

Department of Defense
Security Assistance
CONSOLIDATED BALANCE SHEET
As of June 30, 2009 and 2008

	<u>2009 Consolidated</u>	<u>2008 Consolidated</u>
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)	\$ 19,065,109,678.22	\$ 17,623,536,922.01
5. Total Intragovernmental Assets	<u>\$ 19,065,109,678.22</u>	<u>\$ 17,623,536,922.01</u>
B. Cash and Other Monetary Assets (Note 7)	\$ 17,542,703,281.60	\$ 14,205,906,285.83
C. Accounts Receivable, Net (Note 5)	39,961,957.93	21,628,477.98
D. Loans Receivable (Note 8)	1,381,185,507.77	1,246,050,422.90
H. Other Assets (Note 6)	13,303,313,464.08	10,936,354,810.65
2. TOTAL ASSETS	<u>\$ 51,332,273,889.60</u>	<u>\$ 44,033,476,919.37</u>
3. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT (Note 10)		
4. LIABILITIES (Note 11)		
A. Intragovernmental:		
2. Debt (Note 13)	738,505,256.03	1,052,289,463.54
3. Other Liabilities (Note 15 & 16)	691,371,143.88	587,317,333.50
4. Total Intragovernmental Liabilities	<u>\$ 1,429,876,399.91</u>	<u>\$ 1,639,606,797.04</u>
B. Accounts Payable (Note 12)	\$ 578,456,281.67	\$ 1,120,039,775.97
C. Military Retirement and Other Federal Employment Benefits (Note 17)	339,277.10	327,960.61
F. Other Liabilities (Note 15 & Note 16)	44,039,445,274.22	37,311,982,320.81
5. TOTAL LIABILITIES	<u>\$ 46,048,117,232.90</u>	<u>\$ 40,071,956,854.43</u>
6. COMMITMENTS AND CONTINGENCIES (NOTE 16)		
7. NET POSITION		
B. Unexpended Appropriations - Other Funds	4,032,748,239.84	2,658,971,712.88
D. Cumulative Results of Operations - Other Funds	1,251,408,416.86	1,302,548,352.06
8. TOTAL NET POSITION	<u>\$ 5,284,156,656.70</u>	<u>\$ 3,961,520,064.94</u>
9. TOTAL LIABILITIES AND NET POSITION	<u>\$ 51,332,273,889.60</u>	<u>\$ 44,033,476,919.37</u>

Department of Defense
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CONSOLIDATED STATEMENT OF NET COST
For the periods ended June 30, 2009 and 2008

	<u>2009 Consolidated</u>	<u>2008 Consolidated</u>
1. Program Costs		
A. Gross Costs	\$ 17,375,016,162.67	\$ 15,047,236,423.80
B. (Less: Earned Revenue)	(45,702,866.91)	(63,742,779.84)
C. Net Program Costs	<u>\$ 17,329,313,295.76</u>	<u>\$ 14,983,493,643.96</u>
4. Net Cost of Operations	<u>\$ 17,329,313,295.76</u>	<u>\$ 14,983,493,643.96</u>

Department of Defense

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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2009 and 2008

	<u>2009 Earmarked Funds</u>	<u>2009 All Other Funds</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 1,383,204,103.05
3. Beginning balances, as adjusted	0.00	1,383,204,103.05
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	4,685,892,951.34
4.C. Nonexchange revenue	0.00	12,511,624,658.23
4.F. Other budgetary financing sources	0.00	0.00
6. Total Financing Sources	0.00	17,197,517,609.57
7. Net Cost of Operations (+/-)	0.00	17,329,313,295.76
8. Net Change	0.00	(131,795,686.19)
9. Cumulative Results of Operations	0.00	1,251,408,416.86
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 2,381,961,441.18
12. Beginning balances, as adjusted	0.00	2,381,961,441.18
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	6,334,200,000.00
13.B. Appropriations transferred-in/out	0.00	2,479,750.00
13.D. Appropriations used	0.00	(4,685,892,951.34)
14. Total Budgetary Financing Sources	0.00	1,650,786,798.66
15. Unexpended Appropriations	0.00	4,032,748,239.84
16. Net Position	0.00	5,284,156,656.70

Department of Defense

Security Assistance

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2009 and 2008

	<u>2009 Eliminations</u>	<u>2009 Consolidated</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 1,383,204,103.05
3. Beginning balances, as adjusted	0.00	1,383,204,103.05
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	4,685,892,951.34
4.C. Nonexchange revenue	0.00	12,511,624,658.23
4.F. Other budgetary financing sources	0.00	0.00
6. Total Financing Sources	0.00	17,197,517,609.57
7. Net Cost of Operations (+/-)	0.00	17,329,313,295.76
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UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 2,381,961,441.18
12. Beginning balances, as adjusted	0.00	2,381,961,441.18
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	6,334,200,000.00
13.B. Appropriations transferred-in/out	0.00	2,479,750.00
13.D. Appropriations used	0.00	(4,685,892,951.34)
14. Total Budgetary Financing Sources	0.00	1,650,786,798.66
15. Unexpended Appropriations	0.00	4,032,748,239.84
16. Net Position	0.00	5,284,156,656.70

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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2009 and 2008

	<u>2008 Earmarked Funds</u>	<u>2008 All Other Funds</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 1,240,131,963.47
3. Beginning balances, as adjusted	0.00	1,240,131,963.47
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	4,354,958,532.70
4.C. Nonexchange revenue	0.00	10,709,153,980.23
4.F. Other budgetary financing sources	0.00	(18,202,480.38)
6. Total Financing Sources	0.00	15,045,910,032.55
7. Net Cost of Operations (+/-)	0.00	14,983,493,643.96
8. Net Change	0.00	62,416,388.59
9. Cumulative Results of Operations	0.00	1,302,548,352.06
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 2,319,244,028.33
12. Beginning balances, as adjusted	0.00	2,319,244,028.33
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	4,693,495,336.78
13.B. Appropriations transferred-in/out	0.00	1,190,880.47
13.D. Appropriations used	0.00	(4,354,958,532.70)
14. Total Budgetary Financing Sources	0.00	339,727,684.55
15. Unexpended Appropriations	0.00	2,658,971,712.88
16. Net Position	0.00	3,961,520,064.94

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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2009 and 2008

	<u>2008 Eliminations</u>	<u>2008 Consolidated</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 1,240,131,963.47
3. Beginning balances, as adjusted	0.00	1,240,131,963.47
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	4,354,958,532.70
4.C. Nonexchange revenue	0.00	10,709,153,980.23
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UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 2,319,244,028.33
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13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	4,693,495,336.78
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14. Total Budgetary Financing Sources	0.00	339,727,684.55
15. Unexpended Appropriations	0.00	2,658,971,712.88
16. Net Position	0.00	3,961,520,064.94

Department of Defense
 Security Assistance
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended June 30, 2009 and 2008

	<u>2009 Combined</u>	<u>2008 Combined</u>
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	\$ 186,393,872.15	\$ 10,158,073.52
2. Recoveries of prior year unpaid obligations	8,834,256.77	16,968,654.10
3. Budget authority		
3.A. Appropriation	22,968,347,330.86	22,014,739,090.85
3.C. Contract authority	26,957,730,170.04	23,291,219,107.52
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	21,607.04	73,430.58
3.E. Subtotal	<u>49,926,099,107.94</u>	<u>45,306,031,628.95</u>
4. Nonexpenditure transfers, net, anticipated and actual	2,479,750.00	1,190,880.47
6. Permanently not available	(16,634,147,330.86)	(17,321,243,754.07)
7. Total Budgetary Resources	<u><u>\$ 33,489,659,656.00</u></u>	<u><u>\$ 28,013,105,482.97</u></u>

Department of Defense
 Security Assistance
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended June 30, 2009 and 2008

