluctuations.	Delete
ALL	Moved the “Abnormal Balance” section contained in each note instruction to the General Instructions for this chapter, section 100208. Each note refers the reader to section 100208 for the disclosure requirement for abnormal balances.	Update
1001	Changed the title of this section from General to Overview. Added and/or changed subsections to segregate the information by subject. Added a Purpose section explaining the purpose of this chapter. Included in the Purpose section is a statement that this chapter supplements the reporting requirements of the Office of Management and Budget’s Financial Reporting Guidance (OMB Circular A-136).	Update
100207	Since fluctuation disclosures are no longer a part of the notes, changed the requirement for the format of the note disclosures.	Update
100208	Revised paragraph on Abnormal Balances.	Update
100302	Removed Table 10-2 which contained detailed sample Note 1 disclosure statements and replaced it with Figure 10-1 which includes only a brief description of each required disclosure to be included in Note 1, Significant Accounting Policies. The Figure 10-1 includes the new requirement to report on fiduciary activities beginning FY 2009. Added reference to the quarterly financial statement guidance for help in writing disclosure statements and sample disclosures.	Update

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PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
100502.A.	Revised definition of Fund Balance with Treasury by adding clearing and suspense accounts as part of other fund types.	Update
100502.B.	Revised the paragraph on “Classifications” to clarify how receipt and expenditure accounts are assigned.	Update
100502.D.1	Removed the requirement to reconcile the Fund Balance with Treasury line to Treasury Trial Balance (TTB) reports TTB 6654 and TTB 6655. These reports are no longer used. This line should reflect amounts for DoD reported in the Government On Line Accounting Link System (GOALS II) and the Governmentwide Accounting (GWA) Account Statement application.	Update
100504	Revised instructions to clarify lines on the Status of FBWT schedule.	Update
100504.C. & D.	Added requirement to disclose the composition of Nonbudgetary FBWT and NonFBWT Budgetary accounts.	Add
100505 to 100512	Removed disclosures related to Suspense/Budget clearing accounts and problem disbursements. Deleted related figures 10-4 and 10-5.	Delete
1006	Revised note schedule format in Note 4, Investments and Related Interest, to reflect investments by organizations.	Add
100702.A. & B.	Removed reference to nonentity portion of receivable disclosed in note 2.	Delete
100702.D.1	Removed disclosures for material differences for intragovernment trading partners.	Delete
100702.D.2 & 100703.D3	Removed Aged Accounts Receivable section. Deleted related Table 10-3.	Delete
100802.B.1	Removed disclosure requirement describing contract financing payment for fixed price contracts and referred reader to Volume 4, Chapter 5 of this regulation for a description of contract financing payments that should be disclosed in Note 6.	Update

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PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
100802.D.2	Removed disclosures related to material differences for intragovernment trading partners.	Delete
100802.D.2	Added reference to the quarterly financial statement guidance for additional disclosure requirement for contract financing payments.	Add
1009	Added other monetary assets to note schedule (Figure 10-8) and instructions.	Add
1010	Added Foreign Military Sales Program, a pre-1992 account (Foreign Military Loan Liquidating Account) and a post-1991 account (Military Debt Reduction Financing Account) to Note 8 required disclosures. All figures and instructions were revised to include line items for the Pre-1992 and Post-1991 accounts.	Add
101001.A.1 & 2	Added definitions for direct loans and loan guarantee programs and included examples of specific programs found within DoD.	Add
101002	Added summary note schedule for direct loans and loan guarantees.	Add
101026	Removed note schedule for Administrative Expenses.	Delete
101104.G	Removed reference to value of finished goods or completed services.	Delete
101202.F	Revised instructions for General PP&E in the Possession of Contractors.	Update
101202.G.4.C & 101202.G.4.D	Added additional requirements pertaining to heritage assets and stewardship land to include identifying the number of physical units by major categories.	Add
101502.C	Added additional disclosure requirements to include the purpose of the debt and loan default.	Add
101601	Added new line items to the environmental liabilities note schedule (Figure 10-30) for Asbestos, Non-Military Equipment, and Chemical Weapons Disposal Programs.	Add

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PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
101602	Revised and added instructions for Asbestos, Non-Military Equipment, and Chemical Weapons Disposal Programs.	Update
101602.D	Added additional information related to environmental liabilities.	Add
101603.C.1&2	Deleted definitions. Added definitions for operational range.	Update
101604	Added a new schedule within Note 14 to disclose unrecognized cleanup cost and changes in cleanup cost estimates due to changes in laws, regulations or technology.	Add
1017	Updated note schedule to separately disclose custodial liabilities, employer contribution payroll taxes payable, contract holdbacks, and contingent liabilities.	Add
1018	Added additional disclosure requirements for Commitments and Contingencies, Note 16.	Add
1019	Revised note schedule, added instruction.	Update
102002.H.4	Added disclosure statements for intragovernmental transactions.	Add
102004	Add disclosures for Stewardship Property, Plant and Equipment.	Add
1021	Removed the note schedule and related instructions pertaining to prior period adjustments and imputed financing. Added instruction for other disclosures.	Update
1023	Added note schedule and instructions for the Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing).	Add
1024	Removed the disclosure for the Statement of Custodial Activity. Added note disclosures related to incidental custodial collections.	Update
102501	Added prior year note schedule for Earmarked Funds.	Add
1027	Added note to disclose restatements of prior year financial statements due to discovery of material errors.	Add

TABLE OF CONTENTS**NOTES TO THE FINANCIAL STATEMENTS**

1001	Overview
1002	General Note Instructions
1003	Note 1. Significant Accounting Policies
1004	Note 2. Nonentity Assets
1005	Note 3. Fund Balance with Treasury
1006	Note 4. Investments and Related Interest
1007	Note 5. Accounts Receivable
1008	Note 6. Other Assets
1009	Note 7. Cash and Other Monetary Assets
1010	Note 8. Direct Loans and/or Loan Guarantee Programs
1011	Note 9. Inventory and Related Property, Net
1012	Note 10. General Property, Plant, and Equipment (PP&E), Net
1013	Note 11. Liabilities Not Covered by Budgetary Resources
1014	Note 12. Accounts Payable
1015	Note 13. Debt
1016	Note 14. Environmental Liabilities and Disposal Liabilities
1017	Note 15. Other Liabilities
1018	Note 16. Commitments and Contingencies
1019	Note 17. Military Retirement and Other Federal Employment Benefits
1020	Note 18. Disclosures Related to the Statement of Net Cost

TABLE OF CONTENTS (continued)

NOTES TO THE FINANCIAL STATEMENTS

1021	Note 19. Disclosures Related to the Statement of Changes in Net Position
1022	Note 20. Disclosures Related to the Statement of Budgetary Resources
1023	Note 21. Reconciliation of Net Cost of Operations to Budget
1024	Note 22. Disclosures Related to Incidental Custodial Collections
1025	Note 23. Earmarked Funds
1026	Note 24. Other Disclosures
1027	Note 25. Restatements

CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS★1001 OVERVIEW

100101. Purpose. This chapter specifies the format, content, and instructions for the preparation and presentation of notes to the principal financial statements. This chapter supplements the reporting requirements of the Office of Management and Budget's (OMB) Financial Reporting Guidance (OMB Circular A-136). The major Department of Defense (DoD) components and reporting entities are required to prepare quarterly and fiscal year end comparative financial statements and notes. Refer to Volume 6B, Chapter 1 of this Regulation for a list of entities required to prepared financial statements.

100102. Consistency and Agreement. The supporting schedules presented in the notes must have total figures which agree with the amounts presented in the body of the financial statements. The chosen rounding level must be consistently maintained throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Total Consolidated Net Position line on the Statement of Changes in Net Position should equal the Total Consolidated Net Position line on the Balance Sheet). Individual line items must sum to the totals (this may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals). In addition, the prior year column must be consistent with the amounts published on the financial statements and notes in the prior year.

100103. Noncompliance with Federal Generally Accepted Accounting Principles (GAAP). The underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. As a result, many DoD organizations may not be fully compliant with Federal GAAP and the OMB's Financial Reporting Guidance (OMB Circular A-136) due to long standing system deficiencies. The DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with Federal GAAP. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies must be explained and the reason for the noncompliance annotated in the related note. In addition, departures from Federal GAAP must be identified in Note 1, "Significant Accounting Policies." Discussion of departures may also be included in the "Overview of the Reporting Entity."

1002 GENERAL NOTE INSTRUCTIONS

100201. General. The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. The preparer should consider the audience when writing the note narrative. Users of the general purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Financial statements should be prepared so that individuals who may not have a detailed knowledge of accounting

principles and specific business practices can understand them. The detail, explanation, and related narrative should be based on the knowledge level of the expected users. The DoD's financial statements are provided to various internal users within the DoD as well as external users such as the OMB, the Department of the Treasury (Financial Management Service), the Congress, and the general public.

100202. Narrative. The narrative should explain issues in “plain English” and with sufficient detail so that a person with general knowledge of the subject matter would understand. The narrative should describe the balances rather than a list or statement as to which component the balance is attributable.

100203. Multiple Sources. Narratives from various sources should be reviewed for consistency. Additional research may be necessary to ensure that a similar level of detail for all entities is presented in the note narrative.

100204. Amounts in Narrative. The narrative should readily agree (tie) to the line item(s) on the financial statements and note schedules.

100205. Other Lines. A narrative should be included for any line item entitled “Other.” Disclose all items that include 10 percent or more of the “Other” line item. If no amount encompasses 10 percent or more of the “Other” line item, state that the amount is attributable to multiple items.

100206. Intragovernmental Amounts. Intragovernmental amounts disclosed in a table to a note must contain a statement concerning the entity's ability to reconcile with its trading partner.

100207. Format of Notes. A consistent format is required for the narrative portion of notes. [The narrative will first explain abnormal balances followed by definitions and other relevant disclosures.](#) References to financial regulations or other notes are not required in the note narrative.

100208. Abnormal Balances. [Disclose the abnormal account balances found in the financial statement lines and note schedules. Abnormal account balances are those in which the normal balance \(debit or credit\) is reversed. Disclose the dollar amount, the business event that caused the abnormal balance, the reason why the abnormality occurred, the fiscal time period in which the abnormal balance occurred, and when it will be corrected. Also disclose material abnormal proprietary and budgetary United States Standard General Ledger \(USSGL\) accounts at the reporting entity's consolidated level within DDRS-AFS. These abnormal balances may be hidden in the financial statements and note schedules by other account balances. Some accounts are allowed to have either a debit or credit balance and would not be considered abnormal.](#)

★1003 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

100301. Content of Note. Note 1 to the financial statements must describe the reporting entity and identify its major components. Note 1 must summarize the accounting principles and the methods of applying those principles that management has concluded are the most appropriate for presenting the entity's assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies must identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments 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. The summary of significant accounting policies should include a description of changes in GAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury and Earmarked Funds unique to Federal financial statements. In addition, the summary of significant accounting policies must 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.

100302. Note 1 Format. Figure 10-1 outlines Note 1 format and includes the reporting requirements and some sample disclosure statements for preparing Note 1. A particular reporting requirement is discussed in each section. Each reporting entity must review its financial processes, systems and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD components. Do not include narratives that are not applicable. The left-hand column includes the reporting requirement and/or sample disclosure statements and the right hand column identifies the applicable reporting entity(s). [Review the Quarterly Financial Reporting Guidance at https://guidanceweb.ousdc.osd.mil/](https://guidanceweb.ousdc.osd.mil/) for more complete sample disclosure statements.

Note 1 Content Requirement and Format	
REQUIREMENT AND/OR DISCLOSURE STATEMENT	REPORTING ENTITY
1.A. Basis of Presentation	
<p>Disclose how the financial statements are prepared, any limitation that prevents compliance with Federal GAAP, and auditor identified material weaknesses. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the Chief Financial Officer’s Act (CFO) of 1990, expanded by the Government Reform Act of 1994, and other legislation. Include the following disclosure statements: “The financial statements have been prepared from the books and records of the Reporting Entity in accordance with the Department of Defense (DoD) Financial Management Regulation (FMR) 7000.14-R, the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, and Generally Accepted Accounting Principles (GAAP).”</p> <p>Note that information relative to classified assets, programs, and operations is excluded from the statements or otherwise aggregated and reported in such a manner that it is not discernable.</p>	All Entities
1.B. Mission of the Reporting Entity	
For each Reporting Entity, enter a brief mission statement.	All Entities
1.C. Appropriations and Funds	
Identify and define the type of funding that the reporting entity receives, including Earmarked funds and parent/child allocation transfers where budget authority is transferred to, or received from another Federal entity.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies

1.D. Basis of Accounting	
Describe limitations that prevent compliance with full accrual accounting and the reporting of costs in accordance with the GPRA.	All Applicable Entities
1.E. Revenues and Other Financing Sources	
Disclose the accounting policy for revenue recognition, the reporting entity’s pricing policy, and any limitation that may hinder revenue recognition in accordance with Federal GAAP. Also provide policy information on: (1) other financing sources; and (2) nonmonetary support provided by U.S. allies for common defense and mutual security, where applicable.	All Entities
1.F. Recognition of Expenses	
Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with Federal GAAP. Also define Operating Materiel & Supplies (OM&S) operating expenses, its recognition method and any limitations.	All Entities
1.G. Accounting for Intragovernmental Activities	
Describe the reporting entity’s: (1) methodology for eliminating transactions among entities within DoD and between other Federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s).	All Applicable Entities
Disclose that the DoD’s proportionate share of public debt and related expenses including interest cost of the Federal Government is not included.	

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.H. Transactions with Foreign Governments and International Organizations	
Describe the authority to sell defense articles and services to foreign countries and international organizations.	All Applicable Entities
1.I. Funds with the U.S. Treasury	
Include the following disclosure statements: “The <i>Reporting Entity’s</i> financial resources are maintained in U.S. Treasury accounts.” Also include any other information relevant to understanding Funds with the U.S. Treasury. Entities with zero funds balance reported in their financial statements should disclose: “Appropriations are suballocated to reporting entities by DoD. Differences between the U.S. Treasury and the DoD balances are reconciled at the Department level”.	All Entities
1. J. Cash and Foreign Currency	
Include the following disclosures: (1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.	All Applicable Entities
1.K. Accounts Receivable	
Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public and Federal entities.	All Entities
1.L. Direct Loans and Loan Guarantees	
Include the following disclosures: (1) a descriptions of the credit reform programs; and (2) the authorities that authorized the programs.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.M. Inventories and Related Property	
Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost method and other methods; and (3) any limitations in valuing inventory in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 3, "Accounting for Inventory and Related Property", or uncertainties about completeness and existence of reported values of inventory. Also describe the Related Property; Excess, Obsolete, and Unserviceable; Held for Repair and Work in Process accounts.	All Applicable Entities
1.N. Investments in U.S. Treasury Securities	
Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; and (5) the information on investment in limited liability partnerships.	All Applicable Entities
1.O. General Property, Plant and Equipment	
Include the following disclosures: (1) the method for valuing military equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant & Equipment (PP&E) in accordance with Federal standards; and (4) the policy for reporting property provided to contractors.	All Applicable Entities
1.P. Advances and Prepayments	
Describe advances and prepayments. Disclose DoD's policy for reporting advances and prepayments. If the reporting entity is not in compliance, provide an explanation for noncompliance.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.Q. Leases	
Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined.	All Applicable Entities
1.R. Other Assets	
Identify the majority of items reported as “Other Assets.” Describe contract financing payments and the circumstances under which the reporting entity uses them.	All Applicable Entities
1.S. Contingencies and Other Liabilities	
Define a contingency and identify the condition in which it would be reported on the balance sheet as a liability or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.	All Applicable Entities
1.T. Accrued Leave	
Describe accrued leave. Sick leave is not included in accrued leave.	All Applicable Entities
1.U. Net Position	
Describe Net Position and its two major components of unexpended appropriations and cumulative results of operations.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.V. Treaties for Use of Foreign Bases	
Describe the use, purchase and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.	All Applicable Entities
1.W. Unexpended Obligations	
Describe unexpended obligations and its relevance to the financial statements.	All Applicable Entities
1.X. Undistributed Disbursements and Collections	
Define undistributed disbursements and collections. Describe DoD's policy for reporting them in the financial statements.	All Entities
1.Y. Significant Events	
Describe any significant event(s) that has an effect on the financial statements and accompanying notes.	All Entities
1.Z. Fiduciary Activities	
Effective FY 2009, agencies must disclose information concerning fiduciary activities in accordance with SFFAS No. 31, Accounting for Fiduciary Activities. Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity's fiduciary activities. Disclose that fiduciary cash and other assets are not assets of the Federal Government.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

★1004 NOTE 2. NONENTITY ASSETS

100401. Note Schedule Format

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

Figure 10-2. Nonentity Assets

100402. Instructions. Disclose “Nonentity Assets” consisting of the categories shown in Figure 10-2, in accordance with the instructions provided in this chapter. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Nonentity Assets (Lines 1 and 2). These are assets that are held by an entity (as manager, custodian or fiduciary), but are not available for the entity’s own operational use. Within the DoD, cash held by a disbursing officer, as an agent of the U.S. Treasury, is an example of nonentity assets. Another example is out-of-service debt due from members of a Military Service that, when collected, is not available for the reporting entity’s use and is required to be deposited with the U.S. Treasury as a miscellaneous receipt to the U.S. Government General Fund. The amounts reported on Lines 1.A and 1.B are totaled and reported on Line 1.C. The amounts reported on Lines 2.A through 2.C are totaled and reported on Line 2.D. The total of all Nonentity Assets is [reported](#) on Line 3.

