

Department of Defense
Department of the Army
CONSOLIDATED BALANCE SHEET
As of June 30, 2008 and 2007

	2008 Consolidated	2007 Consolidated
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)	221,411,542,398.48	176,450,321,085.12
2. Investments (Note 4)	3,253,717.54	3,022,508.53
3. Accounts Receivable (Note 5)	665,349,148.17	627,073,516.37
4. Other Assets (Note 6)	337,911,900.86	548,678,662.89
5. Total Intragovernmental Assets	\$ 222,418,057,165.05	\$ 177,629,095,772.91
B. Cash and Other Monetary Assets (Note 7)	\$ 2,302,420,749.24	\$ 2,215,207,435.04
C. Accounts Receivable, Net (Note 5)	591,841,534.99	556,917,386.53
D. Loans Receivable (Note 8)	66,840.47	15,553,827.30
E. Inventory and Related Property, Net (Note 9)	40,357,558,135.09	30,567,422,429.26
F. General Property, Plant and Equipment, Net (Note 10)	104,862,796,866.84	87,705,034,855.10
H. Other Assets (Note 6)	6,999,820,206.94	5,639,762,190.17
2. TOTAL ASSETS	\$ 377,532,561,498.62	\$ 304,328,993,896.31
3. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT (Note 10)		
4. LIABILITIES (Note 11)		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 1,620,329,713.72	\$ 1,696,852,976.62
2. Debt (Note 13)	691,349.24	26,312,104.47
3. Other Liabilities (Note 15 & 16)	2,728,244,631.48	3,490,638,249.66
4. Total Intragovernmental Liabilities	\$ 4,349,265,694.44	\$ 5,213,803,330.75
B. Accounts Payable (Note 12)	\$ 12,229,453,769.59	\$ 8,673,768,652.40
C. Military Retirement and Other Federal Employment Benefits (Note 17)	1,483,176,546.48	1,461,097,881.90
D. Environmental and Disposal Liabilities (Note 14)	43,465,713,400.00	45,947,995,216.00
E. Loan Guarantee Liability (Note 8)	(110,338.95)	12,548,528.55
F. Other Liabilities (Note 15 & Note 16)	11,961,326,923.25	8,640,768,403.09
5. TOTAL LIABILITIES	\$ 73,488,825,994.81	\$ 69,949,982,012.69
6. NET POSITION		
B. Unexpended Appropriations - Other Funds	220,784,724,003.16	179,219,565,272.62
C. Cumulative Results of Operations - Earmarked Funds	49,622,769.15	41,046,958.30
D. Cumulative Results of Operations - Other Funds	83,209,388,731.50	55,118,399,652.70
7. TOTAL NET POSITION	\$ 304,043,735,503.81	\$ 234,379,011,883.62
8. TOTAL LIABILITIES AND NET POSITION	\$ 377,532,561,498.62	\$ 304,328,993,896.31

Department of Defense
 Department of the Army
CONSOLIDATED STATEMENT OF NET COST
 For the periods ended June 30, 2008 and 2007

	2008 Consolidated	2007 Consolidated
1. Program Costs		
A. Gross Costs	\$ 149,923,081,306.64	\$ 135,885,615,918.69
B. (Less: Earned Revenue)	(6,906,652,336.56)	(7,175,902,356.36)
C. Net Program Costs	<u>\$ 143,016,428,970.08</u>	<u>\$ 128,709,713,562.33</u>
4. Net Cost of Operations	<u>\$ 143,016,428,970.08</u>	<u>\$ 128,709,713,562.33</u>

Department of Defense

Department of the Army

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2008 and 2007

	2008 Earmarked Funds	2008 All Other Funds
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 24,052,849.07	\$ 68,460,056,252.11
2. Prior Period Adjustments:		
3. Beginning balances, as adjusted	<u>24,052,849.07</u>	<u>68,460,056,252.11</u>
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	150,964,149,985.59
4.C. Nonexchange revenue	115,876.41	0.00
4.D. Donations and forfeitures of cash	6,123,465.92	0.00
4.E. Transfers-in/out without reimbursement	8,249,514.49	420,000,000.00
4.F. Other budgetary financing sources	0.00	0.00
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	1,661,333,923.23
5.C. Imputed financing from costs absorbed by others	0.00	666,051,700.12
5.D. Other (+/-)	<u>18,868,624.95</u>	<u>4,046,438,278.84</u>
6. Total Financing Sources	<u>33,357,481.77</u>	<u>157,757,973,887.78</u>
7. Net Cost of Operations (+/-)	7,787,561.69	143,008,641,408.39
8. Net Change	<u>25,569,920.08</u>	<u>14,749,332,479.39</u>
9. Cumulative Results of Operations	<u>49,622,769.15</u>	<u>83,209,388,731.50</u>
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 124,485,255,050.75
11. Prior Period Adjustments:		
12. Beginning balances, as adjusted	<u>0.00</u>	<u>124,485,255,050.75</u>
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	231,182,897,446.00
13.B. Appropriations transferred-in/out	0.00	18,379,580,492.00
13.C. Other adjustments (rescissions, etc)	0.00	(2,298,859,000.00)
13.D. Appropriations used	0.00	(150,964,149,985.59)
14. Total Budgetary Financing Sources	0.00	96,299,468,952.41
15. Unexpended Appropriations	<u>0.00</u>	<u>220,784,724,003.16</u>
16. Net Position	<u>49,622,769.15</u>	<u>303,994,112,734.66</u>