	<u>2009 Combined</u>	<u>2008 Combined</u>
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 31,094,549,558.96	\$ 26,939,170,050.48
8.C. Subtotal	<u>31,094,549,558.96</u>	<u>26,939,170,050.48</u>
9. Unobligated balance:		
9.A. Apportioned	2,375,343,251.02	659,273,633.15
9.C. Subtotal	<u>2,375,343,251.02</u>	<u>659,273,633.15</u>
10. Unobligated balance not available	19,766,846.02	414,661,799.34
11. Total status of budgetary resources	<u><u>\$ 33,489,659,656.00</u></u>	<u><u>\$ 28,013,105,482.97</u></u>
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	73,811,001,166.04	62,299,587,873.40
12.C. Total unpaid obligated balance	<u>73,811,001,166.04</u>	<u>62,299,587,873.40</u>
13. Obligations incurred net (+/-)	\$ 31,094,549,558.96	\$ 26,939,170,050.48
14. Less: Gross outlays	<u>(20,554,969,012.98)</u>	<u>(16,665,396,769.82)</u>
16. Less: Recoveries of prior year unpaid obligations, actual	(8,834,256.77)	(16,968,654.10)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	84,341,747,455.25	72,556,392,499.96
18.C. Total, unpaid obligated balance, net, end of period	<u>84,341,747,455.25</u>	<u>72,556,392,499.96</u>
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	20,554,969,012.98	16,665,396,769.82
19.B. Less: Offsetting collections	(21,607.04)	(73,430.58)
19.C. Less: Distributed Offsetting receipts	<u>(16,634,147,330.86)</u>	<u>(17,321,243,754.07)</u>
19.D. Net Outlays	<u><u>\$ 3,920,800,075.08</u></u>	<u><u>\$ (655,920,414.83)</u></u>

Department of Defense
 Security Assistance
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended June 30, 2009 and 2008

	<u>2009 Combined</u>	<u>2008 Combined</u>
NONBUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES		
1. Unobligated balance, brought forward, October 1	\$ 12,042,828.30	\$ 33,756,317.23
3. Budget authority		
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	111,801,881.65	533,250,774.68
3.D.3 Anticipated for rest of year, without advances	220,362,785.57	386,614,015.38
3.E. Subtotal	<u>332,164,667.22</u>	<u>919,864,790.06</u>
6. Permanently not available	(330,005,607.40)	(589,585,598.07)
7. Total Budgetary Resources	<u><u>\$ 14,201,888.12</u></u>	<u><u>\$ 364,035,509.22</u></u>

Department of Defense
 Security Assistance
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended June 30, 2009 and 2008

	<u>2009 Combined</u>	<u>2008 Combined</u>
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 0.00	\$ 8,493,183.49
8.C. Subtotal	<u>0.00</u>	<u>8,493,183.49</u>
9. Unobligated balance:		
9.A. Apportioned	0.00	4,011,030.51
9.C. Subtotal	<u>0.00</u>	<u>4,011,030.51</u>
10. Unobligated balance not available	14,201,888.12	351,531,295.22
11. Total Status of Budgetary Resources	<u>\$ 14,201,888.12</u>	<u>\$ 364,035,509.22</u>
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	2,645,227,500.00	2,740,282,500.00
12.C. Total unpaid obligated balance	<u>2,645,227,500.00</u>	<u>2,740,282,500.00</u>
13. Obligations incurred net (+/-)	\$ 0.00	\$ 8,493,183.49
14. Less: Gross outlays	(57,950,000.00)	(73,426,000.00)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	<u>2,587,277,500.00</u>	<u>2,675,349,683.49</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>2,587,277,500.00</u>	<u>2,675,349,683.49</u>
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	57,950,000.00	73,426,000.00
19.B. Less: Offsetting collections	(111,801,881.65)	(533,250,774.68)
19.D. Net Outlays	<u>\$ (53,851,881.65)</u>	<u>\$ (459,824,774.68)</u>

Note 1. Significant Accounting Policies**1.A. Basis of Presentation**

These financial statements have been prepared, in accordance with Chief Financial Officers Act of 1990 (CFO), to report the financial position and results of operations of the Foreign Military Sales (FMS) Trust Fund and its accounts and, as identified in the President's Budget Request, the Foreign Operations (International Affairs) appropriated accounts. The FMS Trust Fund has accounts for U.S. government funds appropriated for security assistance and for funds deposited by foreign countries and international organizations, or by others for their use. The FMS Trust Fund and other accounts for funds appropriated for security assistance are managed by the Defense Security Cooperation Agency (DSCA) on behalf of the Department of Defense (DoD), in accordance with the authority of the Executive Office of the President (EOP), and the requirements of the CFO Act of 1990, as expanded by the "Government Management Reform Act of 1994," and other applicable laws and regulations.

The financial statements were prepared from accounting records that are maintained by the Military Departments (MILDEPs), Other Defense Organizations (ODO), and the Defense Finance and Accounting Service (DFAS) in accordance with the DoD "Financial Management Regulation," Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements," Statements of Federal Financial Accounting Standards (SFFAS), and to the extent possible, generally accepted accounting principles (GAAP). The accompanying financial statement information accounts for all FMS Trust Fund resources and the accounts for funds appropriated for security assistance unless otherwise noted. 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.

The FMS Trust Fund accounting systems, including its sub accounts and the accounts for funds appropriated for security assistance, are unable to fully implement all elements of GAAP and the OMB Circular A-136, due to limitations of its financial management processes, financial systems, and nonfinancial systems and processes that feed into the financial statements. Many of the accounts derive their reported values and other data and information for major asset and liability categories largely from nonfinancial systems, such as MILDEPs' inventory and logistic systems. Such legacy systems were designed to support reporting requirements for maintaining asset accountability and reporting the status of federal appropriations rather than preparing financial statements consistent with GAAP. There are ongoing efforts to implement process and system improvements addressing these limitations.

The DoD currently has several auditor identified financial statement material weaknesses: The FMS Trust Fund and the accounts for funds appropriated for security assistance material weaknesses may include (1) Financial Management Systems, (2) Intergovernmental Eliminations, (3) Unsupported Accounting Entries, (4) Fund Balance with Treasury (5) Statement of Net Cost, (5) Reconciliation of Net Cost of Operations to Budget, (6) Accounts Payable, and (7) Accounts Receivable.

1.B. Mission of the Reporting Entity

The DSCA mission is to lead, direct and manage security cooperation programs and resources to support the U.S. national security objectives. Such programs build relationships with foreign countries, and international organizations that promote the U.S. interests, develop allied and partner capacities for self-defense and coalition participation in overseas contingency operations and promote peacetime and contingency access for U.S. forces. The DSCA accomplishes its responsibilities for security cooperation in concert with the Department of State (DOS), MILDEPs, other U.S. Government organizations, U.S. industry and non-governmental organizations. Together we provide financial and technical assistance, Foreign Military Financing (FMF) for defense articles and services, including training, provided through the FMS program, as well as training provided and funded under International Military Education and Training (IMET) authorities.

1.C. Appropriations and Funds

The FMS Trust Fund is a U.S. Treasury account (Treasury Account Symbol (TAS) 8242) which contains deposits from FMS foreign country and international organization customers, as well as funds transferred into the account from U.S. Government appropriations, for use in carrying out specific purposes or programs in accordance with the Arms Export and Control Act (AECA) (22 U.S.C. § 2751 et seq.), the Foreign Assistance Act of 1961, as amended (FAA), (22 U.S.C. § 2151 et seq.), and other legal authorities. The monies in the FMS Trust Fund are subject to U.S. Treasury account system controls from the date of receipt to the date of expenditure or refund. At the country or customer level, there are separate sub accounts used by DoD through DSCA and DFAS to separately and individually account for each FMS customer's deposits, other collections or deposits, payments of bills, refunds and adjustments. At the U.S. Treasury level, the corpus of the FMS Trust Fund represents the total aggregations of balances (receipts minus disbursements) for all activities and programs.

The DoD utilizes separate U.S. Treasury Accounts for the general fund Foreign Operations (International Affairs) appropriations. These accounts are:

- International Military Education and Training (TAS 1081)
- Foreign Military Financing Program Account (TAS 1082)
- Foreign Military Loan Liquidating Account (TAS 4121)
- Foreign Military Financing Direct Loan Financing Account (TAS 4122)
- Military Debt Reduction Financing Account (TAS 4174)

The DSCA receives its funds for the FMS Trust Fund and the accounts for funds appropriated for security assistance as general, special, and trust funds. The DSCA uses these appropriations and funds to execute its missions and subsequently reports on resource usage.