B. Entity Assets (Line 4). These are assets that the reporting entity has authority to use. For example, an entity’s assets may be used in entity operations (such as

equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

C. Total Assets (Line 5). This line represents the sum of Line 3, Total Nonentity Assets, and Line 4, Total Entity Assets. The amount on Line 5 should equal to the Total Assets line on the Balance Sheet.

D. Other Information. Disclose in the narrative a description of each current year nonentity asset focusing on the nature of the assets that causes it to be classified as nonentity (Line 3).

E. Other Nonentity Assets. Describe any amount that contributes materially to Other Assets (Line 2.C). Materiality is defined as those items comprising 10 percent or more of the line value.

1005 NOTE 3. FUND BALANCE WITH TREASURY

100501. Note Schedule Format

Note 3.	Fund Balance with Treasury			
As of <i>[Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
1. Fund Balances:				
A. Appropriated Funds	\$	\$\$\$	\$	\$\$\$
B. Revolving Funds		\$\$\$		\$\$\$
C. Trust Funds		\$\$\$		\$\$\$
D. Special Funds		\$\$\$		\$\$\$
E. Other Fund Types		\$\$\$		\$\$\$
F. Total Fund Balances	\$	\$\$\$	\$	\$\$\$
2. Fund Balances Per Treasury Versus Agency:				
A. Fund Balance per Treasury	\$	\$\$\$	\$	\$\$\$
B. Fund Balance per Agency		\$\$\$		\$\$\$
3. Reconciling Amount	\$	\$\$\$	\$	\$\$\$

Figure 10-3. Fund Balance with Treasury

100502. Instructions. Present Fund Balance with Treasury (FBWT) by fund type. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Fund Balances (Lines 1.A through 1.E). FBWT is an asset which represents the total of all unobligated and obligated undisbursed account balances, as well as collections with the U.S. Treasury as reflected in an entity’s record. Disclose FBWT by fund types, including appropriated funds, revolving funds, trust funds, special funds, and other fund types. Other fund types should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition (i.e. clearing and suspense accounts), or being held by the entity in the capacity of a banker or agent of others, including miscellaneous receipt accounts. Describe any item that is greater than, or equal to, 10 percent of Line 1.E. “Other Fund Types.” The amount on Line 1.F, Total Fund Balances, should agree with Line 2.B, Fund Balance per Agency.

B. Classifications. Treasury account symbols are the basis for reporting the Department's financial transactions. The U.S. Treasury, Financial Management Service (FMS) classifies receipt or expenditure accounts and assigns them to a fund group based on their characteristics and the nature of the transactions they support. The FMS assigns account symbols to agencies after considering the government's relationship to the accounts, the sources

of the receipts, and the availability of the funds for expenditure. The FMS classifies receipt and expenditure accounts in accordance with the [Federal Account Symbols and Titles \(FAST\) Book](#), Supplement to Volume 1 of the Treasury Financial Manual (TFM). For descriptions of fund groups and how they are used, refer to [DoDFMR Volume 12 Chapter 1](#).

<i>Fund Group</i>	<i>Major Class</i>	<i>Entity/NonEntity</i>
Appropriated Funds		
General Funds	0000-3799, 3830, 3840, 3850	Entity
Clearing Accounts	3800-3899*	Entity
Management Funds	3960-3999	Entity
Revolving Funds		
Public Enterprise	4000-4499	Entity
Intragovernmental	4500-4999	Entity
Special Funds	5000-5999	Entity
Deposit Funds	6000-6999	Nonentity
Trust Funds		
Trust Funds	8000-8399; 8500-8999	Entity
Trust Revolving Funds	8400-8499	Entity
*With the exception of 3882 and 3886 (Civilian Thrift Savings Plan (TSP) and Military TSP), which are considered Nonentity. These are not officially published Treasury Fund Symbols.		

C. Total Fund Balances (Line 1.F). The amount on Line 1.F represents the sum of Lines 1.A through 1.E. The total of the amounts reported on Line 1.F of this note should agree with the amounts reported on the reporting entity's Balance Sheet.

D. Fund Balances Per Treasury versus Agency (Line 2). Insert the FBWT amounts from the U.S. Treasury on Line 2.A, Fund Balance per Treasury. Insert the sum of the reporting entity's fund balances from Line 1.F of the note schedule on Line 2.B, Fund Balance per Agency. Compute any difference and report the variance on Line 3 of this note as a reconciling amount.

1. Fund Balance Per Treasury (Line 2.A). This line should reflect the amounts reported for the DoD by the U.S. Treasury in reports available in the Government On-Line Accounting Link System II (GOALS II) and the Governmentwide Accounting (GWA) Account Statement application.

2. Fund Balance Per Agency (Line 2.B). Insert the total from Line 1.F. The total of the amount reported on Line 2.B of this note should agree with the amounts reported on the reporting entity's Balance Sheet. Enter the reporting entity's name in the "Reporting Entity" field.

E. Reconciling Amount (Line 3). This line is the difference between (Line 2.A), Fund Balance per Treasury and (Line 2.B), Fund Balance per Agency. Explain the cause of any reconciling amounts reported on Line 3, [Reconciling Amount](#). Narrative

explanations should include sufficient information to describe discrepancies between both fund balances, not simply disclosures of adjustments made. The differences may be composed of transfer account inclusions and exclusions, timing differences, and erroneous postings. Discrepancies due to time lags should be reconciled and discrepancies due to errors should be corrected.

F. Other Information Related to Fund Balance with Treasury. Provide other information that is necessary for understanding the nature of the FBWT.

100503. Note 3. Status of Fund Balance with Treasury Note Schedule Format

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

Figure 10-4. Status of Fund Balance with Treasury

100504. Instructions. The Status of Fund Balance with Treasury is the total of the entity's (FBWT), as reflected in the entity's general ledger and represented by Unobligated (line 1) and Obligated not yet disbursed (line 2) Balances. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining Statements of Budgetary Resources since unobligated and obligated balances reported on the Combining Statement of Budgetary Resources are supported by FBWT, as well as other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables).

Present the Status of FBWT. The mapping for the lines within this schedule is based on the USSGL crosswalks for the respective columns in the Department of the Treasury, FMS 2108, Year End Closing Statement. Pertinent USSGL accounts can be found at the www.fms.treas.gov/ussgl/ website. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter. Explain differences between the amount reported on Line 1.F of the Fund Balance with Treasury schedule (Figure 10-3), and the amount reported on Line 5 (Figure 10-4).

A. Unobligated Balance (Line 1). This line represents the cumulative amount of budgetary authority that has **not** been set aside to cover outstanding obligations. **Unobligated balance is classified as available or unavailable. In the 4th quarter of the fiscal year this balance must agree with the sum of available and unavailable unobligated ending balances as reported in column 11, Unobligated Balance of the Year End Closing Statement.**

1. Available (Line 1.A). This line represents the amount of unexpired, unobligated balance that has been apportioned or not subject to apportionment. This amount is immediately available for new obligations. **In the 4th quarter of the fiscal year this balance must agree with the sum of available account balances as reported within column 11 of the Year End Closing Statement.**

2. Unavailable (Line 1.B). This line represents the amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission or other similar limits on resources usage. It also may include expired budgetary resources that remain available only for obligation adjustments until the account is closed. **In the 4th quarter of the fiscal year this balance must agree with the sum of unavailable account balances as reported within column 11 of the Year End Closing Statement.**

B. Obligated Balance not yet Disbursed (Line 2). This line represents funds that have been obligated for goods that have not been received; services that have not been performed; and goods and services that have been delivered and/or received but not paid. **In the 4th quarter of the fiscal year this balance must agree with the sum of Undelivered Orders and Contracts (column 9), and Accounts Payable and Other Liabilities (column 10) of the Year End Closing Statement.**

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

D. NonFBWT Budgetary (Line 4). The line represents adjustments to budgetary accounts that do not affect FBWT. This category reduces the Status of FBWT. Disclose the items that comprise the amount reported as NonFBWT Budgetary Accounts such as, contract authority, borrowing authority and investments accounts, accounts receivable, as well as, the unfilled orders without advance from customers.

E. Total (Line 5). This amount represents the sum of Lines 1.A, 1.B, 2, and 3 less Line 4. The total of the amounts reported should agree with Line 1.F of the FBWT table within this note and the amounts reported on the reporting entity's Balance Sheet. An explanation for any differences between this line and Line 1.F of the FBWT table and the amounts reported on the Balance Sheet must be provided in the note.

F. Explanation of Unobligated Unavailable Balances. Unobligated Balances are segregated to show Available and Unavailable amounts in the note schedule. **Certain unobligated balances may be restricted to future use and are not apportioned for current use.**

Disclose and explain restrictions on unobligated balances. If there are no restrictions on unobligated balances, disclose that there are no restrictions on unobligated balances.

★1006 NOTE 4. INVESTMENTS AND RELATED INTEREST

100601. Note Schedule Format

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

Figure 10-5. Investments and Related Interest

100602. Instructions. Disclose the reporting entity's investments in Federal securities and other investments. Investments in Federal securities include market-based U.S. Treasury securities issued by the Bureau of the Public Debt (BPD). Investments are normally reported [on the Balance Sheet](#) at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. Net Investments (column 4) are equal to Cost (column 1), plus [Amortized \(Premium\)/Discount](#) (column 3). Securities are normally recognized at 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 before maturity; and (b) there is a reduction in value that is more than temporary. Market Value (column 5) is used to disclose the market value of all nonmarketable market-based securities. Other investments are comprised of investments of funds with developers of family housing. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Nonmarketable, Market-Based Intragovernmental Securities (Line 1.A). Nonmarketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the Defense Finance and Accounting Service (DFAS) Trust Fund Accounting Office are nonmarketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund (MRF)). [Disclose any item that is greater than, or equal to, 10 percent of the line titled "Other Funds" \(Line 1.A.4\).](#)

B. Accrued Interest (Line 1.B). The amount recorded as Accrued Interest represents the amount of interest accrued on intragovernmental investment securities, but not received as of the date of the statements. The accrued interest amount is applicable only to numerical columns 1, 4, and 5.

C. Total Intragovernmental Securities (Line 1.C). This line represents the sum of Intragovernmental Securities Cost (column 1), Amortized (Premium)/Discount (column 3), and Intragovernmental Net Investments for the current period (column 4) reported. The total amount reported in column 4 of this line should equal the amount reported on the reporting entity's Balance Sheet.

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

E. Prior Year, Intragovernmental Securities (Line 3). The prior year amounts for nonmarketable, market-based U.S. Treasury securities [are reported on Line 3.](#)

F. Prior Year, Other Investments (Line 4). The prior year amounts for other investments are reported on Line 4.

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

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

★1007 NOTE 5. ACCOUNTS RECEIVABLE

100701. Note Schedule Format

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

Figure 10-6. Accounts Receivable

100702. Instructions. Present the gross receivables, the allowance for uncollectible accounts (from the public) and the net amount due. The amount represented in this note includes both entity and nonentity receivables. Do not include receivables related to direct or guaranteed loans. These amounts are reported in Note 8, Direct Loans and/or Loan Guarantee Programs. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Intragovernmental Receivables (Line 1). An allowance for uncollectible accounts should not be reported for Intragovernmental Receivables. The amount on Line 1, column 3, of this note should equal the amount reported on the reporting entity’s Balance Sheet.

B. Nonfederal Receivables (from the Public) (Line 2). The term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S. Government. The amount on Line 2, column 3, of this note should equal the amount reported on the reporting entity’s Balance Sheet.

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

D. Other Information. Disclose any other information needed to understand the nature of the Accounts Receivable.

★1008 NOTE 6. OTHER ASSETS

100801. Note Schedule Format

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

Figure 10-7. Other Assets

100802. Instructions. Report the amount of Other Assets. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

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

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

2. Other Assets (Line 1.B). Include Federal other assets.

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

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

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

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

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

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

C. Total Other Assets (Line 3). The amount reported on this line equals the sum of Lines 1.C and 2.C. The total amount reported on Line 3 should equal the sum of Federal and Nonfederal Other Assets on the Balance Sheet.

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

1. If any of the individual components of Line 2.B, Other Assets (with the Public), represents 10 percent or more of the value of the line, those components must be separately disclosed.

2. Components with contract financing payment must review the quarterly financial statement guidance at <https://guidanceweb.ousdc.osd.mil/#> for additional required disclosures.

★1009 NOTE 7. CASH AND OTHER MONETARY ASSETS

100901. Note Schedule Format

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

Figure 10-8. Cash and Other Monetary Assets

100902. Instructions. Report the amount of Cash and Other Monetary Assets. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Cash (Line 1). 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 cash held in revolving funds which will not be transferred into the General Fund of the Treasury.

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

C. Other Monetary Assets (Line 3). This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included on this line. Describe any item that is greater than, or equal to, 10 percent of “Other Monetary Assets”.

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

E. Other Information. Provide other relevant information that is needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Restricted cash includes holdings which are unavailable for agency use (nonentity cash) and have not been transferred to the General Fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Nonentity cash is always restricted

cash. Entity cash may be restricted for specific purposes. Examples of restricted cash include the following items: (a) cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans; as well as other amounts of legally restricted cash for specific purposes; (b) seized cash recognized as an asset per the SFFAS No. 3, “Accounting for Inventory and Related Property”; and (c) bid deposits in a commercial bank. Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions. Disclose significant effects, if any, of changes in the foreign currency exchange rate on the entity’s financial position that occurred after the end of the reporting period but before the issuance of financial statements (if applicable).