Department of Defense

Department of the Army

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2008 and 2007

DRAFT

	2008 Eliminations	2008 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 68,484,109,101.18
2. Prior Period Adjustments:		
3. Beginning balances, as adjusted	0.00	68,484,109,101.18
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	150,964,149,985.59
4.C. Nonexchange revenue	0.00	115,876.41
4.D. Donations and forfeitures of cash	0.00	6,123,465.92
4.E. Transfers-in/out without reimbursement	0.00	428,249,514.49
4.F. Other budgetary financing sources	0.00	0.00
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	1,661,333,923.23
5.C. Imputed financing from costs absorbed by others	0.00	666,051,700.12
5.D. Other (+/-)	0.00	4,065,306,903.79
6. Total Financing Sources	0.00	157,791,331,369.55
7. Net Cost of Operations (+/-)	0.00	143,016,428,970.08
8. Net Change	0.00	14,774,902,399.47
9. Cumulative Results of Operations	0.00	83,259,011,500.65
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 124,485,255,050.75
11. Prior Period Adjustments:		
12. Beginning balances, as adjusted	0.00	124,485,255,050.75
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	231,182,897,446.00
13.B. Appropriations transferred-in/out	0.00	18,379,580,492.00
13.C. Other adjustments (rescissions, etc)	0.00	(2,298,859,000.00)
13.D. Appropriations used	0.00	(150,964,149,985.59)
14. Total Budgetary Financing Sources	0.00	96,299,468,952.41
15. Unexpended Appropriations	0.00	220,784,724,003.16
16. Net Position	0.00	304,043,735,503.81

Department of Defense

Department of the Army

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2008 and 2007

	2007 Earmarked Funds	2007 All Other Funds
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 42,791,897.32	\$ 67,447,512,433.98
2. Prior Period Adjustments:		
3. Beginning balances, as adjusted	<u>42,791,897.32</u>	<u>67,447,512,433.98</u>
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	125,737,520,437.92
4.C. Nonexchange revenue	6,929,131.99	0.00
4.D. Donations and forfeitures of cash	1,320,948.38	0.00
4.E. Transfers-in/out without reimbursement	1.00	38,700,000.00
4.F. Other budgetary financing sources	0.00	(671,272,733.11)
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	818,977,865.09
5.C. Imputed financing from costs absorbed by others	0.00	696,745,771.55
5.D. Other (+/-)	(6,147,699.48)	(10,243,917,881.31)
6. Total Financing Sources	<u>2,102,381.89</u>	<u>116,376,753,460.14</u>
7. Net Cost of Operations (+/-)	3,847,320.91	128,705,866,241.42
8. Net Change	<u>(1,744,939.02)</u>	<u>(12,329,112,781.28)</u>
9. Cumulative Results of Operations	41,046,958.30	55,118,399,652.70
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 88,826,492,215.66
11. Prior Period Adjustments:		
12. Beginning balances, as adjusted	<u>0.00</u>	<u>88,826,492,215.66</u>
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	214,749,920,848.00
13.B. Appropriations transferred-in/out	0.00	1,797,234,681.00
13.C. Other adjustments (rescissions, etc)	0.00	(416,562,034.12)
13.D. Appropriations used	0.00	(125,737,520,437.92)
14. Total Budgetary Financing Sources	0.00	90,393,073,056.96
15. Unexpended Appropriations	<u>0.00</u>	<u>179,219,565,272.62</u>
16. Net Position	<u>41,046,958.30</u>	<u>234,337,964,925.32</u>

Department of Defense

Department of the Army

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended June 30, 2008 and 2007

	2007 Eliminations	2007 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 67,490,304,331.30
2. Prior Period Adjustments:		
3. Beginning balances, as adjusted	0.00	67,490,304,331.30
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	125,737,520,437.92
4.C. Nonexchange revenue	0.00	6,929,131.99
4.D. Donations and forfeitures of cash	0.00	1,320,948.38
4.E. Transfers-in/out without reimbursement	0.00	38,700,001.00
4.F. Other budgetary financing sources	0.00	(671,272,733.11)
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	818,977,865.09
5.C. Imputed financing from costs absorbed by others	0.00	696,745,771.55
5.D. Other (+/-)	0.00	(10,250,065,580.79)
6. Total Financing Sources	0.00	116,378,855,842.03
7. Net Cost of Operations (+/-)	0.00	128,709,713,562.33
8. Net Change	0.00	(12,330,857,720.30)
9. Cumulative Results of Operations	0.00	55,159,446,611.00
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 88,826,492,215.66
11. Prior Period Adjustments:		
12. Beginning balances, as adjusted	0.00	88,826,492,215.66
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	214,749,920,848.00
13.B. Appropriations transferred-in/out	0.00	1,797,234,681.00
13.C. Other adjustments (rescissions, etc)	0.00	(416,562,034.12)
13.D. Appropriations used	0.00	(125,737,520,437.92)
14. Total Budgetary Financing Sources	0.00	90,393,073,056.96
15. Unexpended Appropriations	0.00	179,219,565,272.62
16. Net Position	0.00	234,379,011,883.62

Department of Defense
 Department of the Army
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended June 30, 2008 and 2007