General and special appropriations transferred into the FMS Trust Fund are used for financial transactions, including personnel, operations and maintenance of security assistance functions, and financing of FMS which may include sales of defense articles and services from stock or through procurement, and the sale of foreign military construction.

The FMS Trust Fund accounts for receipts and expenditures of funds held in trust by the U.S. government for use in carrying out specific purposes or programs in accordance with applicable laws, regulations and agreements.

The DSCA is a party to allocation transfers as the child for the following fund(s) that meet the OMB exception, thus all related activity is included in our financial statements which are reported separately from the DoD financial statements for: International Military Education and Training, Foreign Military Financing Program Account, Foreign Military Loan Liquidating Account, Foreign Military Financing Direct Loan Financing Account, Military Debt Reduction Financing Account, and the FMS Trust Fund. Allocation transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency. Generally, all financial activity related to these allocation transfers is reported in the financial statements of the parent entity. Exceptions to this general rule will apply to specific funds for which the OMB has directed that all activity will be reported in the financial statements of the child to the transfer. Exceptions include all U.S. Treasury-Managed Trust Funds, EOP, and all other funds specifically designated by OMB.

1.D. Basis of Accounting

For FY 2009, the legacy financial management systems utilized for the FMS Trust Fund and the accounts for funds appropriated for security assistance are unable to meet all of the requirements for full accrual accounting. Many of the financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of GAAP guidance for federal agencies. These legacy systems were not designed to collect and record financial information on a full accrual accounting basis. Most of the financial and nonfinancial legacy systems were designed to record information on a budgetary basis.

The DSCA, with MILDEPs and ODOs, has undertaken efforts to determine the actions required to bring its financial and nonfinancial feeder systems and processes into compliance with GAAP. One such action is the current revision of its accounting systems to record transactions based on the U.S. Standard General Ledger (USSGL). Until all the systems and related processes have been updated to collect and report financial information as required, the reported financial data is based on budgetary transactions (obligations, disbursements, and collections), transactions from nonfinancial feeder systems, and adjustments for known accruals of items such as payroll expenses and liabilities.

1.E. Revenues and Other Financing Sources

As authorized by legislation, payments for the sales of defense articles and services are deposited into the FMS Trust Fund. Appropriations provided on an annual or multiyear basis for security assistance are a financing source and are transferred into the FMS Trust Fund, or deposited into the accounts for funds appropriated for security assistance. Pricing for defense articles and services, including training, is established to recover costs as required by the AECA, the FAA, and OMB Circular A-25, "Transmittal Memorandum #1, User Charges." The FMS Trust Fund and the accounts for funds appropriated for security assistance recognize revenue when earned within the constraints of current system capabilities.

The DSCA does not include nonmonetary support provided by friendly foreign countries and international organizations in amounts reported in the Statement of Net Cost and the Note 21, Reconciliation of Net Cost of Operations to Budget.

The DSCA participates in assistance in kind agreements in its overseas presence. The assistance in kind provided in support of security cooperation programs includes the use of facilities and personnel (guards and drivers) at a small number of Security Cooperation Offices worldwide.

1.F. Recognition of Expenses

The DoD policy requires the recognition of operating expenses in the period incurred. However, because the financial and nonfinancial feeder systems for the FMS Trust Fund and the accounts for funds appropriated for security assistance were not designed to collect and record transactions on an accrual accounting basis, accrual adjustments are made for major items such as payroll expenses, accounts payable, and unbilled revenue.

1.G. Accounting for Intragovernmental Activities

Preparation of reliable financial statements requires the elimination of transactions occurring among entities within DoD or between two or more federal agencies. However, DSCA cannot accurately identify most of its intragovernmental transactions because the MILDEP systems do not track buyer and seller data needed to match related transactions. In most cases, the buyer-side records are adjusted to agree with DoD seller-side balances; intragovernmental balances are then eliminated. The DoD is developing long-term system improvements that will include sufficient up front edits and controls to eliminate the need for after the fact reconciliations. The volume of intragovernmental transactions is so large that after-the-fact reconciliation cannot be accomplished effectively with existing or foreseeable resources.

The U.S. Treasury Financial Management Service is responsible for eliminating transactions between DoD and other federal agencies. The U.S. Treasury Financial Manual, Part 2 Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government" and the U.S. Treasury's "Federal Intragovernmental Transactions Accounting Policy Guide," provide guidance for

reporting and reconciling intragovernmental balances. The FMS Trust Fund and the accounts for funds appropriated for security assistance are unable to fully reconcile intragovernmental transactions with all federal partners; however, the FMS Trust Fund is able to reconcile balances pertaining to borrowing from the U.S. Treasury and the Federal Financing Bank, Federal Employees' Compensation Act (FECA) transactions with the Department of Labor, and benefit program transactions with the Office of Personnel Management.

The DoD's proportionate share of public debt and related expenses to the Federal Government is not included. The Federal Government does not apportion debt and its related costs to federal agencies. The DoD's financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

1.H. Transactions with Foreign Governments and International Organizations

Each year, the FMS Trust Fund and the accounts for funds appropriated for security assistance sells defense articles and services to foreign governments and international organizations under the provisions of the AECA. Under the provisions of the Act, DoD has authority to sell defense articles and services to foreign countries and international organizations generally at no profit or loss to the U.S. Government. Payment in U.S. dollars is required in advance.

1.I. Funds with the U.S. Treasury

The FMS Trust Fund monies are held in U.S. Treasury accounts and the Federal Reserve Bank in individual accounts established by the U.S. for foreign countries. Funds held in the Federal Reserve Bank are transferred to the FMS Trust Fund account to be disbursed for FMS purposes.

For monetary financial resources maintained in U.S. Treasury accounts, the disbursing offices of DFAS, the Military Services, the U.S. Army Corps of Engineers (USACE), and the DOS's financial service centers process the majority of the FMS Trust Fund and the accounts for funds appropriated for security assistance cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports that provide information to the U.S. Treasury on check issues, electronic fund transfers, interagency transfers, and deposits.

In addition, DFAS sites and USACE Finance Center submit reports to the U.S. Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records this information to the applicable Fund Balance with Treasury (FBWT) account. The FMS Trust Fund and the accounts for funds appropriated for security assistance recorded balance in FBWT accounts and U.S. Treasury's FBWT accounts must balance monthly.

1.J. Foreign Currency

The FMS Trust Fund only accepts U.S. dollars for payment of defense articles and services. All payments and collections are in U.S. dollars.

1.K. Accounts Receivable

The FMS Trust Fund and the accounts for funds appropriated for security assistance, as presented in the Balance Sheet, accounts receivable includes accounts, claims, and refunds receivable. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. The DoD does not recognize all allowance for estimated uncollectible amounts from other federal agencies. Claims against other federal agencies are to be resolved between the agencies in accordance with dispute resolution procedures defined in the Intragovernmental Business Rules published in the Treasury Financial manual.

1.L. Direct Loans and Loan Guarantees

The DSCA administers the Foreign Military Financing program on behalf of the EOP. Direct loans and loan guarantees are authorized by sections 23 and 24 of the AECA (P.L. 90-269) and other specific legislation. These loans and guarantees assist friendly foreign countries and international organizations in purchasing U.S. defense articles and services. The direct loans and loan guarantees related to Foreign Military Sales are reported separately from the DoD financial statements.

1.M. Inventories and Related Property

The FMS Trust Fund and the accounts for funds appropriated for security assistance do not maintain inventory. The defense articles are provided to the FMS customer from the U.S. Government or the contractor pursuant to a contract with the U.S. Government. Defense articles sold from the DoD or the U.S. Coast Guard are assets of the providing component until title is transferred to foreign customer.

1.N. Investments in U.S. Treasury Securities

Not applicable

1.O. General Property, Plant and Equipment

Not applicable

1.P. Advances and Prepayments

When advances are permitted by law, legislative action, or presidential authorization, the DoD's policy is to record advances and prepayments in accordance with GAAP. As such, payments made in advance of the receipt of goods and services are reported as an asset on the Balance Sheet. The DoD's policy is to expense and/or properly classify assets when the related goods and services are received. Not all military services who execute on behalf DSCA have implemented this policy primarily due to system limitations.

1.Q. Leases

Lease payments for the rental of DSCA operating facilities is contracted for and classified as operating leases. The DSCA as the lessee receives the use and possession of leased property, for example real estate, from a lessor in exchange for payment of funds. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are charged to expenses over the lease terms as it becomes payable.

