



DEFENSE COMMISSARY AGENCY

ANNUAL REPORT 2010

DeCA by the numbers ...

Established:	Oct. 1, 1991
Headquarters:	1300 E Avenue, Fort Lee VA 23801-1800 www.commissaries.com www.facebook.com/YourCommissary twitter.com/TheCommissary
Fiscal 2010 sales:	\$5.8 billion
Fiscal 2010 patron savings:	\$2.7 billion
Fiscal 2010 operations cost:	\$1.3 billion
Total employees:	Approximately 18,000
Total authorized customers:	Approximately 12 million
Global presence:	13 countries, 2 U.S. territories
Commissaries, as of Sept. 30:	252



From the director ...

The Defense Commissary Agency achieved another impressive year in fiscal 2010, with all key metrics moving in the right direction:

- Sales remained near the \$6 billion mark.
- The cost of delivering the commissary benefit came in under budget.
- Customer service scores increased to the highest in DeCA history.
- Patron savings levels remained constant.

The year was not without its challenges, but as a team, DeCA remained focused on its mission: delivering a vital benefit of the military compensation system that sells grocery and household items at cost while enhancing quality of life and readiness.

From its inception, DeCA has held a respectable track record of reducing the cost of the commissary system without decreasing the value of the benefit provided:

- Since its beginning, DeCA's efficiencies have enabled reduction of the workforce by almost 10,000 full-time equivalent positions.

I'm proud of this exemplary workforce and their patriotic dedication to "serving the most deserving" — our nation's service members, their families and retirees. We look forward to another productive, exciting year ahead in fiscal 2011. ■



Joseph H. Jau

Who we are ...

As DeCA enters its 20th year and heads toward 2017 and the 150th anniversary of commissaries, the benefit remains an integral part of the military compensation package.

at cost while enhancing quality of life and readiness. We strive to:

- Enhance readiness by enabling troops to focus on the mission while deployed;
- Improve retention by providing a “sense of community” for military personnel and their families;
- Provide a safe, secure shopping environment, both in overseas and stateside locations; and
- Provide American products worldwide while ensuring food safety.



Young McKay, computer-assisted-ordering specialist, Keesler Commissary, Miss.

Oct. 1, 1991, marked DeCA’s activation, with headquarters at Fort Lee, Va. Our vision is to provide a valued commissary benefit while serving as a model government organization.

DeCA’s strategic goals are threefold:

- Provide the military community with a great shopping experience;
- Sustain a capable, diverse and engaged civilian workforce; and
- Be a model organization through agility and governance.

As of Sept. 30, 2010, the agency operated 252 stores worldwide. Alaska and overseas stores receive goods via DeCA’s 10 central distribution centers in Europe, the Pacific and Alaska, and a central meat processing plant in Germany.

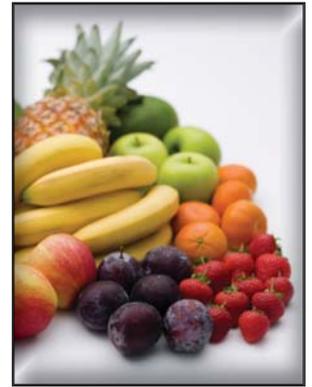
As a component of the Department of Defense, the agency operates under the authority of the undersecretary of defense for personnel and readiness. The DeCA Board of Directors — a distinguished panel of senior military officers, senior enlisted advisors and service secretaries from each military service — provides oversight.

Our mission is to deliver a vital benefit of the military pay system that sells grocery items

Top 10 commissaries in sales

(Fiscal 2010)

1. Fort Belvoir Commissary, Va.	\$ 97,169,899
2. San Diego Commissary	\$ 89,218,070
3. Pearl Harbor Commissary, Hawaii	\$ 86,038,443
4. Oceana Commissary, Va.	\$ 76,769,252
5. Fort Meade Commissary, Md.	\$ 72,078,377
6. Fort Bragg South Commissary, N.C.	\$ 71,233,181
7. Fort Campbell Commissary, Ky.	\$ 69,267,137
8. Fort Lewis Commissary, Wash.	\$ 67,810,601
9. Schofield Barracks Commissary, Hawaii	\$ 67,808,561
10. Langley Commissary, Va.	\$ 65,948,900