★1010 NOTE 8. DIRECT LOANS AND LOAN GUARANTEES

101001. General Information on Direct Loans and Loan Guarantees

A. The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: Pre 1992 and Post 1991. Pre 1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees. Post 1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. Refer to [OMB Circular A-11, Federal Credit – Section 185](#) for definitions and explanations of terms and concepts in these instructions. The reporting entity should disclose direct loan obligations and loan guarantee commitments made after fiscal year (FY) 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. This Act governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees. The [SFFAS No. 2, “Accounting for Direct Loans and Loan Guarantees”](#) provides that the present value of the subsidy costs (which arise from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as costs in the year the direct or guaranteed loan is disbursed.

1. Direct Loans. These loans are reported at the net present value of the following projected cash flows: loan disbursements; repayments of principal; and payments of interest and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

2. Loan Guarantee Liabilities. These liabilities are reported at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

B. Pre 1992 Direct Loans and Loan Guarantees. The reporting entity should 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. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees. [The DoD has elected to report Pre 1992 direct loans and loan guarantees using the allowance for loss method.](#)

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

2. Changing Reporting Methods. Changing from one method to the other is not permitted without the advance approval of the OMB. If a reporting entity needs guidance related to Pre 1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller) (OUSDC), Office of the Deputy Chief Financial Officer (ODCFO). The reporting entity 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.

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

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

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

101002. [Note 8. Summary of Direct Loans and Loan Guarantees.](#)

[Note Schedule Format](#)

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

<i>As of [Current Fiscal Period End Date]</i>		Current FY		Prior FY
(Amounts in thousands)				
Loan Guarantee Liability				
1. Foreign Military Liquidating Account	\$	\$\$\$	\$	\$\$\$
2. Military Housing Privatization Initiative		\$\$\$		\$\$\$
3. Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$
4. Total Loan Guarantee Liability	\$	\$\$\$	\$	\$\$\$

Figure 10-9. Summary of Direct Loans and Loan Guarantees

101003. Instructions. Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 8. The total loans receivable (Line 8) should agree with the amount reported on the Balance Sheet. The total loans guarantee liability (Line 4) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

101004. Note 8. Direct Loans Obligated, Note Schedule Format

Note 8. Direct Loans Obligated			
As of <i>[Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):			
1. Foreign Military Loan Liquidating Account			
A. Loans Receivable Gross		\$ \$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Loan Losses		\$\$\$	\$\$\$
E. Value of Assets Related to Direct Loans, Net		\$ \$\$\$	\$ \$\$\$
Direct Loans Obligated After FY 1991 (Present Value Method):			
2. Military Housing Privatization Initiative			
A. Loans Receivable Gross		\$ \$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$	\$\$\$
E. Value of Assets Related to Direct Loans, Net		\$ \$\$\$	\$ \$\$\$
3. Foreign Military Financing Account			
A. Loans Receivable Gross		\$ \$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$	\$\$\$
E. Value of Assets Related to Direct Loans, Net		\$ \$\$\$	\$ \$\$\$
4. Military Debt Reduction Financing Account			
A. Loans Receivable Gross		\$ \$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$	\$\$\$
E. Value of Assets Related to Direct Loans, Net		\$ \$\$\$	\$ \$\$\$
5. Total Direct Loans Receivable		\$ \$\$\$	\$ \$\$\$

Figure 10-10. Direct Loans Obligated

101005. Instructions. Present information for direct loans obligated. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Foreign Military Loan Liquidating Account (Lines 1.A. through 1.E.) Report in column 1, (current year): the Loans Receivable Gross, the Interest Receivable, the estimated net realizable value of related Foreclosed Property, the Allowance for Loan Losses (Allowance for Loss Method), and the Value of Assets Related to Direct Loans. Line 1.E is the sum of Lines 1.A through 1.D. In column 2, provide amounts from the prior year.

B. Military Housing Privatization Initiative (Lines 2.A through 2.E). Report in column 1, (current year): the Loans Receivable Gross, the Interest Receivable, the estimated net realizable value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value method), and the Value of Assets Related to Direct Loans. Line 2.E is the sum of Lines 2.A through 2.D. In column 2, provide amounts from the prior year.

C. Foreign Military Financing Account (Lines 3.A through 3.E). Report in column 1, (current year): the Loans Receivable Gross, the Interest Receivable, the estimated net realizable value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value), and the Value of Assets Related to Direct Loans. Line 3.E is the sum of Lines 3.A through 3.D. In column 2, provide amounts from the prior year.

D. Military Debt Reduction Financing Account (Lines 4.A through 4.E). Report in column 1, (current year): the Loans Receivable Gross, the Interest Receivable, the estimated net realizable value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value), and the Value of Assets Related to Direct Loans. Line 4.E is the sum of Lines 4.A through 4.D. In column 2, provide amounts from the prior year.

E. Total Loans Receivable (Line 5). The amount reported in this line should agree with the amount reported on the reporting entity's Balance Sheet. (Loan receivables for defaulted loan guarantees will also be included on the reporting entity's Balance Sheet).

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

G. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post 1991 direct loans at the net present value of the projected cash flows. At the time of foreclosure, foreclosed property may be recorded at the estimated net realizable value. 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.

101006. Note 8. Total Amount of Direct Loans Disbursed Note Schedule Format

Total Amount of Direct Loans Disbursed				
As of [<i>Current Fiscal Period End Date</i>]	Current FY		Prior FY	
(Amounts in thousands)				
Direct Loan Programs				
1. Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$
2. Foreign Military Financing Account		\$\$\$		\$\$\$
3. Military Debt Reduction Financing Account		\$\$\$		\$\$\$
4. Total	\$	\$\$\$	\$	\$\$\$

Figure 10-11. Total Amount of Direct Loans Disbursed

101007. Instructions. Report the total amount of direct loans disbursed after FY 1991.

A. Direct Loan Programs Disbursed. Disclose the amount of direct loans disbursed for each program the reporting entity manages. The DoD has one direct loan program that disburses direct loans. The DoD also administers a direct loan program on behalf of the Executive Office of the President.

B. Direct Loan Programs, Total (Line 4). Report the total of the amount of direct loans disbursed for the current and prior reporting years.

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

101008. Note 8. Subsidy Expense for Post 1991 Direct Loans Note Schedule

Format

Subsidy Expense for Direct Loans by Program						
As of December 31						
(Amounts in thousands)						
(Current FY)	Interest Differential	Defaults	Fees	Other	Total	
1. New Direct Loans Disbursed:						
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Foreign Military Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Military Debt Reduction Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
(Prior FY)	Interest Differential	Defaults	Fees	Other	Total	
2. New Direct Loans Disbursed:						
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Foreign Military Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Military Debt Reduction Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
(Current FY)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total	
3. Direct Loan Modifications and Reestimates:						
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Foreign Military Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Military Debt Reduction Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
(Prior FY)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total	
4. Direct Loan Modifications and Reestimates:						
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Foreign Military Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Military Debt Reduction Financing Account	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
		Current FY	Prior FY			
5. Total Direct Loan Subsidy Expense:						
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$			
Foreign Military Financing Account	\$\$\$	\$\$\$	\$\$\$			
Military Debt Reduction Financing Account	\$\$\$	\$\$\$	\$\$\$			
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$			

Figure 10-12. Subsidy Expense for Post 1991 Direct Loan

101009. Instructions. For each direct loan program, report the direct loan subsidy expense, at present value. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

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

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

C. Direct Loan Modifications and Reestimates – Current Year (Line 3). Report in column 1 the current year's subsidy cost of modifications of direct loans previously disbursed; in column 2 report the current year's subsidy cost for interest rate reestimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed; in column 3, report the current year's subsidy cost for technical reestimates which are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of direct loan modifications and reestimates for the current year which is the total amount is the sum of columns 1 and 4.

D. Direct Loan Modifications and Reestimates – Prior Year (Line 4). Report in column 1 the prior year's subsidy cost of modifications of direct loans previously disbursed; in column 2, report the prior year's subsidy cost for interest rate reestimates; in column 3, report the prior year's subsidy cost for technical reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of direct loan modifications and reestimates for the prior year which is the total amount is the sum of columns 1 and 4.

E. Total Direct Loan Subsidy Expense – Current Year (Line 5). Report in column 1 the total subsidy expense for current year's direct loans, modifications, and

reestimates; and in column 2, report the total subsidy expense for prior year’s direct loans, modifications, and reestimates.

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

101010. Note 8. Subsidy Rate for Direct Loans, Note Schedule Format

Subsidy Rate for Direct Loans by Program					
<i>As of [Current Fiscal Period End Date]</i>	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Budget Subsidy Rates for Direct Loans:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%
2. Foreign Military Financing Account	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%
3. Military Debt Reduction Financing Account	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

Figure 10-13. Subsidy Rate for Direct Loans by Program

101011. Instructions. Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs (net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current year’s budget (President’s Budget).

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

B. Relevant Information for Comprehension. Subsidy rates pertain to the loan agreements contracted during the current fiscal year. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current year could result from disbursement of loans from both current and prior year loan agreements. The subsidy expense reported in the current year also includes modifications and reestimates.

C. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates.

Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

101012. Note 8. Schedule for Reconciling Subsidy Cost Allowance Balances for Post 1991 Direct Loans, Note Schedule Format

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

Figure 10-14. Schedule for Reconciling Subsidy Cost Allowance Balances for Post 1991 Direct Loans

101013. Instructions. Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting

entity's Balance Sheet based upon the following instructions. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after October 1, 1991. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

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

B. Subsidy Expense for Direct Loans (Lines 2.A through 2.E). Report the components of subsidy expense for direct loans: Interest Rate Differential Costs, Default Costs (Net of Recoveries), Fees and Other Collections, and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

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

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

E. Subsidy Reestimates (Lines 5.A through 5.C). Report Interest Rate Reestimate and Technical/Default Reestimate for direct loans. Total the reestimates for direct loans.

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

101014. Note 8. Defaulted Guaranteed Loans Note Schedule Format

Defaulted Guaranteed Loans				
<i>As of [Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Defaulted Guaranteed Loans from Pre 1992 Guarantees (Allowance for Loss Method):				
1. Foreign Military Loan Liquidating Account				
A. Defaulted Guaranteed Loans Receivable, Gross	\$	\$\$\$	\$	\$\$\$
B. Interest Receivable		\$\$\$		\$\$\$
C. Foreclosed Property		\$\$\$		\$\$\$
D. Allowance for Loan Losses		\$\$\$		\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$	\$\$\$	\$	\$\$\$
Defaulted Guaranteed Loans from Post 1991 Guarantees (Present Value Method):				
2. Military Housing Privatization Initiative				
A. Defaulted Guaranteed Loans Receivable, Gross	\$	\$\$\$	\$	\$\$\$
B. Interest Receivable		\$\$\$		\$\$\$
C. Foreclosed Property		\$\$\$		\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$		\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$	\$\$\$	\$	\$\$\$
3. Armament Retooling & Manufacturing Support Initiative				
A. Defaulted Guaranteed Loans Receivable, Gross	\$	\$\$\$	\$	\$\$\$
B. Interest Receivable		\$\$\$		\$\$\$
C. Foreclosed Property		\$\$\$		\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$		\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$	\$\$\$	\$	\$\$\$
4. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable				
	\$	\$\$\$	\$	\$\$\$

Figure 10-15. Defaulted Guaranteed Loans

101015. Instructions. Report the defaulted loan guarantees for applicable credit reform program. If the reporting entity does not have defaulted guaranteed loans, state “Not Applicable” after the note number and title. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Foreign Military Loan Liquidating Account (Lines 1.A through 1.E). Report the Defaulted Guaranteed Loans Receivable (Gross), the Interest Receivable, the estimated value of related Foreclosed Property, the Allowance for Loan Losses (Allowance for Loss Method), and the Value of Assets Related to Defaulted Guaranteed Loans Receivable.

B. Military Housing Privatization Initiative (Lines 2.A through 2.E). Report the Defaulted Guaranteed Loans Receivable (Gross), the Interest Receivable, the estimated value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value Method), and the Value of Assets Related to Defaulted Guaranteed Loans Receivable.

C. Armament Retooling and Manufacturing Support Initiative (Lines 3.A through 3.E). Report the Defaulted Guaranteed Loans Receivable (Gross), the Interest Receivable, the estimated value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value Method), and the Value of Assets Related to Defaulted Guaranteed Loans Receivable.

D. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable (Line 4). Report the total Value of Assets Related to Defaulted Guaranteed Loans Receivable from Lines 1.E., 2.E., and 3.E. The sum of these lines should equal the amount reported on the balance sheet as loans receivables. (Loan receivables for direct loans will also be included on the reporting entity’s Balance Sheet).

E. Other Information. If you have foreclosed property resulting from credit reform activities, disclose (1) changes from the prior year’s accounting methods, if any; (2) restrictions on the use/disposal of the property; (3) number of properties held and average holding period by type or category; and (4) number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management’s method for accruing interest revenue and recording interest receivable, and management’s policy for accruing interest on nonperforming defaulted guaranteed loans. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. When 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.

F. Additional Instructions for Foreclosed Property. Foreclosed property associated with Post 1991 direct and acquired defaulted guaranteed loans must be valued at the net present value of the projected cash flows associated with the property. Foreclosed property may be recorded at the estimated 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.

101016. Note 8. Guaranteed Loans Outstanding, Note Schedule Format

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

Figure 10-16. Guaranteed Loans Outstanding

101017. Instructions. Present the outstanding amount of guaranteed loans for each loan guarantee program.

A. Loan Valuation (Lines 1, 2 and 3). For each loan guarantee program, report in column 1 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 2, report the amount of this outstanding principal that is guaranteed. Also report the amount of new guaranteed loans disbursed for the current and prior reporting years.

B. Total (Line 4). Present the total of lines 1, 2 and 3 for each category.

C. Other Information. Identify other information related to guaranteed loans outstanding that is necessary to understand the nature of the loan.

101018. Note 8. Liability for Loan Guarantees, Note Schedule Format

Liabilities for Loan Guarantees				
<i>As of [Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Liabilities for Losses on Loan Guarantees from Pre 1992 (Allowance for Loss):				
1. Foreign Military Loan Liquidating Account	\$	\$\$\$	\$	\$\$\$
2. Total Loan Guarantee Liability (Pre 1992)	\$	\$\$\$	\$	\$\$\$
Liabilities for Loan Guarantees from Post 1991 (Present Value):				
3. Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$
4. Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$
5. Total Loan Guarantee Liability (Post 1991)	\$	\$\$\$	\$	\$\$\$
6. Total Loan Guarantee Liability	\$	\$\$\$	\$	\$\$\$

Figure 10-17. Liabilities for Loan Guarantees

101019. Instructions. Present the liabilities for loan guarantees for each loan guarantee program. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Foreign Military Loan Liquidating Account (Line 1). Report the value of current and prior year loan guarantee liabilities that are based on an estimate of future loan guarantee defaults.

B. Total (Line 2). Report the total of Pre 1992 Loan Guarantee Liabilities from Line 1.

C. Military Housing Privatization Initiative (Line 3). Report the present value of current and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

D. Armament Retooling and Manufacturing Support Initiative (Line 4). Report the present value of current year and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

E. Total (Line 5). Report the total of Post 1991 Loan Guarantee Liabilities from Line 3 and Line 4.

F. Total Loan Guarantee Liability (Line 6). Report the sum of Line 2 and Line 5. The sum of these amounts should equal the amount report on the Balance Sheet as loan guarantee liability.