Office space and leases are funded by the FMS Trust Fund. These costs were gathered from existing operating leases and General Services Administration bills. Future year projections use the Consumer Price Index (CPI) rather than the DoD inflation factor. The CPI impacts increases to the leases, especially those at commercial lease sites. The FMS Trust Fund and the accounts for funds appropriated for security assistance do not have capital leases.

1.R. Other Assets

Other assets includes civil service employee pay advances, travel advances, and certain contract financing payments that are not reported elsewhere on the FMS Trust Fund and the accounts for funds appropriated for security assistance Balance Sheet.

The FMS Trust Fund and the accounts for funds appropriated for security assistance conduct business with commercial contractors using two primary types of contracts: fixed price and cost reimbursable. Contract financing payments are defined in the Federal Acquisition Regulations, Part 32, as authorized disbursements of monies to a contractor prior to acceptance of supplies or services by the Government. These payments are designed to alleviate the potential financial burden on contractors performing on certain long-term contracts and facilitate competition for defense contracts. Contract financing payments clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advance and interim payments, progress payments based on cost, and interim payments under certain cost-reimbursement contracts. It is DoD policy to record certain contract financing payments as other Assets.

Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, or progress payments based on a percentage or stage of completion, which the Defense Federal Acquisitions Regulation Supplement authorizes only for construction of real property, shipbuilding, and ship conversion, alteration, or repair. Progress payments based on percentage or stage of completion are reported as Construction in Progress.

1.S. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The FMS Trust Fund and the accounts for funds appropriated for security assistance recognize contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses. Examples of loss contingencies include the collectibility of receivables, pending, or threatened litigation, and possible claims and assessments. The FMS Trust Fund and the accounts for funds appropriated for security assistance loss contingencies arise as a result of pending or threatened litigation or claims and assessments due to events such as aircraft, ship, and vehicle accidents; medical malpractice; property or environmental damages; and contract disputes.

1.T. Accrued Leave

The FMS Trust Fund reports as liabilities, military leave and civilian earned leave, except sick leave that has been accrued and not used as of the Balance Sheet date. Sick leave is expensed as taken. The liability reported at the end of the accounting period reflects the current pay rates.

1.U. Net Position

Net Position consists of unexpended appropriations and cumulative results of operations. Unexpended Appropriations represent the amounts of authority that are unobligated and have not been rescinded or withdrawn. Unexpended Appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred. Cumulative Results of Operations represent the net difference, since inception of an activity, between expenses and losses and financing sources (including appropriations, revenue, and gains). Beginning with FY 1998, the cumulative results also include donations and transfer in and out of assets without reimbursement.

1.V. Treaties for Use of Foreign Bases

Not applicable

1.W. Unexpended Obligations

The FMS Trust Fund and the accounts for funds appropriated for security assistance obligate funds to provide defense articles, services and training for outstanding orders not yet delivered. Unless the title has passed to the FMS customer, the financial statements do not reflect a liability for payment for goods and services not yet delivered. Unexpended obligations includes both obligations for which goods and services have been delivered and a liability recognized, and obligations for which no delivery has occurred and no liability recognized. The balance of unexpended obligations appears immediately before net outlays in the Statement of Budgetary Resources, and is referred to as “Total, unpaid obligated balances, net, end of period.”

1.X. Undistributed Disbursements and Collections

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to a specific obligation, payable, or receivable in the activity field records as opposed to those reported by the U.S. Treasury. These amounts should agree with the undistributed amounts reported on the departmental accounting reports. In-transit payments are those payments that have been made to other agencies or entities that have not been recorded in the fund holder’s accounting records. These payments are applied to the entity’s outstanding accounts payable balance. In-transit collections are those collections from other agencies or entities that have not been recorded in the accounting records. These collections are also applied to the entity’s accounts receivable balance.

The FMS Trust Fund and accounts for funds appropriated for security assistance follow the DoD policy is to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of federal and nonfederal accounts payable and accounts receivable. Unsupported undistributed disbursements are recorded in accounts payable. Unsupported undistributed collections are recorded in other liabilities.

1.Y. Significant Events

Not applicable

1.Z. Fiduciary Activities

Not applicable

Note 2.	Nonentity Assets
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As of June 30	2009	2008
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ 13,122,515,952.18	\$ 13,181,891,382.70
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 13,122,515,952.18	\$ 13,181,891,382.70
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ 17,542,703,281.60	\$ 14,205,906,285.83
B. Accounts Receivable	731,239,736.23	21,628,477.98
C. Other Assets	12,947,987,316.94	10,619,913,414.24
D. Total Nonfederal Assets	\$ 31,221,930,334.77	\$ 24,847,448,178.05
3. Total Nonentity Assets	\$ 44,344,446,286.95	\$ 38,029,339,560.75
4. Total Entity Assets	\$ 6,987,827,602.65	\$ 6,004,137,358.62
5. Total Assets	\$ 51,332,273,889.60	\$ 44,033,476,919.37

Nonentity Assets are assets for which the Foreign Military Sales (FMS) Trust Fund and the accounts for funds appropriated for security assistance maintains stewardship accountability and responsibility to report, but are not available for the agency's operations.

Fund Balance with Treasury and Cash and Other Monetary Assets consist of advance deposits from friendly countries and international organizations to facilitate the purchase of U.S. defense articles and services based on future requirement forecasts.

Accounts Receivable consist of amounts due for interest, fines and penalties due on debt from loans and nonfederal funds owed to the FMS Trust Fund country accounts that are in litigation at Department of Justice or collection status at Defense Finance and Accounting Service. Some portion of these uncollected funds may be payable to the FMS Administrative Surcharge account, but are not discernable prior to collection.

Nonfederal Other Assets consist primarily of advances paid to contractors for undelivered defense articles and services intended for future delivery to the FMS customer.

Note 3.	Fund Balance with Treasury
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As of June 30	2009	2008
1. Fund Balances		
A. Appropriated Funds	\$ 4,107,544,163.98	\$ 3,099,184,291.67
B. Revolving Funds	0.00	0.00
C. Trust Funds	13,122,515,952.18	13,181,891,382.70
D. Special Funds	0.00	0.00
E. Other Fund Types	1,835,049,562.06	1,342,461,247.64
F. Total Fund Balances	\$ 19,065,109,678.22	\$ 17,623,536,922.01
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	\$ 19,065,109,678.22	\$ 17,623,536,922.01
B. Fund Balance per FMS and SA Accounts	19,065,109,678.22	17,623,536,922.01
3. Reconciling Amount		
	\$ 0.00	\$ 0.00

The \$1.8 billion reported as Fund Balances, Other Fund Types consists of funds on deposit for the management of Foreign Military Sales (FMS) Administration, Contract Administrative Services, Transportation, Attrition and General Services Administration Packing, Crating and Handling.

Status of Fund Balance with Treasury

As of June 30	2009	2008
1. Unobligated Balance		
A. Available	\$ 2,375,343,251.02	\$ 663,284,663.66
B. Unavailable	59,964,054.18	864,404,377.25
2. Obligated Balance not yet Disbursed	\$ 86,929,024,955.25	\$ 75,231,742,183.45
3. Nonbudgetary FBWT	\$ 16,634,152,959.86	\$ 17,321,249,233.29
4. NonFBWT Budgetary Accounts	\$ (86,933,375,542.09)	\$ (76,457,143,535.64)
5. Total	\$ 19,065,109,678.22	\$ 17,623,536,922.01

The Status of Fund Balance with Treasury (FBWT) consists of unobligated and obligated balances. These balances reflect the budgetary authority remaining for disbursements against current or future obligations. In addition, the Status includes various accounts that affect either budgetary reporting or FBWT, but not both.

Unobligated Balance 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 and is associated with appropriations expiring at fiscal year end that remain available only for obligation adjustments until the account is closed.

Obligated Balance not yet Disbursed 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/received but not yet paid.

Nonbudgetary FBWT includes entity and nonentity FBWT accounts which represents adjustments that do not have budgetary authority, such as unavailable receipt accounts or clearing accounts. The Nonbudgetary FBWT consists of Contingency Operations provided to Department of Defense in supplemental appropriations, and Contingency Operations funding transferred from Department of State (DOS), which DOS received in supplemental appropriations. Obligations are incurred using contract authority and liquidated with these appropriations.