Million-plus transactions

(Fiscal 2010)

1. Pearl Harbor Commissary, Hawaii	1,353,598
2. San Diego Commissary	1,271,182
3. Ramstein Commissary, Germany	1,171,915
4. Fort Belvoir Commissary, Va.	1,089,953
5. Fort Lewis Commissary, Wash.	1,063,714
6. Fort Bragg South Commissary, N.C.	1,061,423
7. Schofield Barracks Commissary, Hawaii	1,055,234
8. Fort Campbell Commissary, Ky.	1,038,965
9. Fort Meade Commissary, Md.	1,006,524



Gilbert Varela, computer-assisted-ordering specialist, Buckley Commissary, Colo.

Who we serve ...

DeCA exists solely to provide a benefit. Customers purchase items at cost, plus a 5 percent surcharge, which pays for replacing and modernizing existing commissaries. In addition, military construction dollars may fund construction of new stores.

- **Eglin Air Force Base, Fla.**
- **Fort Riley, Kan.**
- **Moody Air Force Base, Ga.**
- **Marine Corps Base Quantico, Va.**

Authorized users of the commissary benefit total nearly 12 million, including:

- Active and retired members of the armed forces and reserve components, and cadets and midshipmen of the military academies;

- Noncommissioned ships' officers and members of the crews of vessels of the National Oceanic and Atmospheric Administration and its predecessors;

- Family members, widows or widowers, and orphans of all such members;

- 100 percent disabled veterans;

- Medal of Honor recipients; and

- Department of Defense civilian employees stationed overseas.

Specifics on all categories of authorized commissary patrons can be found in Department of Defense Instruction 1330.17, "Armed Services Commissary Operations," Oct. 8, 2008.

In fiscal 2010, new stores opened in the following locations:

- **Chièvres, Belgium, Jan. 20**
- **Keesler Air Force Base, Miss., April 6**

Large renovation projects completed included:

- **Royal Air Force Alconbury, England**
- **Fort Drum, N.Y.**

Contracts for new commissaries awarded in fiscal 2010 were:

- **Fort Bliss, Texas**
- **Fort Campbell, Ky.**

Contracts awarded for major renovations included:



Kenneth Marr, meat manager, Fort Lee Commissary, Va.

Delivering the benefit ...

As the agency closed its financial books on another fiscal year, it also closed its history books on one of the most economically challenging years in its existence.

However, in spite of all the challenges, DeCA maintained a stable transaction level for the year. Although sales came down from inflated levels of fiscal 2009, they were well ahead of fiscal 2008 levels.

The sales decline proved unavoidable as the agency faced a multitude of challenges:

- Unprecedented deflation since DeCA's inception in 1991;
- Volatile foreign currency fluctuations;
- Reduced customer discretionary income from unemployment and economic downturn;
- Unusually severe weather and sales-negative events, such as a petroleum company explosion near the commissary at Fort Buchanan, Puerto Rico, which caused millions in damages and closed the store for 11 days;
- A number of store closures or drawdowns anticipating closure; and

- A number of stores undergoing major renovation, which adversely impacted sales.

The agency confronted these issues head-on and moved forward to the business at hand: striving to remain a model business with a relevant future, supported by an able, ready workforce, increasing the benefit's value into 2011 and beyond.

Customer value

Savings remain the heart of the commissary benefit, and DeCA's established goal is an average of 30 percent savings or more, in accordance with Office of the Secretary of Defense guidance. This year's savings of 31.5 percent amount to more than \$1,500 for a single member,



Gwendolyn Lewis-Parker, cashier,
Miramar Commissary, Calif.



Gizelle Cardiel, Port Hueneme Commissary, Calif.

nearly \$2,800 for a married couple, and nearly \$4,400 for a couple with two children.

Attaining this level of savings would not be possible without the tremendous support of an extended team of industry partners — manufacturers, distributors and brokers — building value together.

Year's highlights

□ DeCA saluted military families' love for companion animals with the "Your Pet, Your Family" campaign, which launched first at Joint Base San Antonio's Randolph Commissary. Pet product sales rose

nearly 5 percent for the year.