	2008 Combined	2007 Combined
	<hr/>	<hr/>
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	\$ 32,258,187,897.92	\$ 17,409,233,909.06
2. Recoveries of prior year unpaid obligations	13,432,016,983.01	13,310,739,550.61
3. Budget authority		
3.A. Appropriation	231,197,980,647.10	214,758,668,598.89
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	15,457,931,933.01	15,063,697,035.28
3.D.1.b. Change in receivables from Federal sources	245,187,528.51	205,815,435.53
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	240,177,948.64	71,742,725.03
3.D.2.b. Without advance from Federal sources	6,514,313,479.54	5,661,326,820.51
3.D.3. Anticipated for rest of year, without advances	951,246,541.15	466,092,538.67
3.E. Subtotal	<hr/> 254,606,838,077.95	<hr/> 236,227,343,153.91
4. Nonexpenditure transfers, net, anticipated and actual	18,799,580,492.00	1,835,934,681.00
6. Permanently not available	(2,298,859,000.00)	(416,562,034.12)
7. Total Budgetary Resources	<hr/> \$ 316,797,764,450.88 <hr/>	<hr/> \$ 268,366,689,260.46 <hr/>

Department of Defense
Department of the Army
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2008 and 2007

	2008 Combined	2007 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 179,209,349,148.33	\$ 160,449,406,977.86
8.B. Reimbursable	15,584,447,258.34	14,062,761,811.08
8.C. Subtotal	<u>194,793,796,406.67</u>	<u>174,512,168,788.94</u>
9. Unobligated balance:		
9.A. Apportioned	58,915,185,592.77	89,696,242,602.71
9.B. Exempt from apportionment	8,580,559.95	32,213.22
9.C. Subtotal	<u>58,923,766,152.72</u>	<u>89,696,274,815.93</u>
10. Unobligated balance not available	63,080,201,891.49	4,158,245,655.59
11. Total status of budgetary resources	<u><u>\$ 316,797,764,450.88</u></u>	<u><u>\$ 268,366,689,260.46</u></u>
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	116,374,289,429.97	93,609,036,018.47
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	\$ (19,644,699,714.69)	\$ (17,136,556,737.91)
12.C. Total unpaid obligated balance	96,729,589,715.28	76,472,479,280.56
13. Obligations incurred net (+/-)	\$ 194,793,796,406.67	\$ 174,512,168,788.94
14. Less: Gross outlays	(171,162,055,514.22)	(149,451,903,033.92)
15. Obligated balance transferred, net payments from Federal sources (+/-)		
16. Less: Recoveries of prior year unpaid obligations, actual	(13,432,016,983.01)	(13,310,739,550.61)
17. Change in uncollected customer payments from Federal sources (+/-)	(6,759,501,008.05)	(5,867,142,256.04)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	126,574,013,339.41	105,358,562,222.88
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	(26,404,200,722.74)	(23,003,698,993.95)
18.C. Total, unpaid obligated balance, net, end of period	<u>100,169,812,616.67</u>	<u>82,354,863,228.93</u>
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	171,162,055,514.22	149,451,903,033.92
19.B. Less: Offsetting collections	(15,698,109,881.65)	(15,135,439,760.31)
19.C. Less: Distributed Offsetting receipts	(423,849,732.69)	491,506,388.12
19.D. Net Outlays	<u><u>\$ 155,040,095,899.88</u></u>	<u><u>\$ 134,807,969,661.73</u></u>

Department of Defense
 Department of the Army
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended June 30, 2008 and 2007

	<u>2008 Combined</u>	<u>2007 Combined</u>
NONBUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES		
1. Unobligated balance, brought forward, October 1	\$ 589,647.63	\$ 1,292,396.72
3. Budget authority		
3.B. Borrowing authority	1,390,443.00	16,508,567.00
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	26,628,446.00	0.00
3.D.1.b. Change in receivables from Federal sources	213,182.00	243,762.75
3.D.2 Change in unfilled customer orders		
3.D.3 Anticipated for rest of year, without advances	161,504.00	12,000.00
3.E. Subtotal	<u>28,393,575.00</u>	<u>16,764,329.75</u>
6. Permanently not available	(26,628,446.00)	0.00
7. Total Budgetary Resources	<u><u>\$ 2,354,776.63</u></u>	<u><u>\$ 18,056,726.47</u></u>

Department of Defense
Department of the Army
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2008 and 2007

	2008 Combined	2007 Combined
	<hr/>	<hr/>
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 703,993.05	\$ 15,858,096.47
8.C. Subtotal	<hr/> 703,993.05	<hr/> 15,858,096.47
9. Unobligated balance:		
9.A. Apportioned	1,299,309.57	1,551,968.53
9.C. Subtotal	<hr/> 1,299,309.57	<hr/> 1,551,968.53
10. Unobligated balance not available	351,474.01	646,661.47
11. Total Status of Budgetary Resources	<hr/> \$ 2,354,776.63 <hr/>	<hr/> \$ 18,056,726.47 <hr/>
Change in Obligated Balance:		
12. Obligated balance, net from Federal sources, brought forward, October 1		
13. Obligations incurred net (+/-)	\$ 703,993.05	\$ 15,858,096.47
14. Less: Gross outlays	(90,443.00)	(15,310,064.55)
15. Obligated balance transferred, net payments from Federal sources (+/-)		
17. Change in uncollected customer payments from Federal sources (+/-)	(213,182.00)	(243,762.75)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	613,550.05	548,031.92
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	(213,182.00)	(243,762.75)
18.C. Total, unpaid obligated balance, net, end of period	<hr/> 400,368.05	<hr/> 304,269.17
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	90,443.00	15,310,064.55
19.B. Less: Offsetting collections	(26,628,446.00)	0.00
19.D. Net Outlays	<hr/> \$ (26,538,003.00) <hr/>	<hr/> \$ 15,310,064.55 <hr/>