NonFBWT Budgetary Accounts represents adjustments to budgetary accounts that do not effect FBWT. This category reduces the Status of FBWT. The NonFBWT Budgetary Accounts primarily consists of nonentity cash deposited in the Federal Reserve Bank, and contract authority.

Unobligated balances are segregated to show available and unavailable amounts in the note schedule. Certain unobligated balances are restricted to future use and are not

apportioned for current use. The unobligated balance is restricted for use for specific purposes and time.

Note 5.	Accounts Receivable
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As of June 30	2009		
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 0.00	N/A	\$ 0.00
2. Nonfederal Receivables (From the Public)	\$ 39,961,957.93	\$ 0.00	\$ 39,961,957.93
3. Total Accounts Receivable	\$ 39,961,957.93	\$ 0.00	\$ 39,961,957.93

As of June 30	2008		
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 0.00	N/A	\$ 0.00
2. Nonfederal Receivables (From the Public)	\$ 21,628,477.98	\$ 0.00	\$ 21,628,477.98
3. Total Accounts Receivable	\$ 21,628,477.98	\$ 0.00	\$ 21,628,477.98

The Allowances for Estimated Uncollectibles are based upon collection experience. Historically these amounts have been collected at completion of ligation, thus an allowance for uncollectable has not been recognized.

Note 6.	Other Assets
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As of June 30	2009	2008
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ 0.00	\$ 0.00
B. Other Assets	0.00	0.00
C. Total Intragovernmental Other Assets	\$ 0.00	\$ 0.00
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	\$ 355,326,147.14	\$ 1,371,553,967.54
B. Advances and Prepayments	12,947,987,316.94	9,564,800,843.11
C. Other Assets (With the Public)	0.00	0.00
D. Total Nonfederal Other Assets	\$ 13,303,313,464.08	\$ 10,936,354,810.65
3. Total Other Assets	\$ 13,303,313,464.08	\$ 10,936,354,810.65

Contract terms and conditions for certain types of contract financing payments convey certain rights to the Foreign Military Sales (FMS) Trust Fund that protect the contract work from state or local taxation, liens or attachment by the contractor's creditors, transfer of property, or disposition in bankruptcy; however, these rights should not be misconstrued to mean that ownership of the contractor's work has transferred to the Government. The Government does not have the right to take the work, except as provided in contract clauses related to termination or acceptance, and the FMS Trust Fund is not obligated to make payment to the contractor until delivery and acceptance of a satisfactory product.

The Contract Financing Payment balance of \$355.3 million is the estimate of future payments that will be paid to the contractor upon future delivery and Government acceptance of a satisfactory product. (See additional discussion in Note 15, Other Liabilities).

Note 7.	Cash and Other Monetary Assets
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As of June 30	2009	2008
1. Cash	\$ 17,542,703,281.60	\$ 14,205,906,285.83
2. Foreign Currency	0.00	0.00
3. Other Monetary Assets	0.00	0.00
4. Total Cash, Foreign Currency, & Other Monetary Assets	<u>\$ 17,542,703,281.60</u>	<u>\$ 14,205,906,285.83</u>

Restricted cash of \$17.5 billion includes advance deposits from foreign nations in the Federal Reserve Bank which have not been transferred to the Foreign Military Sales Trust Fund and are not available for agency use (nonentity cash).

Note 8. Direct Loan and Loan Guarantees

As of June 30

Direct Loan and/or Loan Guarantee Programs**The DSCA operates the following Direct Loans and/or Loan Guarantee Programs:**

The Arms Export Control Act, as amended, authorizes funds to be appropriated to the President for financing the sales of defense articles and defense services to eligible foreign countries. Each loan is reviewed in the light of the purchasing country's financial condition, its need for credit, U.S. economic or military assistance programs in the country and region, and other proposed arms purchases by the country. The President delegates to the Secretary of Defense the authority to issue and guaranty loans through the designated administering agency, the Defense Security Cooperation Agency (DSCA). The loans are issued to friendly, less economically developed countries. Pursuant to the authority contained in the Act, DSCA operates the four funds, known as: For pre-1992 loans (1) Foreign Military Loan Liquidating Account (FMLLA). For post-1991 loans (2&3) the Foreign Military Direct Loan Program and Financing Accounts for post-1991 loans, and (4) the Military Debt Reduction Financing Account (MDRFA) for reducing loan receivables for eligible countries.

The FMLLA is a liquidating account that includes all assets, liabilities, and equities for loan balances recorded prior to FY 1992. No new loan disbursements are made from this account. Certain collections made into this account are made available for default claim payments. The Federal Credit Reform Act (FCRA) provides permanent indefinite authority to cover obligations for default payments in the event the funds in the liquidating account are otherwise insufficient.

Foreign Military Financing Direct Loan Program Account (FMFDLP) is a program account that was established pursuant to the FCRA to provide the funds necessary for the subsidy element of loans. Expenditures from this account finance the subsidy element of direct loan disbursements and are transferred into the Foreign Military Financing Direct Loan Financing Account (FMFDLF) to make required loan disbursements for approved FMS or commercial sales. For the purpose of this report, FMFDLP accounting transactions, to the extent they are relevant to the FMFDLF account, are included in the data reported for the FMFDLF account.

The FMFDLF is a financing account that is used to make disbursements of Foreign Military Loan funds for approved procurements and for subsequent collections for the loans after September 30, 1991. The account uses permanent borrowing authority from the U.S. Treasury combined with transfers of appropriated funds from FMFDLP account to make the required disbursements to loan recipient country borrowers for approved procurements. Receipts of debt service collections from borrowers are used to repay borrowings from U.S. Treasury.

Military Debt Reduction Financing Account (MDRFA) is a financing account that was established for the debt relief of certain countries as established by Public Law 103-87. The MDRFA buys the portfolio of loans from the FMLLA, thus transferring the loans from the FMLLA account to the MDRFA account. The Paris Club negotiates the debt forgiveness with Highly Indebted Poor Countries (HIPC).

The Paris Club has nineteen member countries that negotiate rescheduling or refinancing of debt for HIPC. The Paris Club provides debt reduction initially on payments coming due over a specific period that correspond to the length of an International Monetary Fund (IMF) supported economic reform program. Reduction then is staged, with each successive stage contingent upon debtor country compliance with its IMF-support program. Under Naples Terms, stock of debt reduction is provided after three years of good performance with respect to IMF reform programs and payments to Paris Club creditors. The United States incurs the budget cost of the eventual stock of debt reduction when it agrees to the initial “maturities” reduction of payments coming due, since bilateral agreements commit us to stock reduction once the Paris Club agrees to provide them.

The FCRA governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees.

Direct loans are reported at the net present value of the following projected cash flows: (1) Loan disbursements, (2) Repayments of principal and (3) Payments of interest and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties and other recoveries.

Summary of Direct Loans and Loan Guarantees
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As of June 30	2009	2008
Loans Receivable		
<u>Direct Loans</u>		
1. Foreign Military Loan Liquidating Account	\$ 1,304,468,517.84	\$ 1,258,971,361.32
2. Military Housing Privatization Initiative	0.00	0.00
3. Foreign Military Financing Account	65,896,599.46	95,839,032.32
4. Military Debt Reduction Financing Account	10,820,390.47	(108,759,970.74)
5. Total Direct Loans	\$ 1,381,185,507.77	\$ 1,246,050,422.90
<u>Defaulted Loan Guarantees</u>		
6. A. Foreign Military Financing Account	\$ 0.00	\$ 0.00
B. Military Housing Privatization Initiative	0.00	0.00
C. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
7. Total Default Loan Guarantees	\$ 0.00	\$ 0.00
8. Total Loans Receivable	\$ 1,381,185,507.77	\$ 1,246,050,422.90

As of June 30	2009	2008
Loan Guarantee Liability		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
2. Military Housing Privatization Initiative	0.00	0.00
3. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
4. Total Loan Guarantee Liability	\$ 0.00	\$ 0.00