□ The inaugural Family Fun Fitness Festival in May, held in conjunction with the worldwide case lot sale, helped customers recognize the benefits of healthy eating and fitness.

This partnership with the exchanges and morale, welfare and recreation programs helped engage shoppers with

its message of "installation as destination."

□ Case lot sales continued to break sales records and deliver savings by the "U-boat," the large carts shoppers use to tote mountains of groceries to their cars.

□ The Guard and Reserve On-Site Sales Program thrived, delivering savings directly to customers' home turf for another amazing year. The "commissary on wheels" took the benefit to Guard and Reserve locations throughout the continental United States, as well as Hawaii and American Samoa.

Fiscal 2010 brought 156 events with \$8.7 million in sales, amounting to \$4.0 million in savings for the more than 70,000 shoppers participating. The average purchase rose from \$110 in fiscal 2009 to nearly \$124 in fiscal 2010.

□ The annual Commissary Customer Service Survey resulted in another record for customer service — the highest score in DeCA history: 4.68 on a 5-point scale.

□ Again this year, DeCA's internal measures were validated externally by the American



Customer Satisfaction Index. DeCA's score of 80 exceeded the commercial supermarket average of 75.

□ DeCA's stewardship continues to reflect total commitment to fiscal responsibility, earning a ninth consecutive, unqualified opinion from independent auditors on its fiscal 2010 financial statements. Only three

other Department of Defense organizations have achieved this level of performance.

□ DeCA's environmental program achieved high-level recognition when the Department of Energy presented the agency with a 2010 Federal Energy and Water Management Award. The award recognizes outstanding efforts by federal

Guard-Reserve outreach Six-figure on-site sales, fiscal 2010

Fort Gillem, Ga., at Atlanta	Nov 09	\$285,882
Fort Gillem at Chattanooga, Tenn.	Dec 09	\$273,124
Fort Gillem at Atlanta	Mar 10	\$267,204
Fort Gillem at Chattanooga	Sep 10	\$265,125
	Jun 10	\$257,000
Fort Gillem at Atlanta	Aug 10	\$248,649
JB Pearl Harbor-Hickam, Hawaii, at Hawaii ANG	May 10	\$246,422
Maxwell AFB, Ala., at Fort McClellan, Ala.	Oct 09	\$229,115
Fort Bragg South, N.C., at Charlotte, N.C.	Oct 09	\$175,699
NAS Jacksonville, Fla., at Miami	Apr 10	\$168,668
Fort Campbell, Ky., at Knoxville, Tenn.	Nov 09	\$153,441
	Aug 10	\$150,720
Fort Bragg South at Charlotte	Dec 09	\$148,000
	Apr 10	\$145,831
F.E. Warren AFB, Wyo., at Nebraska ANG	Aug 10	\$131,550
Fort Jackson, S.C., at Greenville, S.C.	May 10	\$123,023
Little Rock AFB, Ark., at Camp Robinson, Ark.	Oct 09	\$120,878
Fort Bragg South at Charlotte	Aug 10	\$120,416
F.E. Warren AFB at Nebraska ANG	Apr 10	\$110,362
Malmstrom AFB, Mont., at Fort Harrison, Mont.	Nov 09	\$108,326
Little Rock AFB at Camp Robinson	Apr 10	\$104,510
Randolph AFB, JB San Antonio, at Ellington Field, Texas	Sep 10	\$100,100



Dwayne Clark, store associate, Lackland Commissary, Texas

facilities in energy efficiency, water conservation and renewable energy technologies.

□ DeCA moved ahead on its electronic shelf label program — wireless, battery-operated screens that display pricing and other item information. ESLs will increase the pricing accuracy between shelf and register, thus increasing patron confidence. As of the end of the fiscal year, 34 stores featured ESLs, and worldwide implementation continued.

Health highlights

DeCA's dietitian educates patrons about making healthy choices in their diet, such as eating more fruits and vegetables. Additionally, the website, <http://www.commissaries.com>, provides informative articles and answers to important questions from customers on general nutrition and health under "Healthy Living" and "Ask the Dietitian."

Continuing a partnership with the Department of Defense Education Activity, DeCA created a link on www.commissaries.com to promote healthy brown bag lunch ideas, as well as on the DoDEA website, <http://www.dodea.edu/wellness>. These efforts support first lady Michelle Obama's "Let's Move!" initiative aimed at reducing childhood obesity and increasing availability of healthy, affordable food.