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

These financial statements have been prepared to report the financial position and results of operations of the Army General Fund, as required by the Chief Financial Officers Act of 1990, expanded by the Government Management Reform Act of 1994, and other appropriate legislation. The financial statements have been prepared from the books and records of the Army General Fund in accordance with the Department of Defense (DoD), Financial Management Regulation (FMR), the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements," and to the extent possible generally accepted accounting principles (GAAP). The accompanying financial statements account for all resources for which the Army General Fund is responsible, 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 Army General Fund is unable to fully implement all elements of GAAP and the OMB Circular A-136 due to limitations of its financial and nonfinancial management processes and systems that feed into the financial statements. The Army General Fund derives its reported values and information for major asset and liability categories largely from nonfinancial systems such as inventory systems and logistic systems. These systems were designed to support reporting requirements for maintaining accountability over assets and reporting the status of federal appropriations rather than preparing financial statements in accordance with GAAP. The Army General Fund continues to implement process and system improvements addressing these limitations.

The Army General Fund currently has 13 auditor identified financial statement material weaknesses: (1) Financial Management Systems, (2) Accounting Adjustments, (3) Intragovernmental Eliminations, (4) Abnormal Account Balances, (5) Accounts Receivable, (6) Inventory and Related Property, (7) Property, Plant, and Equipment, (8) Accounts Payable, (9) Environmental Liabilities, (10) Statement of Net Cost, (11) Statement of Budgetary Resources, (12) Reconciliation of Net Cost of Operations to Budget, and (13) Fund Balance with Treasury.

1.B. Mission of the Reporting Entity

The Army mission is to support the National Security and Defense Strategies by providing well-trained, well-led, and well-equipped forces to the combatant commanders. This mission encompasses the intent of the Congress, as defined in Title 10 of the U.S. Code, to preserve the peace and security, and provide for the defense of the U.S., the Territories, Commonwealths, and Possessions of the U.S., and any areas occupied by the U.S.; support national policies; implement national objectives; and overcome any nations responsible for aggressive acts that imperil the peace and security of the U.S.

This mission has been unchanged for the 230-year life of the Army, but the environment and nature of conflict have undergone many changes over that same time, especially with the Global War on Terror. This has required that the Army simultaneously transform the way that it fights, trains, and equips its soldiers. This transformation is progressing

rapidly, but it must be taken to its full conclusion if the Army is to continue to meet the Nation's domestic and international security obligations today and into the future.

1.C. Appropriations and Funds

The Army General Fund receives its appropriations and funds as general, trust, special, and deposit funds. The Army General Fund uses appropriations and funds to execute its missions and subsequently report on resource usage.

General funds are used for financial transactions funded by congressional appropriations, including personnel, operation and maintenance, research and development, procurement, and military construction accounts.

Trust funds contain receipts and expenditures of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute. Certain trust and special funds may be designated as earmarked funds. Earmarked funds are financed by specifically identified revenues, required by statute to be used for designated activities, benefits or purposes, and remain available over time. Earmarked funds also have a requirement to account for and report on the receipt, use and retention of revenues and other financing sources that distinguish them from general revenues.

Special fund accounts are used to record government receipts reserved for a specific purpose.

Deposit funds are used to record amounts held temporarily until paid to the appropriate government or public entity. The Army General Fund is acting as an agent or a custodian for funds awaiting distribution.

The Army General Fund is a party to allocation transfers with other federal agencies as a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds for another agency. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity. Exceptions to this general rule apply to specific funds for which the OMB has directed that all activity be reported in the financial statements of the child entity. Exceptions include all Treasury-Managed Trust Funds, Executive Office of the President (EOP), and all other funds specifically designated by OMB.

The Army General Fund is a party to allocation transfers as the child for the following agencies: Federal Highway Administration and the U.S. Forestry Service.

Additionally, the Army General Fund is a party to other allocation transfers as the child for the following funds meeting the OMB exception and all related activity is thus included in our financial statements: the Executive Office of the President (EOP) Iraq Relief and Reconstruction Fund.

The Army General Fund allocates funds, as the parent, to the Department of Agriculture and the Department of Transportation for Active Army and Army National Guard.

1.D. Basis of Accounting

For FY 2008, the Army General Fund's financial management systems are unable to meet all of the requirements for full accrual accounting. Many of the Army General Fund's financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of GAAP for federal agencies. These systems were not designed to collect and record financial information on the full accrual accounting basis as required by GAAP. Most of the Army General Fund's financial and nonfinancial legacy systems were designed to record information on a budgetary basis.

The DoD 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 United States Standard General Ledger (USSGL). Until all of the Army General Fund's financial and nonfinancial feeder systems and processes are updated to collect and report financial information as required by GAAP, the Army General Fund's financial data will be derived from budgetary transactions (obligations, disbursements, and collections), transactions from nonfinancial feeder systems, and accruals made of major items such as payroll expenses, accounts payable, and environmental liabilities.

In addition, the DoD identifies program costs based upon the major appropriation groups provided by the Congress. 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 DoD is working towards a cost reporting methodology that meets the need for cost information required by the Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government".

1.E. Revenues and Other Financing Sources

The Army General Fund receives congressional appropriations as financing sources for general funds on either an annual or multi-year basis. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. The Army General Fund recognizes revenue as a result of costs incurred for goods or services provided to other federal agencies and the public. Full cost pricing is the Army General Fund's standard policy for services provided as required by OMB Circular A-25, Transmittal Memorandum #1, User Charges. The Army General Fund recognizes revenue when earned within the constraints of current system capabilities. In some instances, revenue is recognized when bills are issued.