Direct Loans Obligated

As of June 30	2009	2008
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):		
1. Foreign Military Loan Liquidating Account		
A. Loans Receivable Gross	\$ 1,092,496,547.02	\$ 1,097,370,112.22
B. Interest Receivable	1,462,793,485.56	161,601,249.10
C. Foreclosed Property	0.00	0.00
D. Allowance for Loan Losses	(1,250,821,514.74)	0.00
E. Value of Assets Related to Direct Loans, Net	\$ 1,304,468,517.84	\$ 1,258,971,361.32
Direct Loans Obligated After FY 1991 (Present Value Method):		
2. Military Housing Privatization Initiative		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans	\$ 0.00	\$ 0.00
3. Foreign Military Financing Account		
A. Loans Receivable Gross	\$ 57,950,000.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	7,946,599.46	95,839,032.32
E. Value of Assets Related to Direct Loans	\$ 65,896,599.46	\$ 95,839,032.32
4. Military Debt Reduction Financing Account		
A. Loans Receivable Gross	\$ 190,905,229.07	\$ 190,912,643.07
B. Interest Receivable	40,363,682.38	28,110,538.09
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	(220,448,520.98)	(327,783,151.90)
E. Value of Assets Related to Direct Loans, Net	\$ 10,820,390.47	\$ (108,759,970.74)
5. Total Direct Loans Receivable	\$ 1,381,185,507.77	\$ 1,246,050,422.90

Other Disclosures:

The DSCA bills the countries every six months for loan repayments. Accrued interest receivable is calculated as simple interest based on the terms of the loans with the countries. Interest on unpaid balances due is accrued at the same interest rate as the loan

interest rate except for loans that are owed to the Federal Financing Bank where an extra 4% is added to the current interest rate.

The allowance for credit subsidy account for the Financing Direct Loan Financing (FMFDLF) account is calculated taking into consideration three transactions: (1) transfers of subsidy from the program account to the financing account; (the subsidy is the difference between the expected cash outlays from the U.S. Government and the present value of the expected collections); (2) interest payments from the U.S. Treasury to the financing fund; and (3) upward adjustments due to reestimates as U.S. Treasury borrowing rates change over time from the loan repayment rate and an increase in estimated defaults on the loan.

The abnormal debit balance for allowance of \$7.9 million in the FMFDLF is the unamortized portion of the subsidy that results from a credit balance reflects the cost of the loan to the U.S. Government. A debit balance results from: (1) interest expense paid on U.S. Treasury borrowings, and (2) downward adjustments due to reestimates when the loan repayment rate exceeds the U.S. Treasury borrowing rate, and a decrease in estimated defaults. The loans in the FMFDLF account are categorized as moderate to medium risk and were expected to have an increasing amount of defaults over the years. This was built into the subsidy amount. As the loan matured, none of the loans defaulted and the U.S. Treasury borrowing rates fell below some of the loan interest rates. This resulted in downward reestimates and a negative subsidy rate for the loans, which resulted in a debit balance in the allowance for subsidy. This unexpected debit balance has occurred for several years due to the downward reestimates due to zero defaults.

Total Amount of Direct Loans Disbursed

As of June 30	2009	2008
Direct Loan Programs		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Foreign Military Financing Account	57,950,000.00	73,426,000.00
3. Military Debt Reduction Financing Account	0.00	0.00
4. Total	\$ 57,950,000.00	\$ 73,426,000.00

Schedule for Reconciling Subsidy Cost Allowance Balances for Post FY1991 Direct Loans

As of June 30	2009	2008
Beginning Balances, Changes and Ending Balance:		
1. Beginning Balance of the Subsidy Cost Allowance	\$ 205,084,242.87	\$ 225,658,440.75
2. Add: Subsidy Expense for Direct Loans Disbursed during the Reporting Years by Component		
A. Interest Rate Differential Costs	\$ 0.00	\$ 0.00
B. Default Costs (Net of Recoveries)	0.00	0.00
C. Fees and Other Collections	0.00	0.00
D. Other Subsidy Costs	0.00	0.00
E. Total of the above Subsidy Expense Components	\$ 0.00	\$ 0.00
3. Adjustments		
A. Loan Modifications	\$ 0.00	\$ 0.00
B. Fees Received	0.00	0.00
C. Foreclosed Property Acquired	0.00	0.00
D. Loans Written Off	(20,429.22)	(19,571.74)
E. Subsidy Allowance Amortization	7,438,107.87	6,305,250.57
F. Other	0.00	0.00
G. Total of the above Adjustment Components	\$ 7,417,678.65	\$ 6,285,678.83
4. Ending Balance of the Subsidy Cost Allowance before Reestimates	\$ 212,501,921.52	\$ 231,944,119.58
5. Add or Subtract Subsidy Reestimates by Component		
A. Interest Rate Reestimates	\$ 0.00	\$ 0.00
B. Technical/Default Reestimate	0.00	0.00
C. Total of the above Reestimate Components	\$ 0.00	\$ 0.00
6. Ending Balance of the Subsidy Cost Allowance	\$ 212,501,921.52	\$ 231,944,119.58

Administrative Expenses

Administrative expenses for loans are not funded in the loan program account. The OMB made the decision to fund administration of loans in the FMF Grant account (11*1082) since the dollar amount was so low.

Note 11.	Liabilities Not Covered by Budgetary Resources
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As of June 30	2009	2008
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	0.00	0.00
C. Other	93,365.58	507,498,082.43
D. Total Intragovernmental Liabilities	\$ 93,365.58	\$ 507,498,082.43
2. Nonfederal Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement and Other Federal Employment Benefits	339,277.10	327,960.61
C. Environmental Liabilities	0.00	0.00
D. Other Liabilities	0.00	0.00
E. Total Nonfederal Liabilities	\$ 339,277.10	\$ 327,960.61
3. Total Liabilities Not Covered by Budgetary Resources	\$ 432,642.68	\$ 507,826,043.04
4. Total Liabilities Covered by Budgetary Resources	\$ 46,047,684,590.22	\$ 39,564,130,811.39
5. Total Liabilities	\$ 46,048,117,232.90	\$ 40,071,956,854.43

The liabilities not covered by Budgetary Resources are liabilities for which Congressional action is needed before budgetary resources can be provided. These liabilities are categorized as not covered because there is no current or immediate appropriation available for liquidation.

Military Retirement and Other Federal Employment Benefits not covered by budgetary resources represent Federal Employee Compensation Act actuarial liabilities of \$339.3 thousand that is not due and payable during the current fiscal year. Refer to Note 17, Military Retirement and Other Federal Employment Benefits, for additional details and disclosures.

Intragovernmental Liabilities Other, represents the amount payable to Department of Labor for FECA liabilities.

Note 12.	Accounts Payable
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As of June 30	2009		
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total
1. Intragovernmental Payables	\$ 0.00	\$ N/A	\$ 0.00
2. Nonfederal Payables (to the Public)	578,456,281.67	0.00	578,456,281.67
3. Total	\$ 578,456,281.67	\$ 0.00	\$ 578,456,281.67

As of June 30	2008		
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total
1. Intragovernmental Payables	\$ 0.00	\$ N/A	\$ 0.00
2. Nonfederal Payables (to the Public)	1,120,039,775.97	0.00	1,120,039,775.97
3. Total	\$ 1,120,039,775.97	\$ 0.00	\$ 1,120,039,775.97

Note 13.	Debt
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As of June 30	2009		
	Beginning Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ 37,594,497.92	\$ 87,720,018.57	\$ 125,314,516.49
B. Debt to the Federal Financing Bank	687,963,052.28	(74,772,312.74)	613,190,739.54
C. Total Agency Debt	\$ 725,557,550.20	\$ 12,947,705.83	\$ 738,505,256.03
2. Total Debt	\$ 725,557,550.20	\$ 12,947,705.83	\$ 738,505,256.03

As of June 30	2008		
	Beginning Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ 252,153,488.28	\$ 48,594,176.56	\$ 300,747,664.84
B. Debt to the Federal Financing Bank	2,683,112,603.14	(1,931,570,804.44)	751,541,798.70
C. Total Agency Debt	\$ 2,935,266,091.42	\$ (1,882,976,627.88)	\$ 1,052,289,463.54
2. Total Debt	\$ 2,935,266,091.42	\$ (1,882,976,627.88)	\$ 1,052,289,463.54

The Federal Credit Reform Act (FCRA) of 1990 provides financing accounts with indefinite authority to borrow from the U.S. Treasury to fund disbursements of loans made to sovereign nations for security assistance. This debt to the U.S. Treasury is reflected in the Foreign Military Financing Direct Loan Financing account and the Military Debt Reduction account.