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

101020. Note 8. Subsidy Expense for Post 1991 Loan Guarantees Note Schedule Format

Subsidy Expense for Loan Guarantees by Program						
<i>As of [Current Fiscal Period End Date]</i>						
(Amounts in thousands)						
(Current FY)	Interest Supplement	Defaults	Fees	Other	Total	
1. New Loan Guarantees Disbursed:						
Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$		\$\$\$
Total	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
(Prior FY)	Interest Supplement	Defaults	Fees	Other	Total	
2. New Loan Guarantees Disbursed:						
Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$		\$\$\$
Total	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
(Current FY)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total	
3. Modifications and Reestimates:						
Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$		\$\$\$
Total	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
(Prior FY)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total	
4. Modifications and Reestimates:						
Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$		\$\$\$
Total	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
	Current Year	Prior FY				
5. Total Loan Guarantee:						
Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$		
Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$		
Total	\$	\$\$\$	\$	\$\$\$		

Figure 10-18. Subsidy Expense for Loan Guarantees by Program

101021. Instructions. Report the estimated cash flows (on a present-value basis) for the various subsidy expense components of the loan guarantee programs. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Subsidy Expense for New Loan Guarantees Disbursed – Current Year (Line 1). For new guaranteed loans that were disbursed to the borrowers by the third party lenders during the current year, report related subsidy expense as follows: in column 1, interest supplement costs; in column 2, defaults (net of recoveries); in column 3, estimated fees collected (offsetting expense); in column 4, other cash flows; and in column 5, the total of the columns 1 through 4.

B. Subsidy Expense for New Loan Guarantees Disbursed – Prior Year (Line 2). For guaranteed loans that were disbursed to the borrowers by the third party lenders during the prior year, report related subsidy expense as follows: in column 1, interest supplement costs; in column 2, defaults (net of recoveries); in column 3, estimated fees collected (offsetting expense); in column 4, other cash flows; and in column 5, total of the columns 1 through 4.

C. Loan Guarantee Modification and Reestimates – Current Year (Line 3). Report in column 1, the current year's subsidy cost of modifications of loan guarantees previously made; in column 2, report the current year's subsidy cost for interest rate reestimates are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the guaranteed loan is disbursed; in column 3, report the current year's subsidy cost for technical reestimates due to changes made in projected cash flows under the terms of the loan guarantees after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of loan guarantee modifications and reestimates for the current year which is the sum of columns 1 and 4.

D. Loan Guarantee Modification and Reestimates – Prior Year (Line 4). Report in column 1, the prior year's subsidy cost of modifications of loan guarantees previously made; in column 2, the prior year's subsidy cost for interest rate reestimates; in column 3, the prior year's subsidy cost for technical reestimates; in column 4, the total of column 2 and 3; in column 5, the total of loan guarantee modifications and reestimates for the prior year which is the sum of columns 1 and 4.

E. Total Loan Guarantee Subsidy Expense – Current Year (Line 5). Report in column 1 (Current FY), the total subsidy expense for the current year's loan guarantees, modifications, and reestimates. Report in column 2 (Prior FY), the total subsidy expense for the prior year's loan guarantees, modifications, and reestimates.

F. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting

from reestimates that is included in the financial statements is not reported in the budget until the following year.

101022. Note 8. Subsidy Rates for Loan Guarantees, Note Schedule Format

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

Figure 10-19. Subsidy Rates for Loan Guarantees

101023. Instructions. Report information on the subsidy rate for loan guarantees.

A. Military Housing Privatization Initiative and Armament Retooling & Manufacturing Support Initiative (Lines 1 and 2). Disclose the estimated subsidy rates for the following components: Interest Supplement costs (column 1); Default costs (net of recoveries) (column 2); Fees and Other Collections (column 3); and Other costs (column 4). These estimated subsidy rates for loan guarantees are in the current year’s budget (President’s Budget).

1. Subsidy Rates. These rates should be consistent with rates published in the Loan Guarantees: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. This document can be found at the www.whitehouse.gov/omb/budget/ website.

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

3. Subsidy Rate Applicability. The subsidy rates disclosed pertain only to the current year’s cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

101024. Note 8. Schedule for Reconciling Loan Guarantee Liability Balances for Post 1991 Loan Guarantees, Note Schedule Format

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

Figure 10-20. Schedule for Reconciling Loan Guarantee Liability Balances for Post 1991 Loan Guarantees

101025. Instructions. Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged, but not required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for Pre 1992 loan guarantees would not have all the same reconciling items as for Post 1991 loan guarantees. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

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

B. Subsidy Expense for Guaranteed Loans (Lines 2.A through 2.E). Report the components of subsidy expense for guaranteed loans disbursed: Interest Supplemental Costs, Default Costs (Net of Recoveries), Fees and Other Collections, and Other Subsidy Costs. Total the components of subsidy expense for guaranteed loans.

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

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

E. Subsidy Reestimates by Component (Lines 5.A through 5.C). Report Interest Rate Reestimates and Technical/Default Reestimates for loan guarantees. Total the reestimates for loan guarantees.

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

101026. Administrative Expenses. Administrative expenses are salaries and other administrative expenses that have been accounted for in support of the direct loan or loan guarantee programs. Disclose the administrative expenses related to the direct loans and loan guarantee programs.

★1011 NOTE 9. INVENTORY AND RELATED PROPERTY, NET

101101. Note Schedule Format

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

Figure 10-21. Inventory and Related Property

101102. Instructions. In Figure 10-21, summarize the total amounts of Inventories and Other Related Property reported in Note 9. The Total (Line 4) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

101103. Note 9. Inventory, Net, Note Schedule Format

Inventory, Net					
<i>As of [Current Fiscal Period End Date]</i>	Current FY			Prior FY	Valuation Method
	Inventory Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
(Amount in thousands)					
1. Inventory Categories					
A. Available and Purchased for Resale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	LAC, MAC
B. Held for Repair	\$\$\$	\$\$\$	\$\$\$	\$\$\$	LAC, MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	\$\$\$	NRV
D. Raw Materiel	\$\$\$	\$\$\$	\$\$\$	\$\$\$	MAC, SP, LAC
E. Work in Process	\$\$\$	\$\$\$	\$\$\$	\$\$\$	LAC
F. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	AC
Legend for Valuation Methods					
Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses			NRV = Net Realizable Value		
SP = Standard Price			O = Other		
AC = Actual Cost			MAC = Moving Average Cost		

Figure 10-22. Inventory, Net

101104. Instructions. Report the net amount of each inventory category in accordance with the instructions provided in this chapter. Inventory categories include:

inventory available and purchased for resale; held for repair; excess, obsolete and unserviceable; raw materiel; and work in process. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Valuation. Disclose the following for each category of inventory: in column 1, the amount recorded in the inventory system; in column 2, the [revaluation](#) allowance for [holding](#) gains (losses) on inventory, if any; in column 3 (column 1 plus column 2), the net book value of the inventory; in column 4, the prior year value for inventory, net; and in column 5, the valuation method used. The [revaluation allowance](#) represents adjustments to the recorded values in column 1 required to arrive at the value in column 3, in accordance with the applicable valuation methodology in column 5.

B. Valuation Method. Use the following legend for column 5: Adjusted Latest Acquisition Cost (LAC) adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NV); Other (O); and Moving Average Cost (MAC).

C. Available and Purchased for Resale (Line 1.A). Report inventory that is held for sale which includes consumable spare and repair parts, and repairable items owned and managed by the DoD. This inventory includes materiel held due to a managerial determination that these items should be retained to support military or national contingencies.

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

E. Excess, Obsolete, and Unserviceable (Line 1.C). Report inventory estimated to be potentially excess, obsolete, or beyond economic repair.

F. Raw Materiel (Line 1.D). Report the raw materiel inventory.

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

H. Total (Line 1.F). Report the sum of Lines 1.A. through 1.E. The amounts reported in columns 3 and 4 of this note should equal the amounts reported on Line 1 of Note 9 (the summary note for Inventory and Other Related Property), paragraph 101101.

I. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Column 1, Inventory Gross Value, represents the standard value used for inventory transactions in the financial system. Column 2, Revaluation Allowance, represents the difference between standard inventory values and either historical cost or net realizable value. Column 3, Inventory Net, is approximate historical cost or net realizable value. The adjustment necessary to arrive at the net inventory value in Column 3 in accordance with applicable valuation methodology is Column 5.

J. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity’s Balance Sheet. At a minimum, reporting entities must disclose the following required information for Inventory, Net: (a) general composition of inventory, (b) changes from prior year’s accounting methods, (c) restrictions on the use, sale and disposition of inventory or a statement disclosing that there are no restrictions, (d) restrictions on disposition of inventory as related to environmental or other liabilities, (e) decision criteria for identifying the category to which inventory is assigned, and (f) changes in the criteria for identifying the category to which inventory is assigned.

101105. Note 9. Operating Materiel and Supplies, Net, Note Schedule Format

Operating Materiel and Supplies, Net					
<i>As of [Current Fiscal Period End Date]</i>	Current FY			Prior FY	Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net	
(Amounts in thousands)					
1. OM&S Categories					
A. Held for Use	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	SP, LAC
B. Held for Repair		\$\$\$	\$\$\$	\$\$\$	SP, LAC
C. Excess, Obsolete, and Unserviceable		\$\$\$	\$\$\$	\$\$\$	NRV
D. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Legend for Valuation Methods:					
Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses				NRV = Net Realizable Value	
SP = Standard Price				O = Other	
AC = Actual Cost					

Figure 10-23. Operating Materiel and Supplies, Net

101106. Instructions. Report the net amount of each OM&S category in accordance with the instructions provided in this chapter. OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held for repair; and excess, obsolete, and unserviceable. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Valuation. Disclose the following for each category of OM&S: in column 1, the amount reported in the inventory system; in column 2, the allowance for gains (losses) on OM&S, if any; in column 3 (column 1 plus column 2), the net book value; in column 4, prior year OM&S amount; and in column 5, the valuation method used. The amounts identified in column 2, Revaluation Allowance, represent the adjustment to the recorded value in column 1 that is required to arrive at the historical cost reported in column 3.

B. Held for Use (Line 1.A). Report the OM&S Held for Use, which includes all issuable materiel.

C. Held for Repair (Line 1.B). Report OM&S Held for Repair, which includes all economically repairable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as Held for Repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.

D. Excess, Obsolete, and Unserviceable (Line 1.C). Report the OM&S estimated to be potentially excess, obsolete, or beyond economic repair.

E. Total OM&S, Net (Line 1.D). Report the sum of Lines 1.A through 1.C. The amounts reported on Line 1.D, columns 3 and 4 of this note should equal the amounts reported on Line 2 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

F. Valuation Method. Use the following legend for column 5: Adjusted Latest Acquisition Cost (LAC), adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NRV); Other (O); and Moving Average Cost (MAC).

G. Other Information (Related to OM&S). Disclose other information for the OM&S Component of the Inventory and Related Property line item on the entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for OM&S, net: (a) [general composition of OM&S](#); (b) changes from prior year's accounting methods; (c) restrictions on the use of OM&S [or a statement disclosing that there are not restrictions](#); (d) decision criteria for identifying for the category to which OM&S is assigned; and (e) changes in the criteria for identifying the category to which OM&S is assigned where [applicable](#).

101107. Note 9. Stockpile Materiel, Net, Note Schedule Format

Stockpile Materiel, Net					
<i>As of [Current Fiscal Period End Date]</i>	Current FY			Prior FY	Valuation Method
	Stockpile Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	Stockpile Materiel, Net	
(Amount in thousands)					
1. Stockpile Materiel Categories					
A. Held for Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	AC, LCM AC, LCM
B. Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
C. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Legend for Valuation Methods					
LAC = Latest Acquisition Cost		NRV = Net Realizable Value			
SP = Standard Price		LCM = Lower of Cost of Market			
AC = Actual Cost		O = Other			

Figure 10-24. Stockpile Materials, Net

101108. Instructions. This category of inventory is reserved for use exclusively within the Department by the National Defense Stockpile Transaction Fund. Report the net amount of each inventory category in accordance with the instructions provided in this chapter. The stockpile materiel categories are Held for Sale and held in reserve for future sale. Stockpile materiel is strategic and critical materiel, held due to statutory requirements, for use in national defense, conservation or national emergencies. All materiel held by the Defense National Stockpile is classified as Materiel Held in Reserve until congressional action declares the materiel no longer required to be stockpiled, and available for sale on the open market. When the authorization to offer materiel for sale is received, the materiel is reclassified to Materiel Held for Sale. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Valuation. For each category of Stockpile Materiel, disclose the amount reported in the logistics system in column 1; the allowance for gains (losses) on stockpile materiel, if any, in column 2; and the net book value of stockpile materiel (column 1 plus column 2) in column 3.

B. Valuation Method. Use the following legend for column 5: Latest Acquisition Cost (LAC), Standard Price (SP), Actual Cost (AC), Net Realizable Value (NRV), Other (O), Lower Cost of Market (LCM), and Moving Average Cost (MAC.)

C. Total Stockpile Materiel, Net (Line 1.C). Report the total amounts for Stockpile Materiel in columns 3 and 4. These total amounts should equal the amounts reported on Line 3 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

D. Other Information. Disclose other information for the Stockpile Materiel component of the Inventory and Other Related Property, Net line item on the Balance Sheet. At a minimum, the following information must be disclosed: (a) general composition of the stockpile materiel; (b) changes in prior year accounting methods; (c) restrictions on the use of materiel; (d) decision criteria for any stockpile materiel "Held for Sale;" (e) changes in the criteria for categorizing stockpile materiel as "Held for Sale;" and (f) estimated market price of stockpile materiel "Held for Sale."

★1012 NOTE 10. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

101201. Note Schedule Format

Note 10. General PP&E, Net		Current FY					Prior FY
<i>As of [Current Fiscal Period End Date]</i>	Depreciation/Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/Amortization)	Net Book Value	Net Book Value	
							(Amounts in thousands)
1. Major Asset Classes							
A. Land	N/A	N/A	\$ \$\$\$	N/A	\$ \$\$\$	\$ \$\$\$	
B. Buildings, Structures, and Facilities	S/L	20 or 40	\$\$\$	\$ \$\$\$	\$\$\$	\$\$\$	
C. Leasehold Improvements	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
D. Software	S/L	2-5 or 10	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
E. General Equipment	S/L	5 or 10	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
F. Military Equipment	S/L	Various	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
G. Assets Under Capital Lease*	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
H. Construction-in-Progress	N/A	N/A	\$\$\$	N/A	\$\$\$	\$\$\$	
I. Other			\$\$\$	\$\$\$	\$\$\$	\$\$\$	
J. Total General PP&E			\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
*See Note 15 for additional information on Capital Leases							
Legend for Depreciation/Amortization Methods:							
S/L = Straight Line N/A = Not Applicable							

Figure 10-25. General PP&E, Net

101202. Instructions. Report the General PP&E by each major class. Recognition and measurement criteria for general PP&E are in the SFFAS No. 6, "Accounting for Property, Plant, and Equipment," as amended by SFFAS No. 11, "Amendments to Accounting for PP&E:

Definitions,” [SFFAS No. 16](#), “Amendments to Accounting for PP&E: Multi Use Heritage Assets,” and [SFFAS No. 23](#), “Eliminating the Category National Defense Property, Plant, and Equipment.” [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. [Depreciation/Amortization Method \(Column 1\)](#). Report the depreciation or amortization method used: Straight Line (S/L) or Not Applicable (N/A).

B. [Service Life \(Column 2\)](#). Report the range of service life by Major Asset Class (e.g., 5, 10, 20 or 40 years) based on the DoD Standard Recovery Periods contained in [Volume 4, Chapter 6](#) of this Regulation.