The Army General Fund does not include nonmonetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost and the Note 21, "Reconciliation of Net Cost of Operations to Budget." The U.S. has cost sharing agreements with other countries. Examples include countries where there is a mutual or reciprocal defense agreement, where U.S. troops are stationed, or where the U.S. Fleet is in a port.

1.F. Recognition of Expenses

For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. However, because the Army General Fund's financial and nonfinancial feeder systems were not designed to collect and record financial information on the full accrual accounting basis, accruals are made for major items such as payroll expenses, accounts payable, environmental liabilities, and unbilled revenue. In the case of Operating Materiel and Supplies (OM&S) operating expenses are generally recognized when the items are purchased. Efforts are underway to transition towards the consumption method for recognizing OM&S expenses.

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, the Army General Fund cannot accurately eliminate intragovernmental transactions by customer because the Army General Fund's systems do not track buyer and seller data at the transaction level. Generally, seller entities within the DoD provide summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal DoD accounting offices. In most cases, the buyer-side records are adjusted to agree with DoD seller-side balances. IntraDoD balances are then eliminated. The volume of intragovernmental transactions is so large that after-the-fact reconciliation cannot be accomplished effectively with existing or foreseeable resources. The DoD is developing long-term system improvements to ensure accurate intragovernmental information to include sufficient up-front edits and controls to eliminate the need for after-the-fact reconciliations.

The U.S. Treasury Financial Management Service is responsible for eliminating transactions between DoD and other federal agencies. The 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. While the DoD is unable to fully reconcile intragovernmental transactions with all federal partners, the Army General Fund is able to reconcile balances pertaining to investments in federal securities, Federal Employees' Compensation Act 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 are 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.

Financing for the construction of DoD facilities is obtained through appropriations. To the extent this financing ultimately may have been obtained through the issuance of

public debt, interest costs have not been capitalized since the U.S. Treasury does not allocate such interest costs to the benefiting agencies.

1.H. Transactions with Foreign Governments and International Organizations

Each year, the Army General Fund sells defense articles and services to foreign governments and international organizations under the provisions of the Arms Export Control Act of 1976. 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 Army General Fund's monetary financial resources are maintained in U.S. Treasury accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), the Military Services, the U.S. Army Corps of Engineers (USACE) and the Department of State's financial service centers process the majority of the Army General Fund's 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, the DFAS sites and the 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. Differences between the Army General Fund's recorded balance in the FBWT accounts and U.S. Treasury's FBWT accounts sometimes result and are subsequently reconciled.

1.J. Foreign Currency

Cash is the total of cash resources under the control of DoD, which includes coin, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. Foreign currency consists of the total U.S. dollar equivalent of both purchased and nonpurchased foreign currencies held in foreign currency fund accounts. The majority of cash and all foreign currency is classified as nonentity and is restricted. Amounts reported consist primarily of cash and foreign currency held by disbursing officers to carry out their paying, collecting, and foreign currency accommodation exchange missions. Cash seized during Operation Iraqi Freedom is restricted for use to assist the Iraqi people and support the restoration of Iraq.

The Army General Fund conducts a significant portion of its operations overseas. The Congress established a special account to handle the gains and losses from foreign currency transactions for five general fund appropriations (operations and maintenance, military personnel, military construction, family housing operations and maintenance, and family housing construction). The gains and losses are computed as the variance between the exchange rate current at the date of payment and a budget rate established at the beginning of each fiscal year. Foreign currency fluctuations related to other appropriations require adjustments to the original obligation amount at the time of payment. The Army General Fund does not separately identify foreign currency fluctuation transactions.

1.K. Accounts Receivable

As presented in the Balance Sheet, accounts receivable includes three categories: accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based on the estimate of uncollectible accounts receivable from the public on a percentage of aged receivables by category. The allowance is calculated by using 50% of aged receivables in the 180-day to 2-year category and 100% of aged receivables in the greater than 2-year category. The DoD does not recognize an 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 at <http://www.fms.treas.gov/tfm/vol1/07-03.pdf>.

1.L. Direct Loans and Loan Guarantees

The Army General Fund operates the Armament Retooling and Manufacturing Support (ARMS) loan guarantee program to encourage commercial use of inactive government facilities. The revenue generated from property rental offsets the cost of maintaining these facilities. Legal authority for the ARMS loan guarantee program is contained in Title 10, United States Code 4551-4555.

The Federal Credit Reform Act of 1990 governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees.

1.M. Inventories and Related Property

The Army General Fund manages only military or government specific materiel under normal conditions. Materiel is a unique term that relates to military force management, and includes all items (including ships, tanks, self propelled weapons, aircraft, etc., and related spares, repair parts, and support equipment, but excluding real property, installations and utilities) necessary to equip, operate, maintain, and support military activities without distinction as to its application for administrative or combat purposes. Items commonly used in and available from the commercial sector are not managed in the Army General Fund materiel management activities. Operational cycles are irregular, and the military risks associated with stock-out positions have no commercial parallel. The Army General Fund holds materiel based on military need and support for contingencies. The DoD does not attempt to account separately for “inventory held for sale” and “inventory held in reserve for future sale” based on SFFAS No. 3 definitions, unless otherwise noted.