Another joint effort between DeCA and DoDEA is the "Food for Thought" Program. This nutrition literacy program in the DoD European school system promotes improved dietary habits and increased awareness of healthy eating habits for children.

Other health-and-wellness-focused partnerships include: Employee Wellness, Satisfaction and Engagement campaign, which is a DoD campaign that explores and promotes monthly health topics; and President's Challenge, which is a program that helps people of all ages and abilities increase their physical activity level.



Ernest Triplett, lead computer-assisted-ordering specialist, Norfolk Commissary, Va.

Youth scholarships

The Scholarships for Military Children program began in 2001, and since that year, more than 5,400 military children received more than \$8.3 million in scholarships.

Fisher House Foundation administers the scholarship program with the help of Scholarship Managers, a national, nonprofit scholarship management services organization. Commissary vendors, manufacturers, brokers, suppliers and the general public donate money to the program; every dollar donated goes directly to funding the scholarships.

Military family employment

DeCA offers an employment source for family members relocating with service members. The agency is geographically dispersed and parallels military duty assignments.

62.5%
of DeCA U.S. employees
are military related

Military spouses: **28%**
Other family members: **13%**
Retirees: **10.5%**
Guard and Reserve: **1.5%**
Other veterans: **9.5%**

In addition to civil service employees, many of our contractors and industry partners hire military family members, veterans and retirees in the areas of stocking, sales, product demonstration representatives and merchandisers.

Moving forward

“Commitment to excellence” is more than just a catchphrase when it comes to DeCA’s performance. This excellence is achieved through synergies created by all DeCA employees working as one to deliver a vital benefit to our service members.

Moving forward, DeCA will continue to optimize and innovate business processes and customer service, with the goal of providing the best possible benefit to our patrons, true to our values: “One Vision, One Team, One DeCA!”



Joyce Matthews, meatcutter, Keesler Commissary, Miss.

DeCA financials ...

DEFENSE COMMISSARY AGENCY CONSOLIDATED BALANCE SHEETS AS OF SEPT. 30 (in thousands)

Assets	2010	2009
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 680,814	\$ 668,291
Accounts receivable and other	97	74
Total intragovernmental assets	<u>680,911</u>	<u>668,365</u>
Cash	63,206	74,368
Accounts receivable and other assets, net	47,908	46,884
Inventory	401,913	400,397
General property, plant, and equipment, net (Note 3)	813,056	798,918
Total assets	<u><u>\$ 2,006,994</u></u>	<u><u>\$ 1,988,932</u></u>
Liabilities (Note 4)		
Intragovernmental:		
Accounts payable	\$ 40,827	\$ 63,346
Other liabilities	42,046	42,058
Total intragovernmental liabilities	<u>82,873</u>	<u>105,404</u>
Accounts payable	447,317	472,945
Federal Employees Compensation Act actuarial liability	167,221	167,351
Environmental liabilities	31,018	31,075
Other liabilities	100,757	95,411
Total liabilities	<u><u>\$ 829,186</u></u>	<u><u>\$ 872,186</u></u>
Commitment and contingencies (Note 9)		
Net position (Note 5)		
Unexpended appropriations	\$ 135,037	\$ 111,697
Cumulative results of operations - earmarked fund (Note 9)	1,077,440	1,057,105
Cumulative results of operations - other funds	(34,669)	(52,056)
Total cumulative results of operations	<u>1,042,771</u>	<u>1,005,049</u>
Total net position	<u><u>1,177,808</u></u>	<u><u>1,116,746</u></u>
Total liabilities and net position	<u><u>\$ 2,006,994</u></u>	<u><u>\$ 1,988,932</u></u>

The accompanying notes are an integral part of the consolidated financial statements. Only notes pertaining to this summary page are included, in the order in which they are referenced: Notes 2, 3, 4, 9 and 5.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED SEPT. 30, 2010 AND 2009**



NOTE 2 - FUND BALANCE WITH TREASURY

FBWT consists of three types of funds — appropriated funds, revolving funds, and trust funds. The appropriated funds include commissary operations, military construction, military construction recovery act, and the Hurricane Katrina funds; the revolving fund relates to DeCA’s commissary resale stocks fund; and the trust fund relates to the Surcharge Collections Trust Fund.