Beginning in January 1975, the DSCA and the Federal Financing Bank (FFB), acting under section 24 of the Arms Export Control Act, as amended, entered into an agreement whereby the FFB would make loan agreements with friendly nations and acquire promissory notes guaranteed by DSCA. The promissory notes are considered DSCA borrowings from the FFB. The promissory notes still owed to the FFB are reflected in the Foreign Military Loan Liquidating account.

The majority of the debt represents direct and guaranteed loans to foreign countries for pre 1992 and post 1991 loans. The FCRA governs all direct loan obligations and loan guarantee commitments made after FY 1991. Before 1992, funds were borrowed from the FFB to either directly loan the funds to foreign countries or to reimburse guaranteed loans defaulted. Beginning in 1992, based on the FCRA, the security assistance program began borrowing the funds from the U.S. Treasury.

The DSCA must pay the debt if the foreign country borrower defaults on the loan. For loan defaults DSCA must pay the outstanding principal amounts guaranteed.

Note 15.	Other Liabilities
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As of June 30

2009

Current
LiabilityNoncurrent
Liability

Total

1. Intragovernmental

A. Advances from Others	\$	0.00	\$	0.00	\$	0.00
B. Deposit Funds and Suspense Account Liabilities		0.00		0.00		0.00
C. Disbursing Officer Cash		0.00		0.00		0.00
D. Judgment Fund Liabilities		0.00		0.00		0.00
E. FECA Reimbursement to the Department of Labor		93,365.58		0.00		93,365.58
F. Custodial Liabilities		0.00		691,277,778.30		691,277,778.30
G. Employer Contribution and Payroll Taxes Payable		0.00		0.00		0.00
H. Other Liabilities		0.00		0.00		0.00
I. Total Intragovernmental Other Liabilities	\$	93,365.58	\$	691,277,778.30	\$	691,371,143.88

2. Nonfederal

A. Accrued Funded Payroll and Benefits	\$	396,771.98	\$	0.00	\$	396,771.98
B. Advances from Others		43,653,168,508.65		0.00		43,653,168,508.65
C. Deferred Credits		0.00		0.00		0.00
D. Deposit Funds and Suspense Accounts		0.00		0.00		0.00
E. Temporary Early Retirement Authority		0.00		0.00		0.00
F. Nonenvironmental Disposal Liabilities						
(1) Military Equipment (Nonnuclear)		0.00		0.00		0.00
(2) Excess/Obsolete Structures		0.00		0.00		0.00
(3) Conventional Munitions Disposal		0.00		0.00		0.00
G. Accrued Unfunded Annual Leave		0.00		0.00		0.00
H. Capital Lease Liability		0.00		0.00		0.00
I. Contract Holdbacks		30,553,846.45		0.00		30,553,846.45
J. Employer Contribution and Payroll Taxes Payable		0.00		0.00		0.00
K. Contingent Liabilities		0.00		355,326,147.14		355,326,147.14
L. Other Liabilities		0.00		0.00		0.00
M. Total Nonfederal Other Liabilities	\$	43,684,119,127.08	\$	355,326,147.14	\$	44,039,445,274.22

3. Total Other Liabilities

	\$	43,684,212,492.66	\$	1,046,603,925.44	\$	44,730,816,418.10
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Security Assistance

As of June 30	2008		
	Current Liability	Noncurrent Liability	Total
1. Intragovernmental			
A. Advances from Others	\$ 0.00	\$ 0.00	\$ 0.00
B. Deposit Funds and Suspense Account Liabilities	0.00	0.00	0.00
C. Disbursing Officer Cash	0.00	0.00	0.00
D. Judgment Fund Liabilities	0.00	0.00	0.00
E. FECA Reimbursement to the Department of Labor	68,519.81	0.00	68,519.81
F. Custodial Liabilities	0.00	507,429,562.62	507,429,562.62
G. Employer Contribution and Payroll Taxes Payable	0.00	0.00	0.00
H. Other Liabilities	79,819,251.07	0.00	79,819,251.07
I. Total Intragovernmental Other Liabilities	\$ 79,887,770.88	\$ 507,429,562.62	\$ 587,317,333.50
2. Nonfederal			
A. Accrued Funded Payroll and Benefits	\$ 0.00	\$ 0.00	\$ 0.00
B. Advances from Others	36,974,226,989.62	0.00	36,974,226,989.62
C. Deferred Credits	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	0.00	0.00	0.00
E. Temporary Early Retirement Authority	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities			
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	0.00	0.00
G. Accrued Unfunded Annual Leave	0.00	0.00	0.00
H. Capital Lease Liability	0.00	0.00	0.00
I. Contract Holdbacks	21,313,934.78	0.00	21,313,934.78
J. Employer Contribution and Payroll Taxes Payable	0.00	0.00	0.00
K. Contingent Liabilities	0.00	316,441,396.41	316,441,396.41
L. Other Liabilities	0.00	0.00	0.00
M. Total Nonfederal Other Liabilities	\$ 36,995,540,924.40	\$ 316,441,396.41	\$ 37,311,982,320.81
3. Total Other Liabilities	\$ 37,075,428,695.28	\$ 823,870,959.03	\$ 37,899,299,654.31

Other Liabilities

Contingent Liabilities includes \$355.3 million related to contracts authorizing Progress Payments Based on Cost as defined in the Federal Acquisition Regulation (FAR). In accordance with contract terms, specific rights to the contractors' work vests with the Federal Government when a specific type of contract financing payment is made. This action protects taxpayer funds in the event of contract nonperformance. These rights should not be misconstrued as rights of ownership. The Department is under no obligation to pay contractors for amounts greater than the amounts authorized in contracts until delivery and government acceptance. Due to the probability the contractors will complete their efforts and deliver satisfactory products, and because the amount of potential future payments are estimable, the Department has recognized a contingent liability for estimated future payments which are conditional pending delivery and government acceptance.

Total Contingent Liabilities for Progress Payments Based on Cost represent the difference between the estimated costs incurred to date by contractors and amounts authorized to be paid under Progress Payments Based on Cost provisions within the FAR. Estimated contractor-incurred costs are calculated by dividing the cumulative unliquidated Progress Payments Based on Cost by the contract-authorized progress payment rate. The balance of unliquidated Progress Payments Based on Cost is deducted from the estimated total contractor-incurred costs to determine the contingency amount.

Note 16.	Commitments and Contingencies
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Claims may be presented and/or the U.S. Government may be a party in various administrative proceedings or court litigations, but it is highly unlikely that any can implicate the Foreign Military Sales Trust Fund. The U.S. funds appropriated for security assistance generally are not legally available for paying claims.

Note 17.	Military Retirement and Other Federal Employment Benefits
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As of June 30	2009			
	Liabilities	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
1. Pension and Health Actuarial Benefits				
A. Military Retirement Pensions	\$ 0.00		\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits	0.00		0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	0.00		0.00	0.00
D. Total Pension and Health Actuarial Benefits	\$ 0.00		\$ 0.00	\$ 0.00
2. Other Actuarial Benefits				
A. FECA	\$ 339,277.10		\$ 0.00	\$ 339,277.10
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00
C. DoD Education Benefits Fund	0.00		0.00	0.00
D. Total Other Actuarial Benefits	\$ 339,277.10		\$ 0.00	\$ 339,277.10
3. Other Federal Employment Benefits				
	\$ 0.00		\$ 0.00	\$ 0.00
4. Total Military Retirement and Other Federal Employment Benefits:				
	\$ 339,277.10		\$ 0.00	\$ 339,277.10

Actuarial Cost Method Used:

Assumptions:

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

Security Assistance

As of June 30	2008			
	Liabilities	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
1. Pension and Health Actuarial Benefits				
A. Military Retirement Pensions	\$ 0.00		\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits	0.00		0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	0.00		0.00	0.00
D. Total Pension and Health Actuarial Benefits	\$ 0.00		\$ 0.00	\$ 0.00
2. Other Actuarial Benefits				
A. FECA	\$ 327,960.61		\$ 0.00	\$ 327,960.61
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00
C. DoD Education Benefits Fund	0.00		0.00	0.00
D. Total Other Actuarial Benefits	\$ 327,960.61		\$ 0.00	\$ 327,960.61
3. Other Federal Employment Benefits				
	\$ 0.00		\$ 0.00	\$ 0.00
4. Total Military Retirement and Other Federal Employment Benefits:				
	\$ 327,960.61		\$ 0.00	\$ 327,960.61

Actuarial Cost Method Used:

Assumptions:

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

Federal Employees' Compensation Act.