Related property includes OM&S. The OM&S, including munitions not held for sale, are valued at standard purchase price. The DoD uses both the consumption method and the purchase method of accounting for OM&S. Items that are centrally managed and stored, such as ammunition and engines, are generally recorded using the consumption method and are reported on the Balance Sheet as OM&S. When current systems cannot fully support the consumption method, the Army General Fund uses the purchase method. Under this method, materials and supplies are expensed when purchased.

During FY 2008, the Army General Fund expensed significant amounts using the purchase method because the systems could not support the consumption method or management deemed that the item was in the hands of the end user. This is a material weakness for the DoD and long-term system corrections are in process. Once the proper systems are in place, these items will be accounted for under the consumption method of accounting.

The Army General Fund determined that the recurring high dollar value of OM&S in need of repair is material to the financial statements and requires a separate reporting category. Many high dollar items, such as aircraft engines, are categorized as OM&S rather than military equipment.

The Army General Fund recognizes condemned materiel as “Excess, Obsolete, and Unserviceable.” The cost of disposal is greater than the potential scrap value, therefore, the net value of condemned materiel is zero. Potentially redistributed materiel, presented in previous years as “Excess, Obsolete, and Unserviceable,” is included in the “Held for Use” or “Held for Repair” categories according to its condition.

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

The Army General Fund reports investments in U.S. Treasury securities at cost, net of amortized premiums or discounts. Premiums or discounts are amortized over the term of the investment using the effective interest rate method or another method obtaining similar results. The Army General Fund’s intent is to hold investments to maturity. Consequently, a provision is not made for unrealized gains or losses on these securities.

The Army General Fund invests in nonmarketable securities. The two types of nonmarketable securities are par value and market-based intragovernmental securities. The Bureau of Public Debt issues nonmarketable par value intragovernmental securities. Nonmarketable, market-based intragovernmental securities mimic marketable securities, but are not publicly traded.

1.O. General Property, Plant and Equipment

The Army General Fund uses the estimated historical cost for valuing military equipment. The DoD identified the universe of military equipment by accumulating information relating to program funding and associated military equipment, equipment useful life, program acquisitions, and disposals to establish a baseline. The military equipment baseline is updated using expenditure, acquisition and disposals information.

The DoD real property capitalization threshold is currently \$20.0 thousand. The Army General Fund has not implemented this threshold due to system and process limitations and is currently using the capitalization threshold of \$100.0 thousand.

General PP&E assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years and the acquisition cost equals or exceeds the DoD capitalization threshold of \$100,000. The DoD also requires capitalization of improvement costs over the DoD capitalization threshold of

\$100,000 for General PP&E. The DoD depreciates all General PP&E, other than land, on a straight-line basis.

General PP&E previously capitalized at amounts below \$100,000 was written off the Army General Fund financial statements in FY 1998.

When it is in the best interest of the government, the Army General Fund provides government property to contractors to complete contract work. The Army General Fund either owns or leases such property, or it is purchased directly by the contractor for the government based on contract terms. When the value of contractor procured General PP&E exceeds the DoD capitalization threshold, Federal accounting standards require that it be reported on the Army General Fund Balance Sheet.

The DoD is developing new policies and a contractor reporting process for Government Furnished Equipment that will provide appropriate General PP&E information for future financial statement reporting purposes. Accordingly, the Army General Fund reports only government property in the possession of contractors that is maintained in Army General Fund's property systems. The DoD has issued new property accountability and reporting requirements that require the Army General Fund to maintain, in their property systems, information on all property furnished to contractors. This action and other DoD proposed actions are structured to capture and report the information necessary for compliance with federal accounting standards.

1.P. Advances and Prepayments

When advances are authorized by law, legislative action, or Presidential authorization, the DoD 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 DoD entities have implemented this policy primarily due to system limitations.

1.Q. Leases

Lease payments for the rental of equipment and operating facilities are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease), Army General Fund records the applicable asset and liability if the value equals or exceeds the current capitalization threshold. The Army General Fund records the amounts as the lesser of the present value of the rental and other lease payments during the lease term (excluding portions representing executory costs paid to the lessor) or the asset's fair market value. The discount rate for the present value calculation is either the lessor's implicit interest rate or the government's incremental borrowing rate at the inception of the lease. The Army General Fund as the lessee receives the use and possession of leased property, for example real estate or equipment, from a lessor in exchange for a payment of funds. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are charged to expense over the lease term as it becomes payable.

Office space and leases entered into by Army General Fund in support of contingency operations are the largest component of operating leases. These costs were gathered from existing leases, General Services Administration bills, and Interservice Support Agreements. 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. Equipment leases have a variety of lease terms which are not expected to be renewed upon expiration. Other operating leases are generally one-year leases. The Army General fund will strive to displace commercial leases with more economical GSA leases.

1.R. Other Assets

Other assets include those assets, such as military and civil service employee pay advances, travel advances, and certain contract financing payments that are not reported elsewhere on Army General Fund's Balance Sheet.

The Army General Fund conducts business with commercial contractors under two primary types of contracts: fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, Army General Fund provides financing payments. 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. 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.

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 Acquisition Regulation Supplement authorizes only for construction of real property, shipbuilding, and ship conversion, alteration, or repair. Progress payments for real property and ships are reported as Construction In Progress. It is DoD policy to record certain contract financing payments as Other Assets.

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 Army General Fund recognizes 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

Army General Fund's risk of loss and resultant contingent liabilities arise from 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.