The following table shows the balance for each type of fund as of Sept. 30, 2010 and 2009:

Fund balances:	2010	2009
Appropriated funds	\$ 298,497	\$ 302,964
Revolving funds	30,370	41,505
Trust funds	351,947	323,822
Total	\$ 680,814	\$ 668,291

The following table shows the status of the fund balances as of Sept. 30, 2010 and 2009:

Status of fund balances:	Appropriated	Revolving	Trust	Total
Unobligated balance available	\$ 87,124	\$ -	\$ 21,930	\$ 109,054
Unobligated balance unavailable	18	-	-	18
Obligated balance not yet disbursed, net of contract authority	211,355	30,370	330,017	571,742
Total as of Sept. 30, 2010	\$ 298,497	\$ 30,370	\$ 351,947	\$ 680,814

Status of fund balances:	Appropriated	Revolving	Trust	Total
Unobligated balance available	\$ 68,284	\$ -	\$ 14,331	\$ 82,615
Unobligated balance unavailable	10	-	-	10
Obligated balance not yet disbursed, net of contract authority	234,670	41,505	309,490	585,666
Total as of Sept. 30, 2009	\$ 302,964	\$ 41,505	\$ 323,822	\$ 668,291

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED SEPT. 30, 2010 AND 2009**

NOTE 3 - GENERAL PROPERTY, PLANT AND EQUIPMENT

General property, plant and equipment (PP&E) at Sept. 30, 2010 and 2009, is summarized as follows:

PP&E category	Acquisition Value	Accumulated Depreciation	Net
Buildings, structures and facilities	\$ 2,046,484	\$ (1,387,293)	\$ 659,191
Software	33,397	(20,620)	12,777
Equipment and other assets	146,518	(57,229)	89,309
Assets under capital lease	4,396	(4,396)	-
Construction in progress	51,779	-	51,779
Total as of Sept. 30, 2010	\$ 2,282,594	\$ (1,469,538)	\$ 813,056

PP&E category	Acquisition Value	Accumulated Depreciation	Net
Buildings, structures and facilities	\$ 1,968,443	\$ (1,332,038)	\$ 636,405
Software	33,199	(17,211)	15,988
Equipment and other assets	151,636	(66,233)	85,403
Assets under capital lease	4,396	(4,396)	-
Construction in progress	61,122	-	61,122
Total as of Sept. 30, 2009	\$ 2,218,796	\$ (1,419,878)	\$ 798,918

Alicia Bryant, store associate, and Rhonda Wilker-Liggins, lead store associate, Fort Bliss Commissary, Texas



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED SEPT. 30, 2010 AND 2009**



NOTE 4: LIABILITIES

The following table summarizes total liabilities covered and not covered by budgetary resources as of Sept. 30, 2010 and 2009:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Intragovernmental:			
Accounts payable	\$ 40,827	\$ -	\$ 40,827
Other liabilities	4,358	37,688	42,046
Subtotal	<u>45,185</u>	<u>37,688</u>	<u>82,873</u>
With the public:			
Accounts payable	447,317	-	447,317
Federal Employees Compensation Act actuarial liability	-	167,221	167,221
Environmental liabilities	-	31,018	31,018
Other liabilities	36,273	64,484	100,757
Subtotal	<u>483,590</u>	<u>262,723</u>	<u>746,313</u>
Total as of Sept. 30, 2010	<u><u>\$ 528,775</u></u>	<u><u>\$ 300,411</u></u>	<u><u>\$ 829,186</u></u>
	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Intragovernmental:			
Accounts payable	\$ 63,346	\$ -	\$ 63,346
Other liabilities	3,881	38,177	42,058
Subtotal	<u>67,227</u>	<u>38,177</u>	<u>105,404</u>
With the public:			
Accounts payable	472,945	-	472,945
Federal Employees Compensation Act actuarial liability	-	167,351	167,351
Environmental liabilities	-	31,075	31,075
Other liabilities	30,790	64,621	95,411
Subtotal	<u>503,735</u>	<u>263,047</u>	<u>766,782</u>
Total as of Sept. 30, 2009	<u><u>\$ 570,962</u></u>	<u><u>\$ 301,224</u></u>	<u><u>\$ 872,186</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED SEPT. 30, 2010 AND 2009**

(NOTE 4 - LIABILITIES, continued)

The following table summarizes current and noncurrent other liabilities as of Sept. 30, 2010 and 2009.