C. [Acquisition Value \(Column 3\)](#). Report acquisition costs or estimated values by major asset class.

1. [Assets Under Capital Lease \(Line 1.G\)](#). [For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated \(using either the lessor’s implicit rate or the U.S. Treasury borrowing rate\) of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 15, Capital Lease Liability for additional information on capital leases.](#)

2. [Other Major Asset Class \(Line 1.I\)](#). Separately disclose as a subcomponent of Line 1.I any material amounts. Material is defined as any component of the “other” line that is greater than, or equal to, 10 percent of the value of the line.

D. [Accumulated Depreciation/Amortization \(Column 4\)](#). Report the accumulated depreciation/amortization [through the](#) current reporting period depreciation, by Major Asset Class.

E. [Net Book Value \(Column 5\)](#). Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization) in column 5 (column 3 plus column 4). The total of this column (Line 1.J) should agree with the amounts on the reporting entity’s Balance Sheet.

F. [General PP&E in the Possession of Contractors](#). [Property in the hands of contractors is to be reported in accordance with Volume 4, Chapter 6 of this Regulation.](#)

G. [Other Information](#). Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity’s Balance Sheet.

1. [Adjustments](#). If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by major class in accordance with the standard.

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

3. Other. Disclose any item that is greater than, or equal to, 10 percent of the line titled "Other" (Line 1.I).

4. Heritage Assets and Stewardship Land. Entities with Stewardship PP&E are required by SFFAS No. 29, Heritage Assets and Stewardship Land, to reference a note on the balance sheet where required disclosures relative to these assets are contained. The DoD has determined that the required disclosures will be made in Note 10. Accordingly, the following disclosures will be made by DoD entities reporting Heritage Assets and Stewardship Land (no asset dollar amounts will be made with the disclosures):

a. A concise statement explaining how heritage assets and/or stewardship land relate to the reporting entity's mission.

b. A brief description of the reporting entity's stewardship policies for heritage assets and stewardship land. Stewardship policies for heritage assets and stewardship land are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets and/or stewardship land.

c. A concise description of each of the major categories of heritage assets and stewardship land. The appropriate level of categorization should be meaningful and determined by the reporting entity based on the entity's mission, types of heritage assets, and how it manages the assets.

d. The number of physical units by major category of heritage assets and stewardship land use for which the entity is the steward as of the end of the reporting period;

e. Additional information regarding heritage assets, multi-use heritage assets, and stewardship land should be reported in Required Supplementary Information at year end only.

101203. Note 10. Assets Under Capital Lease, Note Schedule Format

Assets Under Capital Lease				
<i>As of [Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
1. Entity as Lessee, Assets Under Capital Lease				
A. Land and Buildings	\$	\$\$\$	\$	\$\$\$
B. Equipment		\$\$\$		\$\$\$
C. Accumulated Amortization		\$\$\$		\$\$\$
D. Total Capital Leases	\$	\$\$\$	\$	\$\$\$

Figure 10-26. Assets Under Capital Lease

101204. Instructions. Report the Assets under Capital Lease by categories of land, building or equipment. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Summary of Assets Under Capital Lease (Lines 1.A through 1.D). By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the total of Lines 1.A through 1.C on Line 1.D. The amounts reported on line 1.D. should equal the amount reported on line 1.G of Figure 10-25.

B. Information Related to Assets Under Capital Leases. Disclose any additional information related to assets under capital leases. Provide a narrative with all dollar amounts and reasons for this additional disclosure.

★1013 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

101301. Note Schedule Format

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

Figure 10-27. Liabilities Not Covered by Budgetary Resources

101302. Instructions. Report the Liabilities Not Covered by Budgetary Resources which are liabilities for which Congressional action is needed before budgetary resources can be provided. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

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

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

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

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

D. Total Liabilities (Line 5). The amount reported on Line 5 is the sum of Line 3 and Line 4. Line 5 should equal the amount reported on the reporting entity's Balance Sheet.

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

F. Other Liabilities. Disclose all items that are greater than, or equal to, 10 percent of the total Intragovernmental "Other Liabilities" and Nonfederal "Other Liabilities." If no amount encompasses 10 percent or more, state the amount is attributable to multiple items.

★1014 NOTE 12. ACCOUNTS PAYABLE

101401. Note Schedule Format

Note 12.	Accounts Payable				Prior FY
	As of [Current Fiscal Period End Date]	Current FY			
		Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
(Amounts in thousands)					
1. Intragovernmental Payables	\$	\$\$\$	N/A	\$	\$\$\$
2. Nonfederal Payables (to the Public)	\$	\$\$\$	\$	\$\$\$	\$
3. Total	\$	\$\$\$	\$	\$\$\$	\$

Figure 10-28. Accounts Payable

101402. Instructions. Report accounts payable for intragovernmental and nonfederal payables. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Intragovernmental Payables (Line 1). Disclose in column 1, that portion of the reporting entity’s payables owed to other Federal entities (intragovernmental), e.g., for goods or services ordered and received but not yet paid. Interest, penalties and administrative fees in column 2 are not applicable to intragovernmental payables. In column 3, report the sum of column 1 and 2. Report in column 4 the prior period amount for Intragovernmental Accounts Payable. The amount reported on Line 1, column 3, must equal the total Intragovernmental Accounts Payable reported on the Balance Sheet.

B. Nonfederal Payables (to the Public) (Line 2). Disclose in column 1, the portion of the reporting entity’s accounts payable that are owed to the public, e.g., for goods or services ordered and received but not yet paid. Report the interest, penalties, and administrative fees in column 2. In column 3, report the sum of columns 1 and 2. The amount reported in column 3 must equal the total Nonfederal Accounts Payable reported on the Balance Sheet.

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

D. Other Information. Disclose any other information needed to understand the nature of accounts payable being reported. Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that the Reporting Entity’s systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue, accounts receivable, and unearned revenue. Accounts

payable were adjusted by (Cite methodology: (1) reclassifying accounts between Federal and nonfederal accounts payable or (2) accruing additional accounts payable and expenses)

★1015 NOTE 13. DEBT

101501. Note Schedule Format

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

Figure 10-29. Debt

101502. Instructions. Report the net amount of debt in accordance with the instructions provided in this chapter. Agency Debt (Intragovernmental) includes debt to the U.S. Treasury and debt to the Federal Financing Bank. [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Agency Debt (Lines 1.A through 1.C). Report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury, as well as other debt owed to the U.S. Treasury on Line 1.A. Report the amount of debt owed to the Federal Financing Bank on Line 1.B. Line 1.C is the sum of Lines 1.A and 1.B. Report the beginning balance of borrowings in column 1; the current year net borrowing in column 2; and the ending current year balance in column 3. Report the prior year net borrowing in column 4 and the prior year ending balance in column 5.

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

C. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal Financing Bank). [Includes direct loans and guaranteed loans financing account liabilities disclosed in paragraph 101001 of this chapter.](#)

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

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

★1016 NOTE 14. ENVIRONMENTAL LIABILITIES AND DISPOSAL LIABILITIES

101601. Note Schedule Format

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

Figure 10-30. Environmental Liabilities and Disposal Liabilities

101602. Instructions. Present Environmental Liabilities in accordance with the instructions provided in this chapter, and the corresponding policy guidance presented in Volume 4, Chapter 13 of this Regulation. Disclose and explain abnormal balances for any line item on the financial statement and applicable note schedule in accordance with paragraph 100208 of this chapter.

A. Total Environmental Liabilities. The total environmental liability must be reported, as well as the current and noncurrent liability, for each line in the schedule at Figure 10-30. The current liability must be reported in column 1, noncurrent liability in column 2, and the total liability in column 3.

1. Current Liabilities. Current environmental liabilities of an entity are those liabilities for which the entity expects to outlay the resources within one year of the reporting date. The current liabilities are not budget driven and ideally, the current liability should be the dollar value of the work planned to be performed and accepted at each environmental site in the next 12 months following the reporting date.

2. Noncurrent Liabilities. A noncurrent liability is a liability of an entity for which the financial statements are prepared, and for which the entity will outlay the resources beyond one year of the reporting date. The noncurrent liability represents the total liability minus the current liability.

3. Environmental Liabilities Cost Estimates. Cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required to remediate environmental cleanup sites, in compliance with associated environmental legal and/or regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of property, plant, and equipment (PP&E). Such cost estimates must be based on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, that amount must be used. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range must be used, and the range disclosed under the note narrative.

a. The amount to be reported should be based on site-level investigations and characterizations. Any estimate produced must be based on site-specific information and cost models validated in accordance with DoD Instruction 5000.61.

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

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

B. Nonfederal Environmental Liabilities. All environmental liabilities are nonfederal liabilities and should be reported on lines 1.A.1 through 1.E.3. of the schedule at Figure 10-30.

1. Accrued Environmental Restoration Liabilities (Line 1.A). Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems that are funded from the Environmental Restoration Accounts in accordance with “Management Guidance for the Defense Environmental Restoration Program (DERP)” and Volume 4, Chapter 13 of this Regulation. These liabilities relate to Property, Plant, & Equipment (PP&E), including acquired land and Stewardship Land, as those major asset categories are described in Volume 4, Chapter 6 of this Regulation. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the Defense Environmental Program Annual Report to the Congress (DEPARC) should be used by the DoD Components as the baseline for environmental restoration (cleanup) liability measurement (i.e., the current cost to acquire the required services). Current and noncurrent amounts reported must be identified. The following subparagraphs describe in more detail the categories of liabilities to be reported as well as the applicable lines.

a. Active Installations-Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR) (Line 1.A.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. NOTE: Cleanup not eligible for DERP funding is reported in Line 1.B.1. These remedial actions may address:

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

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

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

(4) The Building Demolition/Debris Removal (BD/DR) program category is defined as the demolition and removal of unsafe buildings and structures at facilities or sites that are owned by, leased to, or otherwise possessed by the United States and under the

jurisdiction of the Secretary of Defense. For additional detail, refer to the [Management Guidance for the DERP](#) Chapters 6 and 7 for program category definitions and funding eligibility criteria, respectively.

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

c. [Formerly Used Defense Sites-IRP and BD/DR \(Line 1.A.3\)](#). Report those properties that meet the FUDS eligibility criteria described in the [Management Guidance for the DERP](#). Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (CON/HTRW) (e.g., storage tanks). Include environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. The Building Demolition/Debris Removal (BD/DR) program category is defined as the demolition and removal of unsafe buildings and structures at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense. For additional detail, refer to the [Management Guidance for the DERP](#) Chapters 6 and 7 for program category definitions and funding eligibility criteria, respectively.

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

2. [Other Accrued Environmental Liabilities - Non BRAC \(Line 1.B\)](#). Other Accrued Environmental Liabilities represent the costs to remediate cleanup sites that are not eligible for funding from Environmental Restoration Accounts. Other Accrued Environmental Liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of property, plant, and equipment (PP&E). Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and

require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and should be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure and/or disposal action in the current reporting period. The following subparagraphs describe in more detail the categories of liabilities to be reported as well as the applicable lines.

a. Environmental Corrective Action (Line 1.B.1). This line represents those environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or State statutes and regulations.

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

c. Environmental Response at Operational Ranges (Line 1.B.3). This line represents the environmental liability associated with the identification, investigation, and removal and remedial actions to address environmental contamination emanating from an operational range.

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

e. Non-Military Equipment (Line 1.B.5). This line represents environmental liabilities resulting from the disposal of Non-Military Equipment on Non-BRAC installations. Non-Military equipment is equipment that is not intended to carry out battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental federal, state, and/or local statute, regulation, or other legal agreement specific to the equipment decommissioning and/or disposal.

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

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

a. Installation Restoration Program (IRP) (Line 1.C.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. NOTE: BRAC cleanup not eligible for DERP funding is reported in Line 1.C.3. These remedial actions may address:

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

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

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

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

c. Environmental Corrective Action / Closure Requirements (Line 1.C.3). This line represents those environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or State statutes and regulations. This line also includes the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn / open detonation sites.

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

e. Non-Military Equipment (Line 1.C. 5). This line represents environmental liabilities resulting from the disposal of Non-Military Equipment on BRAC installations. Non-Military equipment is considered equipment that is not intended to carry out

battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental federal, state, and/or local statute, regulation, or other legal agreement specific to the equipment decommissioning and/or disposal.

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

4. Environmental Disposal for Military Equipment/Weapons Programs (Line 1.D). Environmental disposal liabilities related to the final disposition of Military Equipment. Military equipment is comprised of items such as weapon systems and other equipment designed to carry out battlefield missions such as combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles. Report on lines 1.D.1 through 1.D.4. Environmental Disposal Liabilities by the following line items:

a. Nuclear Powered Military Equipment/Spent Nuclear Fuel (Line 1.D.1)

b. Non - Nuclear -Powered Military Equipment (Line 1.D.2)

c. Other Weapons Systems (Line 1.D.3). This line covers environmental liabilities associated with disposal of military equipment/weapons systems not covered by lines 1.D.1 and 1.D.2. Disclose the specific liabilities addressed in this line in a schedule.

5. Chemical Weapons Disposal Programs (Line 1.E). Environmental remediation and disposal liabilities related to chemical agents. Report on lines 1.E.1 through line 1.E.3. Environmental Disposal Liabilities by the following line items:

a. Chemical Demilitarization - Chemical Materials Agency (CMA) (Line 1.E.1).

b. Chemical Demilitarization - Assembled Chemical Weapons Alternatives (ACWA) (Line 1.E.2).

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

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

D. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined below, each section should be captioned so the disclosures can be readily segregated.

1. Applicable Laws and Regulations of Cleanup, Closure, and Disposal Requirements. The DoD Components should address each of the applicable laws and regulations that are the source of their environmental liabilities. The DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have created a public health or environmental risk. The DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department's major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the Base Realignment and Closures (BRAC) actions. Examples of relevant laws and regulations that should be considered for discussion, as applicable, include, but are not limited to:

- a. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)
- b. Superfund Amendments and Reauthorization Act (SARA)
- c. Clean Water Act
- d. Safe Drinking Water Act
- e. Clean Air Act
- f. Resource Conservation and Recovery Act (RCRA)
- g. Toxic Substances Control Act (TSCA)
- h. Medical Waste Tracking Act
- i. Atomic Energy Act
- j. Nuclear Waste Policy Act
- k. Low Level Radioactive Waste Policy Amendments Act
- l. National Defense Authorization Acts

2. Methods for Assigning Total Cleanup Costs to Current Operating Periods.

a. The DoD components should provide the method for assigning the estimated total cleanup cost to the current operating periods. The DoD components should not confuse this with how they budget for the liabilities or the assignment of

the total liability to the current and noncurrent portions of the liability. The Department policy is to comply with the accounting standards.

b. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the Remedial Action Cost Engineering Requirements (RACER) and the Normalization of Data System (NORM). The Department validates the models in accordance with DoD *Instruction 5000.61* and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation. The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are intended to be recovered through user charges. If the costs are recovered through user charges, then the Department expensed that portion of the asset that has passed since the General PP&E was placed into service and is systematically recognizing the remaining cost over the life of the assets. For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

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

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

5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates used to Calculate the Reported Environmental Liabilities. The DoD components should provide a detailed description of the uncertainties regarding estimates of significant situations, (e.g., BRAC closures, environmental related disposals, ranges, and

chemical agents and munitions). The disclosure should include a general statement followed with the specific details known about the uncertainties. The general statement could apply as follows: “The environmental liabilities for the Department are based on accounting estimates which require certain judgments and assumptions that we believe are reasonable based upon information available to us at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. The liabilities can be further impacted if further investigation of the environmental sites discloses contamination different than known at the time of the estimates.” The disclosure should provide specific details such as: “In addition to the liabilities reported above, the DoD component has a liability to take environmental restoration/corrective action for buried chemical munitions and agents. The DoD component is unable to provide a reasonable estimate at this time because the extent of the buried chemical munitions and agents is not known.” The DoD components should also disclose in this paragraph any liabilities that are based on a range of estimate amounts.