Other liabilities arise as a result of anticipated disposal costs for Army General Fund's assets. This type of liability has two components: nonenvironmental and environmental. Consistent with SFFAS No. 6, "Accounting for Property, Plant and Equipment," recognition of an anticipated environmental disposal liability begins when the asset is placed into service. Nonenvironmental disposal liabilities are recognized for assets when management decides to dispose of an asset based upon DoD's policy, which is consistent with SFFAS No. 5 "Accounting for Liabilities of Federal Government." The DoD recognizes nonenvironmental disposal liabilities for military equipment nuclear-powered assets when placed into service. Such amounts are developed in conjunction with, and not easily identifiable from, environmental disposal costs.

1.T. Accrued Leave

The Army General 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 transfers in and out of assets that were not reimbursed.

1.V. Treaties for Use of Foreign Bases

The DoD has the use of the land, buildings, and other overseas facilities that are obtained through various international treaties and agreements negotiated by the Department of State. The Army General Fund purchases capital assets overseas with appropriated funds; however, the host country retains title to land and improvements. Generally, treaty terms allow the Army General Fund continued use of these properties until the treaties expire. In the event treaties or other agreements are terminated, whereby use of the foreign bases is prohibited, losses are recorded for the value of any nonretrievable capital assets. The settlement due to the U.S. or host nation is negotiated and takes into account the value of capital investments and may be offset by the cost of environmental cleanup.

1.W. Comparative Data

The Army General Fund's financial statements and notes are presented on a comparative basis.

1.X. Unexpended Obligations

The Army General Fund obligates funds to provide goods and services for outstanding orders not yet delivered. The financial statements do not reflect this liability for payment for goods and services not yet delivered, unless title passes.

1.Y. 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 monthly accounting reports. In-transit payments are those payments that have been made, but have not been recorded in the fund holder's accounting records. These payments are applied to the entities' 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 entities' accounts receivable balance.

The DoD policy is to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of distributed 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.Z. Significant Events

Beginning in FY 2007, the Office of Management and Budget (OMB) changed the reporting requirements for allocation transfers. Due to this change, Army reports in its basic financial statements the programs it administers on behalf of the Executive Office of the President. Previously, the Army only recorded the proprietary balances for these accounts. With the change in guidance, the Army is reporting both the budgetary and proprietary balances in its financial statements.

Beginning 4th Quarter, FY 2007, DoD began presenting the Statement of Financing (SOF) as a note in accordance with the OMB Circular A-136. The SOF will no longer be considered a basic statement and is now referred to as "Reconciliation of Net Cost of Operations to Budget."

As of FY 2007, the Army GF no longer presents a Statement of Custodial Activity (SCA) to separately report the Development Fund for Iraq; and, the previously supporting Note 22 is renamed and redirected for the purpose of reporting "Incidental Custodial Collections." Previously, the Army GF reported the fund reconciliation in the SCA and summary information in Note 2, Nonentity Assets. Since the fund has been substantially disbursed and the residual balance is immaterial, Army GF no longer presents the fund on

a separate statement. The fund balances continue to be disclosed in Note 2, Nonentity Assets.

Note 2.	Nonentity Assets
----------------	-------------------------

As of June 30	2008	2007
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ 248,369,224.60	\$ 658,026,750.27
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 248,369,224.60	\$ 658,026,750.27
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ 2,302,420,749.24	\$ 2,215,207,435.04
B. Accounts Receivable	23,671,216.18	16,203,567.00
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 2,326,091,965.42	\$ 2,231,411,002.04
3. Total Nonentity Assets	\$ 2,574,461,190.02	\$ 2,889,437,752.31
4. Total Entity Assets	\$ 374,958,100,308.60	\$ 301,439,556,144.00
5. Total Assets	\$ 377,532,561,498.62	\$ 304,328,993,896.31

Definitions

Nonentity assets are assets for which the Army General Fund maintains stewardship accountability and responsibility to report, but are not available for the Army General Fund's operations.

Nonentity Fund Balance with Treasury consists of deposit funds for humanitarian relief and reconstruction, seized Iraqi cash, and Development Fund Iraq (DFI). Deposit funds are generally used to record amounts held temporarily until paid to the appropriate government or public entity. Humanitarian relief and reconstruction deposit funds are funds held for expenditures on behalf of the Iraqi people. Seized Iraqi cash is former Iraqi regime monies confiscated by coalition forces. The DFI consists of proceeds from Iraqi oil sales, repatriated assets from the United States and other nations, and deposits from unencumbered oil-for-food program funds. The deposit funds for seized Iraqi cash and DFI consist of residual amounts only. The Nonentity Fund Balance with Treasury consists primarily of humanitarian relief and reconstruction funds held for expenditures on behalf of the Iraqi people.

Nonentity Cash and Other Monetary Assets consist of cash held by disbursing officers to carry out their paying and collecting missions, and foreign currency accommodation exchange primarily consisting of the burden sharing for the Republic of Korea. Foreign currency is valued using the U.S. Treasury prevailing rate of exchange.

Nonentity Nonfederal Accounts Receivables are primarily from cancelled year appropriations. These receivables will be returned to the U.S. Treasury as miscellaneous receipts once collected.