Actuarial Cost Method Used and Assumptions:

The DSCA FMS Trust Fund actuarial liability for workers' compensation benefits is developed by the Department of Labor and provided to the FMS Trust Fund at the end of each fiscal year. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period.

Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

FY 2008

4.368 % in Year 1

4.770 % in Year 2 and thereafter

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) were applied to the calculation of projected future benefits. The actual rates for these factors for the charge back year (CBY) 2008 were also used to adjust the methodology's historical payments to current year constant dollars.

The compensation COLAs and CPIMs used in the projections for various CBYs were as follows:

<u>CBY</u>	<u>COLA</u>	<u>CPIM</u>
2008	3.03%	4.71%
2009	3.87%	4.01%
2010	2.73%	3.86%
2011	2.20%	3.87%
2012	2.23%	3.93%
2013+	2.30%	3.93%

The model's resulting projections were analyzed to ensure that the estimates were reliable. The analysis was based on four tests: (1) a sensitive analysis of the model to economic assumptions, (2) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual incremental payments (3) a comparison of the incremental paid losses per case (a measure of case-severity) in CBY 2008 to the average pattern observed during the most current three CBYs, and (4) a comparison of the estimated liability per case in the CBY 2008 projection to the average pattern for the projections of the most recent three years.

Note 18.**General Disclosures Related to the Statement of Net Cost****Intragovernmental Costs and Exchange Revenue**

As of June 30

	2009	2008
1. Intragovernmental Costs	\$ 74,250,565.26	\$ 117,140,979.27
2. Public Costs	17,300,765,597.41	14,930,095,444.53
3. Total Costs	\$ 17,375,016,162.67	\$ 15,047,236,423.80
4. Intragovernmental Earned Revenue	\$ (2,638,157.79)	\$ (3,133,079.38)
5. Public Earned Revenue	(43,064,709.12)	(60,609,700.46)
6. Total Earned Revenue	\$ (45,702,866.91)	\$ (63,742,779.84)
7. Net Cost of Operations	\$ 17,329,313,295.76	\$ 14,983,493,643.96

Intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government.

Public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity.

The systems utilized by DSCA for the Foreign Military Sales (FMS) Trust Fund and the accounts for funds appropriated for security assistance do not track intragovernmental transactions by a customer at the transaction level.

The Statement of Net Cost (SNC) represents the net cost of programs and organizations of the Federal Government supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. The Department's current processes and systems do not capture and report accumulated costs for major programs based upon the performance measures as required by the Government Performance and Results Act. The Department is in the process of reviewing available data and developing a cost reporting methodology as required by the Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government, as amended by SFFAS No. 30, "Inter-entity Cost Implementation.

Until all of the FMS Trust Fund and the accounts for funds appropriated for security assistance financial and feeder systems and processes have been updated to collect and report financial information as required, the FMS Trust Fund and the accounts for funds appropriated for security assistance financial data is based on budgetary transactions

(obligations, disbursements, and collections), transactions from feeder systems, and adjustments for known accruals of items such as payroll expenses and accounts payable.

Note 19.	Disclosures Related to the Statement of Changes in Net Position
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The Appropriations received on Statement of Budgetary Resources does not agree with appropriations received on the Statement of Changes in Net Position. The difference of \$16.6 billion is due to the FMS Trust Fund contract authority not being reported as appropriation received on the Statement of Changes in Net Position.

Note 20.	Disclosures Related to the Statement of Budgetary Resources
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As of June 30	2009	2008
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 99,298,123,629.01	\$ 83,668,010,067.10
2. Available Borrowing and Contract Authority at the End of the Period	0.00	0.00

On the Statement of Budgetary Resources (SBR), obligations incurred of \$31.1 billion are direct and exempt from apportionment.

Borrowings from the U.S. Treasury are required to be repaid once a year at the end of the fiscal year. The financing sources for the repayments on borrowings are loan repayment from the countries or permanent indefinite appropriations through subsidy reestimates.

The portions of the Foreign Military Sales (FMS) Trust Fund receipts collected in the current fiscal year that exceed current outlays are temporarily precluded from obligation by law. These receipts, however, are available for obligation as needed in the future.

The Federal Credit Reform Act of 1990 (FCRA) provides permanent indefinite appropriations to fund upward subsidy reestimates that fund repayments of principal and interest of U.S. Treasury borrowings with the FMFDLF and the MDRFA. The FCRA also provides permanent indefinite appropriations to fund loan defaults with the FFB in the FMLLA .

The SBR includes intratentity transactions because the statements are presented combined.

The appropriations received on SBR do not agree with appropriations received on the Statement of Changes in Net Position. The difference of \$16.6 billion is due to the FMS Trust Fund contract authority not being reported as appropriation received on the Statement of Changes in Net Position.

Legal limitations and time restriction on the use of unobligated appropriation balances are provided under Public Law.

Note 21.	Reconciliation of Net Cost of Operations to Budget
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As of June 30		
	2009	2008

Resources Used to Finance Activities:

Budgetary Resources Obligated:

1. Obligations incurred	\$ 31,094,549,558.96	\$ 26,947,663,233.97
2. Less: Spending authority from offsetting collections and recoveries (-)	(120,657,745.46)	(550,292,859.36)
3. Obligations net of offsetting collections and recoveries	\$ 30,973,891,813.50	\$ 26,397,370,374.61
4. Less: Offsetting receipts (-)	(16,634,147,330.86)	(17,321,243,754.07)
5. Net obligations	\$ 14,339,744,482.64	\$ 9,076,126,620.54
Other Resources:		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	0.00	0.00
8. Imputed financing from costs absorbed by others	0.00	0.00
9. Other (+/-)	0.00	0.00
10. Net other resources used to finance activities	\$ 0.00	\$ 0.00
11. Total resources used to finance activities	\$ 14,339,744,482.64	\$ 9,076,126,620.54

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 (-)	\$ (13,698,440,458.75)	\$ (11,865,200,918.97)
12b. Unfilled Customer Orders	0.00	0.00
13. Resources that fund expenses recognized in prior Periods (-)	0.00	(7,402.87)
14. Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	16,745,949,212.51	17,854,494,528.75
15. Resources that finance the acquisition of assets (-)	(57,950,000.00)	(81,919,183.49)
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 (-)	0.00	0.00
16b. Other (+/-)	0.00	0.00
17. Total resources used to finance items not part of the Net Cost of Operations	\$ 2,989,558,753.76	\$ 5,907,367,023.42
18. Total resources used to finance the Net Cost of Operations	\$ 17,329,303,236.40	\$ 14,983,493,643.96

As of June 30	2009	2008
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	\$ 0.00	\$ 0.00
20. Increase in environmental and disposal liability	0.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	0.00	0.00
23. Other (+/-)	10,059.36	0.00
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$ 10,059.36	\$ 0.00
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	\$ 0.00	\$ 0.00
26. Revaluation of assets or liabilities (+/-)	0.00	0.00
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	0.00	0.00
27c. Operating Material and Supplies Used	0.00	0.00
27d. Other	0.00	0.00
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ 0.00	\$ 0.00
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$ 10,059.36	\$ 0.00
30. Net Cost of Operations	\$ 17,329,313,295.76	\$ 14,983,493,643.96

The following note schedule lines are presented as combined instead of consolidated due to intraagency budgetary transactions not being eliminated:

Obligations Incurred
 Less: Spending Authority from Offsetting Collections and Recoveries
 Obligations Net of Offsetting Collections and Recoveries
 Less: Offsetting Receipts
 Net Obligations
 Undelivered Orders
 Unfilled Customer Orders

The \$10 thousand Components Requiring or Generating Resources in Future Period, Other represents the FECA liabilities and the related actuarial liabilities not requiring current year budget authority.