6. Other Disclosures. The DoD components should provide any other information they believe material to the users of the financial statements.

101603. Definitions. The term liability, as defined by the Federal Accounting Standards Advisory Board (FASAB), means a probable and measurable future outflow of resources arising from past transactions or events. While some categories of environmental liabilities and environmental disposal liabilities in note 14 are self-explanatory (e.g., nuclear powered aircraft carriers, submarines, and other ships), the definitions below are provided for clarity and to ensure consistency of reporting.

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

B. Military Munitions. All ammunition products and components produced or used by or for DoD or the U.S. Armed Services for national defense and security, including military munitions under the control of DoD, the U.S. Coast Guard, the U.S. Department of Energy (DOE), and National Guard personnel. The term “military munitions” includes confined gaseous, liquid, and solid propellants; explosives; pyrotechnics; chemical and riot-control agents; smokes and incendiaries used by DoD components, including bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small-arms ammunition, grenades, mines,

torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components thereof. Military munitions do not include wholly inert items, improvised explosive devices, nuclear weapons, nuclear devices, and nuclear components thereof. However, the term does include non nuclear components of nuclear devices, managed under DOE's nuclear weapons program, after all required sanitation operations under the Atomic Energy Act of 1954, as amended, have been completed. Military munitions include munitions scrap, unexploded ordnance, waste military munitions, and chemical residue.

1. Munitions Scrap. The metal components of military munitions which are left from the destruction, detonation, demilitarization, or treatment of military munitions. “Munitions scrap” **does not include** concentrations of explosives or other materiel **associated with the scrap munitions** that pose hazards to health, safety, or the environment.

2. Unexploded Ordnance. Military munitions that have been primed, fused, armed, or otherwise prepared for action, and have been fired, dropped, launched, projected, or placed in such a manner as to constitute a hazard to operations, installations, personnel, or materiel and remain unexploded either by malfunction, design, or any other cause.

3. Waste Military Munitions. For purposes of this document, waste military munitions are defined as:

a. An unused munition that was abandoned by being disposed of, burned or incinerated, or treated prior to disposal.

b. A used or fired munition that was recovered, collected, and disposed of by burial, land-filling, or land treatment.

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

4. Chemical Residues from Military Munitions. The chemical constituents of military munitions, including the chemical by-products of detonation, deflagration, or other reactive processes. Examples include such constituents as unconsumed explosives (even in trace concentrations) from the detonation of a military munitions; explosives released by the structural compromise of an unfired waste military munitions; residues from the destruction of excess propellant bags in the course of training; and chemical agents released from chemical munitions.

C. Ranges. A designated land or water area set aside, managed, and used to conduct research on, develop, test, and evaluate military munitions and explosives, other ordnance or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, and buffer zones with restricted access and exclusionary areas. Military ranges also include bodies of water located within the boundaries of a military range (e.g., a stream, lake, or pond) or that are themselves a range (e.g., an offshore range in the Atlantic or Pacific Ocean). Such water areas include all waters of the U.S. (as defined under the Clean Water Act) and those ocean waters extending out to 200 nautical miles from the U.S. coast. A military range may be a single site or may be comprised of several sites. For the purposes of this document, there are two types of ranges; operational and other than operational, as described below.

1. Operational Range. For purposes of this document, an operational range includes military ranges that are currently in service and are being regularly used for range activities. Operational ranges also include military ranges that are not currently being used, but: (a) are still considered by the cognizant Military Service to be a potential range area; and (b) have not been put to a new use that is incompatible with range activities.

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

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

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

c. Transferring Range. A military range that is proposed to be transferred or returned from DoD to another entity, including Federal entities. A transferring range includes a military range that is used under the terms of a withdrawal, executive order, act

of Congress, public land order, special-use permit or authorization, right-of-way, or other instrument issued by the federal land manager or property owner. An active, inactive, or a closed range will not be considered a “transferring range” until the transfer is imminent. For purposes of funding, a range that is transferring from DoD control through land-transfer actions other than BRAC is considered “closed.”

★101604. [Note 14. Schedule Disclosures.](#)

Environmental Disclosures		
<i>As of [Current Fiscal Period End Date]</i>	Current Year	Prior Year
(Amounts in thousands)		
A. The unrecognized portion of the estimated total cleanup, closure or disposal costs associated with general property, plant, and equipment.	\$\$	\$\$
B. Changes in total cleanup closure or disposal costs due to changes in laws, regulations, and/or technology.	\$\$	\$\$
C. Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods.	\$\$	\$\$

Figure 10-31. Environmental Disclosures

101605. [Instructions.](#) Provide the requested information in the Figure 10-31 for the current and prior fiscal years (FY). Immediately following the table provide a narrative disclosure if you are not able to provide the information or otherwise need to qualify any of the amounts.

A. Provide in Line (a) the amount of the unrecognized portion of the estimated total cleanup costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, the DoD components should systematically recognize the liability over the useful life of the assets. The unrecognized portion of the total cleanup should equal the estimated total cleanup costs less the amount that is recognized on the financial statements. Please see [Volume 4, Chapter 13](#), paragraph 130202 of this Regulation for further information on General PP&E requiring systematic recognition of the environmental liability.

B. Describe in Lines (b) and (c) any changes in total cleanup up costs, and the portion of the changes in estimated costs related to prior periods, which are due to changes in laws and/or technology. For example, the impact of any changes in environmental regulations including newly published or changed cleanup standards, and newly available or required cleanup technologies on reported costs should be disclosed.

C. For each item in the Note 14 Schedule Disclosures table (Figure 10-31), provide a narrative disclosure if you are unable to provide the information or otherwise need to qualify any of the amounts. The disclosure should contain sufficient information to explain why you are unable to provide the information, as well as your anticipated date that you will be able to provide the information.

★1017 NOTE 15. OTHER LIABILITIES

101701. Note Schedule Format

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

Figure 10-32. Other Liabilities

101702. Instructions. Present Other Liabilities not included elsewhere on the Balance Sheet based upon the instructions in the chapter. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. General Guidance on Other Liabilities

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

2. Do not include cleanup costs which should be reported as environmental liabilities or the environmental portion of disposal costs in the Environmental Liabilities and Disposal Liabilities note.

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

4. Current liabilities represent debt due to be paid within 12 months of the Balance Sheet date. Noncurrent liabilities represent debt that is due to be paid beyond 12 months from the Balance Sheet date.

B. Intragovernmental Other Liabilities (Lines 1.A through 1.H). Report Intragovernmental Other Liabilities on Lines 1.A through 1.H.

1. Advances from Others (Line 1.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

2. Deposit Funds and Suspense Account Liabilities (Line 1.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

3. Disbursing Officer Cash (Line 1.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability.

Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

4. Judgment Fund Liabilities (Line 1.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year. Include liabilities for reimbursements due to the judgment fund for claims paid by the judgment fund related to the DoD reporting entity.

5. Federal Employees' Compensation Act (FECA) Reimbursement to the Department of Labor (DOL) (Line 1.E). The FECA provides benefit coverage for death, disability, medical, and miscellaneous costs for approved cases of on the job incidents. FECA claims are submitted to and approved by the DOL. The DOL pays the claim holders. The DOL then prepares a charge back billing to the responsible Agencies. Public law 93-416, Section 8147 (the FECA law) essentially gives agencies two years to pay this charge back bill, allowing time for the amount to be included in their budgets. Under the FECA law, once funding is received, it should be paid within 30 days. If the DoD still has some amounts outstanding, these amounts should be reflected as covered by budgetary resources and an explanation for late payment is required. Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total liability for FECA reimbursement to the DOL. Report in column 4 the liability for the prior fiscal year.

6. Custodial Liabilities (Line 1.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

7. Employer Contribution and Payroll Taxes Payable (Line 1.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

8. Other Liabilities (Line 1.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

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

C. Nonfederal Other Liabilities (Lines 2.A through 2.M). Report Nonfederal Other Liabilities.

1. Accrued Funded Payroll and Benefits (Line 2.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

2. Advances from Others (Line 2.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

3. Deferred Credits (Line 2.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

4. Deposit Funds and Suspense Accounts (Line 2.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

5. Temporary Early Retirement Authority (Line 2.E). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

6. Nonenvironmental Disposal Liabilities (Line 2.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year. Breakout the Nonenvironmental Disposal Liabilities by the following categories: (a) Military Equipment (Nonnuclear); (b) Excess and/or Obsolete Structures; and (c) Conventional Munitions Disposal.

7. Accrued Unfunded Annual Leave (Line 2.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

8. Capital Lease Liability (Line 2.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

9. Contract Holdbacks (Line 2.I). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

10. Employer Contribution and Payroll Taxes Payable (Line 2.J). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

11. Contingent Liabilities (Line 2.K). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

12. Other Liabilities (Line 2.L). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Report in column 4 the liability for the prior fiscal year.

13. Total Nonfederal Other Liabilities (Line 2.M). The amounts reported on Line 2.M represent the sum of Lines 2.A through Lines 2.L for each column (1, 2, 3, and 4). Also, Line 2.M of this note should equal the amount reported on the reporting entity's Balance Sheet. In addition, disclose the total Nonfederal portion of other liabilities not covered by budgetary resources in the Liabilities Not Covered by Budgetary Resource Note.

D. Total Other Liabilities (Line 3). The amounts represent the sum of Lines 1.I and 2.M for each column (1, 2, 3, and 4).

E. Other Information Pertaining to Other Liabilities. Report other information relevant to other liabilities that is not disclosed in the above categories. Disclose all items that are greater than, or equal to, 10 percent of the line value for Intragovernmental Other Liabilities and Nonfederal Other Liabilities. In addition, disclose any delinquent FECA bills due to the DOL for FECA, including amounts.

101703. Note 15. Capital Lease Liability, Note Schedule Format

Capital Lease Liability							
As of <i>[Current Fiscal Year End Date]</i>	Current FY				Prior FY		
	Asset Category						
	Land and Buildings	Equipment	Other	Total	Total		
(Amounts in thousands)							
1. Future Payments Due							
A. Fiscal Year 1 (CY)	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	
B. Fiscal Year 2 (CY + 1)		\$\$\$		\$\$\$		\$\$\$	
C. Fiscal Year 3 (CY + 2)		\$\$\$		\$\$\$		\$\$\$	
D. Fiscal Year 4 (CY + 3)		\$\$\$		\$\$\$		\$\$\$	
E. Fiscal Year 5 (CY + 4)		\$\$\$		\$\$\$		\$\$\$	
F. Fiscal Year 6 (CY + 5)		\$\$\$		\$\$\$		\$\$\$	
G. After 5 Years		\$\$\$		\$\$\$		\$\$\$	
H. Total Future Lease Payments Due	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	
I. Less: Imputed Interest Executory		\$\$\$		\$\$\$		\$\$\$	
J. Net Capital Lease Liability	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	
2. Capital Lease Liabilities Covered by Budgetary Resources					\$	\$\$\$	
3. Capital Lease Liabilities Not Covered by Budgetary Resources					\$	\$\$\$	

Figure 10-33. Capital Lease Liability

101704. Instructions. Present capital lease liabilities in accordance with the instruction provided in this chapter.

A. Future Payments Due (Lines 1.A through 1.G). Report the future lease payments, by major category (columns 1, 2 and 3) for all noncancelable leases with terms longer than 1 year. Enter the totals for the current year information in column 4. [Enter the totals for the prior year information in column 5.](#)

B. Total Future Lease Payments Due (Line 1.H). Report the total future lease payments due for columns 1, 2, 3, and 4.

C. Less: Imputed Interest Executory Costs (Line 1.I). Report the imputed interest and executory costs for each category.

D. Net Capital Lease Liability (Line 1.J). The Net Capital Lease Liability should equal the total reported on the Other Liabilities note for Nonfederal Capital Lease Liability.

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

F. Fiscal Year Information. The information presented in the Future Payments Due column should be an actual fiscal year. For example, if the report is for FY 2008, then Line 1.A, Current Year, must be displayed as FY 2008. Fiscal Year 2 (Line 1.B) must be displayed as FY 2009 and Year 3 (Line 1.C) must be displayed as FY 2010. For quarterly reporting, report the payments remaining for the current fiscal year (e.g. FY 2008) on Line 1.A.

★1018 NOTE 16. COMMITMENTS AND CONTINGENCIES

101801. Instructions. A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. The [SFFAS No. 5](#), “Accounting for Liabilities in the Federal Government” as amended by [SFFAS No. 12](#), “Recognition of Contingent Liabilities Arising from Litigation,” contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims.

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

B. Criteria for Disclosure of a Contingent Liability. A contingent liability must be disclosed if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

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

1. Each reporting entity should review its financial processes, systems and data and modify or expand, as necessary; the following sample disclosure statement so that each statement is a complete and accurate representation.

The reporting entity is a party in various administrative proceedings and legal actions, and claims. The balance sheet includes an estimated liability for

those legal actions where the management and Chief Counsel consider adverse decisions “probable” and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, “Other Liabilities” and Note 12 “Accounts Payable.” See Notes 15 and 12 for details.

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

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

4. In addition to the contingent liability disclosures required, the following must also be disclosed as required by the OMB: (1) an estimate of undelivered orders for open contracts citing cancelled appropriations which remain unfulfilled or unreconciled and for which the reporting entity may incur a contractual commitment for payment; (2) amounts for contractual arrangements which may require future financial obligations.

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

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

★1019 NOTE 17. MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

101901. Note Schedule Format

As of [Current Fiscal Period End Date]	Current FY				Prior FY
	Present Value of Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liability	Present Value of Benefits
(Amounts in thousands)					
1. Pension and Health Actuarial Benefits					
A. Military Retirement Pensions	\$ \$\$\$	XX.XX%	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Military Retirement Health Benefits	\$\$\$	XX.XX%	\$\$\$	\$\$\$	\$\$\$
C. Military Medicare-Eligible Retiree Benefits	\$\$\$	XX.XX%	\$\$\$	\$\$\$	\$\$\$
D. Total Pension and Health Actuarial Benefits	\$ \$\$\$	XX.XX%	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Other Actuarial Benefits					
A. FECA	\$ \$\$\$	XX.XX%	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Voluntary Separation Incentive Programs	\$\$\$	XX.XX%	\$\$\$	\$\$\$	\$\$\$
C. DoD Education Benefits Fund	\$\$\$	XX.XX%	\$\$\$	\$\$\$	\$\$\$
D. Total Other Actuarial Benefits	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Other Federal Employment Benefits	\$ \$\$\$		\$ \$\$\$	\$\$\$	\$\$\$
4. Total Military Retirement and Other Federal Employment Benefits	\$ \$\$\$		\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

Actuarial Cost Method Used:

Assumptions:

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

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

101902. Instructions. Present Military Retirement Benefits and Other Federal Employment Benefits based on the following instructions. NOTE: The information required in the note should only be reported by the entity that administers the benefit(s), except for Line 2.A, FECA (Federal Employee Contribution Act). Include amounts owed to the DOL for estimated actuarial liabilities for future workers' compensation benefits. Refer to the DOL website <http://www.dol.gov/ocfo/publications.html> for the DOL Actuarial Memorandum which will

provide information to assist in answering the following information. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Pension and Health Actuarial Benefits (Lines 1.A through 1.C). Report the pension and health benefit liabilities for Military Retirement Pensions, Military Retirement Health Benefits and Military Medicare-Eligible Retiree Benefits.

1. Actuarial Present Value of Projected Plan Benefits (Column 1). Report the actuarial present value of projected benefits accrued to date. For pensions, this would be the projected benefit obligation.