	Current Liabilities	Noncurrent Liabilities	Total
Other liabilities			
Intragovernmental:			
Workers' compensation	\$ 16,692	\$ 20,996	\$ 37,688
Employer contributions and payroll taxes payable	4,358	-	4,358
Subtotal	<u>21,050</u>	<u>20,996</u>	<u>42,046</u>
With the public:			
Accrued funded payroll and benefits	36,273	-	36,273
Foreign national separation pay	16,532	-	16,532
Accrued leave	47,952	-	47,952
Subtotal	<u>100,757</u>	<u>-</u>	<u>100,757</u>
Total as of Sept. 30, 2010	<u>\$ 121,807</u>	<u>\$ 20,996</u>	<u>\$ 142,803</u>
Other liabilities			
Intragovernmental:			
Workers' compensation	\$ 16,353	\$ 21,824	\$ 38,177
Employer contributions and payroll taxes payable	3,881	-	3,881
Subtotal	<u>20,234</u>	<u>21,824</u>	<u>42,058</u>
With the public:			
Accrued funded payroll and benefits	30,789	-	30,789
Foreign national separation pay	17,608	-	17,608
Accrued leave	47,014	-	47,014
Subtotal	<u>95,411</u>	<u>-</u>	<u>95,411</u>
Total as of Sept. 30, 2009	<u>\$ 115,645</u>	<u>\$ 21,824</u>	<u>\$ 137,469</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED SEPT. 30, 2010 AND 2009**



NOTE 5 - NET POSITION

The following table summarizes the net position by fund type as of Sept. 30, 2010 and 2009:

	General Funds	Working Capital Funds	Total
Net position:			
Unexpended appropriations	\$ 12,313	\$ 122,724	\$ 135,037
Cumulative results of operations - earmarked funds	1,077,440	-	1,077,440
Cumulative results of operations - other funds	-	(34,669)	(34,669)
Total cumulative results of operations	1,077,440	(34,669)	(34,669)
Total as of Sept. 30, 2010	\$ 1,089,753	\$ 88,055	\$ 1,177,808

	General Funds	Working Capital Funds	Total
Net position:			
Unexpended appropriations	\$ 12,293	\$ 99,404	\$ 111,697
Cumulative results of operations - earmarked funds	1,057,105	-	1,057,105
Cumulative results of operations - other funds	-	(52,056)	(52,056)
Total cumulative results of operations	1,057,105	(52,056)	1,005,049
Total as of Sept. 30, 2009	\$ 1,069,398	\$ 47,348	\$ 1,116,746

NOTE 9 - CONTINGENCIES

The Defense Commissary Agency is a party in various administrative proceedings and legal actions related to claims for environmental damage, equal opportunity matters and contractual bid protests. DeCA has not accrued or disclosed any amounts for contingent liabilities, as potential losses have not been determined to be probable or reasonably possible. In addition, unasserted claims for Sunday Premium pay pursuant to the decision in the Fathauer vs. United States, which established Sunday Premium pay for part-time employees, exist as of Sept. 30, 2010. DeCA is responsible for Sunday Premium back-pay, up to the past six years, for part-time employees once claims are made. During fiscal 2010, DeCA paid approximately \$5 million in back-pay amounts for the period May 2009 through May 2010. To date, DeCA has not accrued or disclosed any amounts related to unasserted claims, as the amounts are not measurable.

DeCA Values

We have **PASSION** for what we do!

P

We **PURSUE EXCELLENCE**

A

We are **ACCOUNTABLE** and **FISCALLY RESPONSIBLE**

S

We have a **SENSE OF URGENCY**

S

We **SET HIGH STANDARDS**

I

We value **INNOVATION**

O

We take **OWNERSHIP** of our **PERFORMANCE**

N

We are **NECESSARY**

One Vision, One Team,



One DeCA!