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

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

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

2. Assumed Interest Rate (Column 2). Report the assumed interest rate used to discount the projected benefits cost to its present value.

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

4. Unfunded Actuarial Liability (Column 4). Report the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (column 3).

B. Other Actuarial Benefits (Lines 2.A through 2.C). Report Other Employment-Related Actuarial Liabilities.

1. Actuarial Present Value of Projected Plan Benefits (Column 1). Report the actuarial present value of projected benefits accrued to date.

2. Assumed Interest Rate (Column 2). Report the assumed interest rate used to discount the projected benefits cost to its present value.

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

4. Unfunded Actuarial Liability (Column 4). Report the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (column 3).

C. Other Federal Employment Benefits (Line 3). Report pension and other post employment benefits due and payable.

D. Total Military Retirement and Other Federal Employment Benefits (Line 4). Enter the sum of the totals from Lines 1.D, 2.D, and 3 in corresponding columns above. The total Actuarial Present Value of Projected Plan Benefits (column 1) should agree with the amount reported on the Balance Sheet. The Unfunded Actuarial (column 4) should agree with the Liabilities Not Covered by Budgetary Resources (Note 11).

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

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

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

3. Assumptions. Disclose the actuarial, economic, and health care cost trend assumptions used in the calculations of the liability. [Include the statement that the estimated actuarial liability is updated only at the end of each fiscal year.](#)

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

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

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

7. Disclose all items that encompass 10 percent or more of the line value included in “Other Federal Employment.”

★1020 NOTE 18. DISCLOSURES RELATED TO THE STATEMENT OF NET COST

102001. Note Schedule Format

Note 18. General Disclosures Related to the Statement of Net Cost				
Intragovernmental Costs and Exchange Revenue				
<i>As of [Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
1. Intragovernmental Costs	\$	\$\$\$	\$	\$\$\$
2. Public Costs		\$\$\$		\$\$\$
3. Total Costs	\$	\$\$\$	\$	\$\$\$
4. Intragovernmental Earned Revenue	\$	\$\$\$	\$	\$\$\$
5. Public Earned Revenue		\$\$\$		\$\$\$
6. Total Earned Revenue	\$	\$\$\$	\$	\$\$\$
7. Net Cost of Operations	\$	\$\$\$	\$	\$\$\$

Figure 10-35. General Disclosures Related to the Statement of Net Cost

102002. Instructions. Disclose information related to the Statement of Net Cost. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Intragovernmental Costs (Line 1). This line contains costs that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating costs.

B. Public Costs (Line 2). This line contains costs that arise from exchange transactions made between the reporting entity and a nonfederal entity.

C. Total Costs (Line 3). This is the sum of Lines 1 and 2 which represents gross costs. Line 3 should agree with the amounts reported on the Statement of Net Cost.

D. Intragovernmental Earned Revenue (Line 4). This line contains revenues that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (**that is, trading with itself**) business transactions are eliminated from reporting entity statements **in order to prevent overstating revenue**.

E. Public Earned Revenue (Line 5). This line contains revenues that arise from exchange transactions made between the reporting entity and a nonfederal entity.

F. Total Earned Revenue (Line 6). This is the sum of Lines 4 and 5, **represents total revenues earned**. **Line 6** should agree with the amounts reported on the Statement of Net Cost.

G. Net Cost of Operations (Line 7). This line is the cost incurred by the reporting entity (**Line 3**) less any exchange revenues earned (**Line 6**). This amount should agree with the amount reported on the Statement of Net Cost, the Statement of Changes in Net Position, and **Reconciliation of Net Cost of Operations to Budget**.

H. General Disclosures

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

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

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

4. **Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. Expenses were adjusted by [Cite methodology]: (1) reclassifying amounts between federal and nonfederal expenses or (2) accruing additional accounts payable and expenses.**

5. Intragovernmental Reconciliation. If the reporting entity was able to compare its intragovernmental costs and revenues with the corresponding balances of its intragovernmental trading partners (*that is, other Federal entities*) disclose any material differences identified. Additionally, provide an explanation for the material differences identified and whether or not the differences were resolved.

102003. Other Disclosures

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

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

102004. Stewardship Property, Plant, and Equipment (PP&E). Stewardship PP&E assets include heritage assets and stewardship land. Disclose, if applicable, the following:

A. General Disclosures. If the cost of heritage assets and stewardship land transferred from other federal entities is not known, then the receiving entity must disclose their fair value. Heritage assets and stewardship land acquired through donation or devise will not be recognized as a cost in calculating net cost, but the fair value of the property must be disclosed. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received must be disclosed.

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

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

renovating heritage assets, the reporting entity has identified the dollar amount for the fiscal year.

★1021 NOTE 19. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

102101. Instructions. Disclose information related the Statement of Changes in Net Position. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

102102. Other Disclosures

A. Appropriations Received. Disclose, if applicable, that Appropriations Received on the Statement of Change in Net Position (SCNP) does not agree with Appropriations Received on the Statement of Budgetary Resources. Recognize the total difference in this note, is due to additional resources included in the Appropriation Received on the Statement of Budgetary Resources. Refer reader to Note 20, Disclosure Related to the Statement of Budgetary Resources for additional details.

B. Eliminations. Disclose that the eliminations column on the Statement of Net Position will reflect zero dollars. Also disclose that, in the SCNP, all offsetting balances (i.e. transfers-in and transfers out, revenues and expenses) for intradepartment activity between earmarked and other (non earmarked) funds are reported on the same lines. This results in an eliminations column, which appears to contain no balances. In reality, the column contains all appropriate elimination entries, but all net to zero within each respective line, except for intraentity imputed financing costs. (This is only applicable to entities with earmarked and other funds with intra-entity trading between those funds).

C. Earmarked Funds. Disclose that Earmarked Cumulative Results of Operations ending balance on the SCNP does not agree with the Earmarked Cumulative Results reported on the Balance Sheet because the cumulative results on the Balance Sheet are presented net of eliminations.

D. Prior Period Adjustments. Disclose that any prior period adjustments made in the prior fiscal year are not appropriately reflected in the comparative period. This disclosure should also be made in any additional note that is affected by the prior period adjustment.

E. Material Contributions of Commodities. Disclose material contributions of commodities from other nations in support of the Global War on Terror as donated revenue (if applicable as a Transferring Entity). A separate disclosure for immaterial amounts is not needed; however they should be recorded as donated revenue and included in the SCNP.

F. Other Information. Discuss other information to help the user understand the Statement of Changes in Net Position. Describe any item that is greater than, or equal to, 10 percent of the statement lines titled "Other".

★1022 NOTE 20. NOTE DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

102201. Note Schedule Format

Note 20. Disclosures Related to the Statement of Budgetary Resources			
<i>As of [Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amount in thousands)			
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$	\$\$\$	\$ \$\$\$\$
2. Available Borrowing and Contract Authority at the End of the Period		\$\$\$	\$\$\$

Figure 10-36. Disclosures Related to the Statement of Budgetary Resources

102202. Instructions. Disclose information related to the Statement of Budgetary Resources (SBR). [Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.](#)

A. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period (Line 1). Disclose the net amount of budgetary resources obligated for undelivered orders as of the end of the reporting period.

B. Available Borrowing and Contract Authority at the End of Period (Line 2). Disclose the amount of borrowing and contract authority available at the end of the reporting period.

C. Excluded Amounts. This note should not include any amounts from cancelled accounts for which the U.S. Treasury is willing to accept corrections in accordance with the [SFFAS No. 1](#), “Accounting for Selected Assets and Liabilities.”

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

1. Disclose the amount of direct and reimbursable obligations incurred and which apportionment category they are under (Category A, B and Exempt from apportionment). The summation of the categories should be equivalent to Line 8 on the SBR.

2. Disclose that intraentity transactions have not been eliminated because the statements are presented as combined and combining.

3. Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.
4. Disclose material adjustments made to budgetary resources available at the beginning of the year and provide an explanation.
5. Disclose the existence, purpose, and availability of permanent indefinite appropriations.
6. Disclose information about legal arrangements affecting the use of unobligated balances of budget authority such as time limits, purpose, and obligation limitations. For example, the *[Reporting Entity]* unobligated balances of budget authority represent the portion of trust fund receipts collected in the current fiscal year that; (1) exceed the amount needed to pay benefits or other valid obligations; and (2) that exceed the receipts temporarily precluded from obligation by law due. The receipts, however, are assets of the trust fund and available for obligation as needed in the future.
7. Explain any contributed capital received during the reporting period including the amount, the source, and the reason for these additional funds. (Only applies to those who received funds in excess of their original appropriation).
8. Identify and explain material differences between amounts reported on the SBR and the SF 133, Report on Budget Execution.
9. Disclose that Appropriations Received on SBR does not agree with Appropriations Received on the Statement of Changes in Net Position. Cite the total difference and summarize significant components of the difference in the note, with no reference to Note 19. (Only Entities with a difference between appropriations received lines in Note 19 and 20.)
10. Disclose any other relevant information relating to the reporting entity that promotes a better understanding of the entity's SBR.

★1023 NOTE 21. DISCLOSURES RELATED TO THE RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

102301. [Note Schedule Format](#)

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

As of [Current Fiscal Period End Date]	Current FY		Prior FY	
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:				
Components Requiring or Generating Resources in Future Period:				
19. Increase in annual leave liability	\$	\$\$\$	\$	\$\$\$
20. Increase in environmental and disposal liability		\$\$\$		\$\$\$
21. Upward/Downward reestimates of credit subsidy expense (+/-)		\$\$\$		\$\$\$
22. Increase in exchange revenue receivable from the public (-)		\$\$\$		\$\$\$
23. Other (+/-)		\$\$\$		\$\$\$
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$	\$\$\$	\$	\$\$\$
Components not Requiring or Generating Resources:				
25. Depreciation and amortization	\$	\$\$\$	\$	\$\$\$
26. Revaluation of assets or liabilities (+/-)		\$\$\$		\$\$\$
27. Other (+/-)				
27a. Trust Fund Exchange Revenue		\$\$\$		\$\$\$
27b. Cost of Goods Sold		\$\$\$		\$\$\$
27c. Operating Material and Supplies Used		\$\$\$		\$\$\$
27d. Other		\$\$\$		\$\$\$
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	\$	\$\$\$	\$	\$\$\$
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$	\$\$\$	\$	\$\$\$
30. Net Cost of Operations	\$	\$\$\$	\$	\$\$\$

Figure 10-37. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget

102302. Reconciliation Objective. *SFFAS No. 7*, Accounting for Revenue and Other Financing Sources, requires a reconciliation explaining the relationship between budgetary obligations incurred by the entity and the net cost of operations of the entity. The Reconciliation of Net Cost of Operations to Budget is the mechanism to accomplish this reconciliation. The objective of the Reconciliation of Net Cost of Operations to Budget is to help the users understand how information on the use of budgetary resources relates to information on the cost of program operations. This is accomplished by means of a reconciliation of budgetary obligations and nonbudgetary resources available to the reporting entity with its net cost of operations. It explains how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's net cost of operations. Also the computation and presentation of items in the schedule demonstrate that the budgetary (obligation-based amount) and proprietary (accrual-based amounts) cost information in an entity's financial management systems agree. This reconciliation was formerly the Statement of Financing. In FY 2007, the OMB and the Chief Financial Officers Council (CFOC) decided that this reconciliation would be better placed and understood as a note titled, "Reconciliation of Net Cost of Operations to Budget" rather than as a basic statement.

102303. Budgetary to Proprietary Accounting Reconciling Differences. Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or Federal GAAP (e.g., accrual of unfunded environmental and disposal liabilities which are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts). Differences due solely to budgetary and proprietary accounting are summarized in this reconciliation. Other differences encountered must be researched and corrected. The Defense Departmental Reporting System (DDRS) has automated proprietary to budgetary reconciliations (Section V Reconciliations) that highlight certain discrepancies between budgetary and proprietary data. This reconciliation manual can be found at <https://guidanceweb.ousdc.osd.mil/>.

102304. Reconciliation Crosswalk. A copy of the crosswalk when this reconciliation was the Statement of Financing can be obtained from the Office of the Deputy Chief Financial Officer to assist an entity in identifying specific USSGL accounts and attributes applicable to each line item. It is imperative to comply with the "Additional Information Required" column in the crosswalk. This column limits or provides further detail on items that can be reported in these lines.

102305. Instructions. Preparers of financial statements should perform a detailed reconciliation of net obligations and other resources to net cost of operations, identifying all applicable reconciling items. Preparers should also refer to the *FASAB's Implementation Guide to SFFAS No. 7* for detailed guidance on preparing the schedule. The schedule is structured to first identify total resources (budgetary and other) used by an entity during the period and then makes adjustments (Lines 12 through 29) to the resources based upon how they were used to finance net obligations or net cost of operations. Budgetary resources reported in this schedule are those resources as defined in *OMB Circular No. A-11* and also reported on the

Statement of Budgetary Resources. Other resources reported in this schedule are also reflected in the Statement of Changes in Net Position.

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

1. Budgetary Resources Obligated

a. Obligations Incurred – (Line 1). This amount should equal the obligations incurred as reported for the current year on the Statement of Budgetary Resources, line 8. This line includes amounts for such items as new orders placed, contracts awarded, services received, undelivered orders, and expended authority (paid or unpaid).

b. Less: Spending Authority from Offsetting Collections and Recoveries – (Line 2). This line consists of three primary components: offsetting collections, recoveries of budget authority, and changes in unfilled customer orders. Offsetting collections are collections from the public that result from business-type or market-oriented activities and collections from other government accounts (e.g., collections from other Federal agencies for various activities, in which the Department engages, and trust fund and credit program collections). The recoveries of the prior year authority component consist of budget authority that was recovered during the current year due to a reduction in a prior year obligation. Unfilled customer orders are considered to be a budgetary resource at the time the order is accepted. Collections on those orders are also considered a resource. In order to avoid double counting when relating net obligations to net outlays, the change in unfilled customer orders from the beginning of the period to the end of the period must be deducted from obligations incurred. This line item will agree with the opposite sign of the spending authority from offsetting collections (line 3) and recoveries (line 4) as reported on the Statement of Budgetary Resources.

c. Obligations Net of Offsetting Collections and Recoveries – (Line 3). This line item is the sum of lines 1 and 2.

d. Less: Offsetting Receipts (-) – (Line 4). See Chapter 7, paragraph 070202 of this volume for detail information pertaining to offsetting receipts. This line item will agree with the offsetting receipts as reported on the Statement of Budgetary Resources, line 19C.

e. Net Obligations – (Line 5). This line item is the difference between the two preceding lines. Net obligations reflect obligations incurred net of offsetting collections, recoveries, and offsetting receipts.

2. Other Resources – (Lines 6 - 10). The line items in this section represent nonexchange revenue and other financing sources that increase net position but are not budgetary resources as reported on the Statement of Budgetary Resources or defined as such in

OMB Circular No. A-11. The items in this section will agree with the corresponding line items as reported on the Statement of Changes in Net Position.

a. Donations and Forfeitures of Property - (Line 6). This line item represents resources generated from donations or forfeitures of property, excluding cash. This line agrees with the Statement of Changes in Net Position, line 5.A.

b. Transfers In/Out Without Reimbursement – (Line 7). This line includes intragovernmental transfers in or out of investment, inventory, capitalized assets, Defense Working Capital Fund cash transfers, and the quarterly rollup of disbursements and collections to the component level. Capitalized assets transferred should be recorded at the book value of the transferring entity. If the book value is not known, the amount recorded should be the asset's estimated fair value at the date of the transfer. This line does not include appropriations transferred in or out shown on the Statement of Changes in Net Position line 13.B or appropriated earmarked receipts and expenditure financing sources transferred on line 4.E. This line agrees with the Statement of Changes in Net Position, line 5.B.

c. Imputed Financing from Costs Absorbed By Others – (Line 8). This line represents the costs that are paid on behalf of the Department by another Federal entity (e.g., the payment of certain employee benefit costs by Office of Personnel Management (OPM) for the Department). This line agrees with the Statement of Changes in Net Position line, 5.C.

d. Other – (Line 9). This line represents other nonexchange resources not previously disclosed that do not have a budgetary impact. This line agrees with the Statement of Changes in Net Position, line 5.D.

e. Net Other Resources Used to Finance Activities – (Line 10). This line is the sum of lines 6 through 9.

3. Total Resources Used to Finance Activities – Line 11. This line is the sum of lines 5 and 10.

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

1. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided – (Line 12). This amount reflects undelivered orders or adjustments thereof, included in net obligations, but are not part of the net cost of operations.

a. Undelivered Orders – (Line 12a). Net increases in undelivered orders and upward adjustments of prior year undelivered orders should be subtracted from the net obligations because they have no impact on the entity's net cost of operations. Net decreases in undelivered orders and downward adjustments of prior year undelivered orders should be added. Increases in undelivered orders are shown as negative amounts; decreases are shown as positive amounts.

b. Unfilled Customer Orders – (Line 12b). This line reverses the effect of unfilled customer orders included in net obligations, but not part of net cost of operations. Therefore, net increases in unfilled customer orders should be added to net obligations; net decreases in unfilled customer orders should be subtracted. Unfilled customer orders were included in line 2 above.

2. Resources That Fund Expenses Recognized in Prior Periods – (Line 13). This line item reflects the net decrease in future funded liabilities. Net increases in future funded liabilities would be reported on lines 19 through 24. This line includes obligations of budgetary resources in the current period for expenses previously classified as future funded and included in the net cost of operations in a prior period. These expenses were reported on this statement in a prior period as “Components Requiring or Generating Resources in Future Periods” (lines 19 through 24). Examples include decreases in annual leave and environmental clean-up liabilities. This line item represents credit balances of unfunded expense accounts or net decreases in the unfunded liabilities. This line also includes vendor overpayments collected.

3. Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations – (Line 14). This line item reflects offsetting collections and receipts (lines 2 and 4 above) that are not reported as exchange revenue on the Statement of Net Cost. It consists of the credit reform financing fund collections that increase liabilities for loan guarantees or allowance for subsidy and offsetting collections or receipts that are included in “Total Resources Used to Finance Activities,” but are not exchange revenue. Since all offsetting collections and receipts are included in the determination of “Resources Used to Finance Activities” and only exchange revenue is reported on the Statement of Net Cost, this line adjusts net obligations for the portion of offsetting collections and receipts that is not reported on the Statement of Net Cost. Examples of nonexchange revenues include amounts for accrued interest from U.S. Treasury securities held by special and trust funds, and the nonbudgetary portion of other revenue associated with nonexchange revenue. Amounts on line 14 should agree with those reported on the Statement of Changes in Net Position as part of financing sources other than exchange revenue.

a. Certain collections in the financing account represent budgetary resources but do not affect net cost. These collections do, however, adjust amounts on the Balance Sheet. For example, the accounting for subsidy expense illustrates this reconciling item. In determining net obligations, in the “Resources Used to Finance Activities” section,

subsidy expense is reflected as both a component of obligations incurred and offsetting collections. The program account obligates the subsidy expense and the financing account collects and retains the subsidy until disbursement of a loan or default claim. The subsidy expense is reflected as both an obligation on the Statement of Budgetary Resources and an expense on the Statement of Net Cost. The collection, however, is reflected as an offsetting collection on the Statement of Budgetary Resources, but reflected as a contra asset or liability on the Balance Sheet.

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

4. Resources That Finance the Acquisition of Assets – (Line 15). This line item reflects budgetary resources obligated that are not expenses as reported on the Statement of Net Cost. Examples include purchases of General PP&E, and nonfederal securities and investments. Report current-year purchase only. If an entity cannot derive current-year purchases from the change in the asset accounts, the entity may accumulate the amounts needed for capitalized purchases in memorandum accounts. Other items reported on this line include credit reform financing funds, delivered orders or adjustments thereto, and losses incurred when an asset is sold or disposed of and a budgetary resource is recognized. Two options exist for reporting such losses on the Statement of Financing. The first option is to include the book value on line 15 and exclude the loss in “Components Not Requiring or Generating Resources” (lines 25 through 28). The second option is to include the loss in Components Not Requiring or Generating Resources” (lines 25 through 28) and include the book value less the loss on line 15. Increases in this line are subtracted from net obligations and reflected on the Reconciliation of Net Cost of Operations to Budget as a credit balance. Net decreases are reflected as a debit on the note.

5. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations – (Line 16). This line includes Trust or Special fund receipts related to exchange revenue in the entity's budget.

a. Activity reported on line 16a is an element of net cost. This activity would normally be classified as offsetting collections, but is not reported as such based on instructions in OMB Circular A-11. Therefore, this line adjusts obligations, in the same manner as offsetting collections that are reported on line 2.

b. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other – (Line 16b). This line item includes activities not otherwise classified above. This activity may include non-cash recoveries of prior year obligations. Recoveries are budgetary resources that offset obligations on the Statement of Budgetary Resources, but are not a proprietary financing source used to offset costs on the Statement of Net Cost. Other examples include prior period adjustments, transfers of current-year authority and transfers of property. These examples are reported as other resources in the first section of this statement, but are not reported on the Statements of Net Cost or

Budgetary Resources. Disclose in note 21 any element of this line that represents more than 10 percent of the value of this line.

6. Total Resources Used to Finance Items Not Part of the Net Cost of Operations – (Line 17). This line is the sum of lines 12 through 16.

C. Total Resources Used to Finance the Net Cost of Operations – (Line 18). This line is the sum of line 11 and 17.

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

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

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

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

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

d. Increase in Exchange Revenue Receivable from the Public (-) – (Line 22). This line item represents exchange revenue not in the entity's budget. It reflects nonfederal accounts or interest receivable generated from exchange revenue. It accounts for the difference in the way budgetary and proprietary accounting recognizes public exchange revenue. In accordance with OMB Circular No. A-11, budgetary resources are normally not recognized from the public until collected, but these revenues with the public are recognized and reported on the Statement of Net Cost when earned (proprietary accounting). Future collection of public receivables would be considered a budgetary resource, but not financial revenue because it had already been recorded as financial revenue upon the establishment of the account receivable. Examples of public interest revenue include interest earned on donations and investments in trust funds. Changes in public receivables should be subtracted as a reconciling item in order to arrive at the net cost of operations on the Reconciliation of Net Cost of Operations to Budget. Line 22 excludes accounts receivable related to vendor overpayments and interest receivable related to credit reform financing.

e. Other – (Line 23). This line item represents net increases in future funded liabilities other than annual leave and environmental and disposal liabilities. It includes net increases in actuarial pension, health and life liabilities, contingent liabilities, other unfunded employment-related liabilities and the FECA liability billed to the agency by the DOL for FECA payments that were made on the agency's behalf. It also includes the actuarial present value of future FECA benefits provided to Federal employees or their beneficiaries as a result of work-related deaths, disabilities, or occupational diseases. The DOL computes and provides the actuarial value. Net decreases in these future funded liabilities are reported on line 13. Disclose in note 21 any element of this line that represents more than 10 percent of the value of this line.

f. Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods – (Line 24). This line is the sum of lines 19 through 23.

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

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

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

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

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

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

(3) Operating Material & Supplies Used – (Line 27c). This line item represents the consumption of operating material and supplies. It is reported in USSGL 6790, Other Expenses Not Requiring Budgetary Resources. It is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

(4) Other – (Line 27d). This line item includes activities not otherwise classified above. It includes amounts for bad debts related to uncollectible noncredit reform receivables, net credit balance for vendor overpayment receivables and extraordinary items. Disclose in note 21 any element of this line that represents more than 10 percent of the value of this line.

d. Total Components of Net Cost of Operations That Will Not Require or Generate Resources – (Line 28). This line is the sum of lines 25 through 27.

3. Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period – (Line 29). This line is the sum of lines 24 and 28.

E. Net Cost of Operations – (Line 30). This amount is the sum of line 18, “Total Resources Used to Finance Net Cost of Operations” and line 29, “Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period.” This line item will agree with the net cost of operations as reported on the Statement of Net Cost.

102306. Narrative Disclosures. Report any information relating to the reporting entity that provides a further understanding of the entity’s note. At a minimum, discuss the following:

A. Abnormal Balance. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

B. Adjustment to Align Budgetary Data to Proprietary Data. For reporting entities whose budgetary data does not agree with proprietary data, disclose that due to the reporting entity’s financial system limitations, budgetary data is not in agreement with

proprietary expenses and assets capitalized. The differences between budgetary and proprietary data are a previously identified deficiency. Also disclose the amount (absolute value) of the adjustment to the note to bring it into balance with the Statement of Net Cost. Report the adjustment in one of three categories: Resources That Finance the Acquisition of Assets; Other Components Not Requiring of Generating Resource; or Revaluation of Assets or Liabilities (if applicable).

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

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

D. Other Lines (Line 9, Line 23, Line 27d). Describe any item that is greater than, or equal to, 10 percent of the note lines titled “Other.”

★1024 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

102401. Instructions. Reporting entities collecting immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

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

B. Disclose other information relating to the further understanding of Incidental Custodial Collections.

★1025 NOTE 23. EARMARKED FUNDS

102501. Note Schedule Format

Note 23. Earmarked Funds		Current Year				
<i>As of [Current Fiscal Period End Date]</i>	Military Retirement Fund	Medical Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total	
(Amounts in thousands)						
BALANCE SHEET						
ASSETS						
Fund Balance with Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Investments	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Accounts and Interest Receivable	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Other Assets	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total Assets	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
LIABILITIES and NET POSITION						
Military Retirement Benefits and Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Total Liabilities	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Unexpended Appropriations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Cumulative Results of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total Liabilities and Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
STATEMENT OF NET COST						
Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Less Earned Revenue	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Net Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Less Earned Revenues Not Attributable to Programs	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Net Cost of Operations	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
STATEMENT OF CHANGES IN NET POSITION						
Net Position Beginning of the Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Net Cost of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Budgetary Financing Source	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Other Financing Sources	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Change in Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Net Position End of Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	

Figure 10-38. Earmarked Funds

Note 23.	Earmarked Funds									
	As of [Prior Fiscal Period End Date]	Prior Year								
Military Retirement Fund		Medical Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total					
(Amounts in thousands)										
BALANCE SHEET										
ASSETS										
Fund Balance with Treasury	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Investments		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Accounts and Interest Receivable		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Other Assets		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Total Assets	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
LIABILITIES and NET POSITION										
Military Retirement Benefits and Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Total Liabilities		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Unexpended Appropriations		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Cumulative Results of Operations		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Total Liabilities and Net Position	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
STATEMENT OF NET COST										
Program Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Less Earned Revenue		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Net Program Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Less Earned Revenues Not Attributable to Programs		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Net Cost of Operations	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
STATEMENT OF CHANGES IN NET POSITION										
Net Position Beginning of the Period	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Net Cost of Operations		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Budgetary Financing Source		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Other Financing Sources		\$\$\$		\$\$\$		\$\$\$		\$\$\$		\$\$\$
Change in Net Position	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Net Position End of Period	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$

Figure 10-38. Earmarked Funds (continued)

102502. Instructions. Earmarked funds are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Federal Government’s general revenues. The [SFFAS No. 27](#), “Identifying and Reporting Earmarked Funds,” requires disclosure of all earmarked funds for which the reporting entity has program management responsibility. The note schedule must

show current year and prior year data. Disclose and explain abnormal balances in accordance with paragraph 100208 of this chapter.

A. Disclosure for Earmarked Funds. The following information should be disclosed for the Military Retirement Fund (MRF) and the Medicare Eligible Retiree Health Care Fund (MERHCF) individually. All other earmarked funds should be presented in the aggregate.

1. Condensed information about assets and liabilities showing, Fund Balance with Treasury, Investments in Treasury Securities, Other Assets, Liabilities Due and Payable, Other Liabilities, Cumulative Results of Operations, and Net Position.

2. Condensed information on Gross Cost, Exchange Revenue, Net Cost, Nonexchange Revenues and Other Financing Sources, and Changes in Net Position.

3. The total cumulative results of operations shown in the note disclosure should agree with the Cumulative Results of Operations for Earmarked Funds shown on the face of the component entity's Balance Sheet and the Statement of Changes in Net Position.

4. Include a description of each earmarked fund's purpose, how the Component accounts for and reports the fund, and its authority to use those revenues and other financing sources.

5. Report source of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the Federal Government or the result of intragovernmental flows.

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

7. Report any eliminations between earmarked funds and other funds within the reporting entity.

B. Change in Reporting from Prior Years. If a DoD component entity reports a different portion of an earmarked fund than it reported in prior years, it should not restate its prior year financial statements. It should disclose the change in a note. This applies if a DoD component entity does not report an earmarked fund, or a portion thereof, that it reported in the previous year. It also applies if a DoD component entity does report an earmarked fund, or portion thereof, that it did not report in the previous year.

1026 NOTE 24. OTHER DISCLOSURES

102601. Note Schedule Format

Note 24. Other Disclosures		Current FY				
<i>As of [Current Fiscal Period End Date]</i>		Asset Category				
		Land and Buildings	Equipment	Other	Total	
(Amounts in thousands)						
1. Entity As Lessee						
Operating Leases						
Future Payments Due						
Fiscal Year						
A. Fiscal Year 1 (CY)	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
B. Fiscal Year 2 (CY + 1)		\$\$\$		\$\$\$		\$\$\$
C. Fiscal Year 3 (CY + 2)		\$\$\$		\$\$\$		\$\$\$
D. Fiscal Year 4 (CY + 3)		\$\$\$		\$\$\$		\$\$\$
E. Fiscal Year 5 (CY + 4)		\$\$\$		\$\$\$		\$\$\$
F. Fiscal Year 6 (CY + 5)		\$\$\$		\$\$\$		\$\$\$
G. After 5 Years		\$\$\$		\$\$\$		\$\$\$
2. Total Future Lease Payments Due	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$

Figure 10-39. Other Disclosures

102602. Instructions. Disclose information relating to the reporting entity’s financial position and results that are not applicable to any other notes.

A. Entity as Lessee - Operating Leases

1. Description of Operating Lease Arrangements. Report information that would disclose the level of the agency’s funding commitments. Include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease agreements; deviations from the standard lease terms; and the lease period.

2. Future Payments Due for Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year.

★1027 NOTE 25. RESTATEMENTS

102701. General Disclosures. Disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared.

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

1. The nature of the error and reason for the restatement.
2. The year(s) being restated.
3. Specific financial statement(s) and line items restated.
4. Amount of the error.
5. The effect of the restatement on the financial statements taken as a whole (i.e. change in overall net position, change in audit opinion).
6. Actions taken by management after discovering the error (published financial statements were (not) reissued; auditors and primary users were (not) notified of the error; etc.). Refer to OMB A-136, II.4.5.4, "Management Actions Related to Correction of Errors."

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

1. A statement disclosing that a material error (or potential error) affecting previously issued statements has been identified but the specific amount(s) and effect(s) are not yet known.
2. The nature and causes of the error.
3. An estimate of the magnitude of the error and the related effects (financial statements and line items affected) that are known and a statement that the specific amount(s) and related effect(s) cannot be determined without further research.
4. A statement disclosing that a restatement to previously issued financial statements will or may occur.