Note 3.	Fund Balance with Treasury
----------------	-----------------------------------

As of June 30	2008	2007
1. Fund Balances		
A. Appropriated Funds	\$ 221,109,495,918.02	\$ 175,740,623,288.30
B. Revolving Funds	4,303,339.61	8,130,115.46
C. Trust Funds	5,043,240.27	1,199,083.62
D. Special Funds	44,330,675.98	42,341,847.47
E. Other Fund Types	248,369,224.60	658,026,750.27
F. Total Fund Balances	\$ 221,411,542,398.48	\$ 176,450,321,085.12
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	\$ 163,272,137,276.53	\$ 176,462,564,115.39
B. Fund Balance per Army	221,411,542,398.48	176,450,321,085.12
3. Reconciling Amount	\$ (58,139,405,121.95)	\$ 12,243,030.27

Other Fund Types

Other Fund Types consists of deposit funds, clearing accounts, unavailable receipt accounts, Seized Iraqi Cash, and the Development Fund Iraq (DFI). Deposit funds are generally used to record amounts held temporarily until paid to the appropriate government or public entity. Clearing accounts are used as a temporary suspense account until later paid by or refunded into another account or when the Government acts as a banker or agent for others. Unavailable receipt accounts are credited with all collections not earmarked by law for a specific purpose. These include: taxes, customs duties, and miscellaneous receipts. Seized Iraqi cash is former Iraqi regime monies confiscated by coalition forces. The DFI consists of proceeds from Iraqi oil sales, repatriated assets from the United States and other nations, and deposits from unencumbered oil-for-food program funds.

Reconciling Amount

The Army General Fund reported an additional \$58.1 billion in Fund Balance with Treasury than reported by the U.S. Treasury. The Army General Fund received supplemental funding of \$58.1 billion as a result of Public Law 110-252 being signed on June 30, 2008; however, the Treasury Warrant was not issued until July 1, 2008. The supplemental funding was processed as a Continuing Resolution Authority.

Status of Fund Balance with Treasury

As of June 30	2008	2007
1. Unobligated Balance		
A. Available	\$ 57,973,196,555.05	\$ 89,231,241,075.60
B. Unavailable	63,080,391,861.50	4,158,880,317.06
2. Obligated Balance not yet Disbursed	\$ 126,574,626,889.46	\$ 105,359,110,254.80
3. Nonbudgetary FBWT	\$ 192,546,255.66	\$ 710,202,634.34
4. NonFBWT Budgetary Accounts	\$ (26,409,219,163.19)	\$ (23,009,113,196.68)
5. Total	\$ 221,411,542,398.48	\$ 176,450,321,085.12

Definitions

The Status of Fund Balance with Treasury (FBWT) reflects the budgetary resources to support the FBWT.

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 represent adjustments that do not have budgetary authority, such as unavailable receipt accounts, clearing accounts, deposit accounts and Iraqi custodial accounts.

NonFBWT Budgetary Accounts represent adjustments to budgetary accounts that do not affect FBWT, such as contract authority, borrowing authority and investment accounts, accounts receivable, as well as unfilled orders without advance from customers. This category reduces the Status of FBWT.

Other Relevant Information for Comprehension

Unobligated Balance Unavailable of \$63.1 billion consists of unobligated or unapportioned authority that has expired, which restricts the ability to incur new obligations.

Disclosures Related to Suspense/Budget Clearing Accounts

As of June 30	2006	2007	2008	(Decrease)/ Increase from FY 2007 - 2008
Account				
F3845 – Personal Property Proceeds	\$ 359,559.33	\$ 419,052.53	\$ 101,522.45	(317,530.08)
F3875 – Budget Clearing Account Suspense	609,459,179.69	192,987,220.63	178,706,717.61	(14,280,503.02)
F3880 – Lost or Cancelled Treasury Checks	11,922,892.81	8,011,159.44	14,788,035.71	6,776,876.27
F3882 – Uniformed Services Thrift Savings Plan Suspense	31,209,163.40	34,178,818.48	(3,977,658.05)	(38,156,476.53)
F3885 – Interfund/IPAC Suspense	(41,205,212.52)	(149,241,548.53)	(249,419,244.71)	(100,177,696.18)
F3886 – Thrift Savings Plan Suspense	10,064,593.27	461,148.72	(224,510,139.80)	(224,971,288.52)
Total	\$ 621,810,175.98	\$ 86,815,851.27	(284,310,766.79)	(371,126,618.06)

Disclosures Related to Problem Disbursements

As of June 30	2006	2007	2008	(Decrease)/ Increase from FY 2007 to 2008
1. Total Problem Disbursements, Absolute Value				
A. Unmatched Disbursements (UMDs)	\$ 128,715,997.07	\$ 227,339,341.61	\$ 531,721,313.00	\$ 304,381,971.39
B. Negative Unliquidated Obligations (NULO)	82,339,719.86	28,000,383.42	149,904,398.00	121,904,014.58
C. In-Transit Disbursements	2,161,134,019.55	3,514,935,079.52	3,597,229,047.00	82,293,967.48
Total	\$ 2,372,189,736.48	\$ 3,770,274,804.55	\$ 4,278,854,758.00	\$ 508,579,953.45

Note 4.	Investments and Related Interest
----------------	---

As of June 30	2008				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
1. Intragovernmental Securities					
A. Nonmarketable, Market-Based					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	0.00		0.00	0.00	0.00
4. Other Funds	3,184,600.71	Effective Interest	51,069.88	3,235,670.59	3,262,850.56
5. Total Nonmarketable, Market-Based	3,184,600.71		51,069.88	3,235,670.59	3,262,850.56
B. Accrued Interest	18,046.95			18,046.95	18,046.95
C. Total Intragovernmental Securities	\$ 3,202,647.66		\$ 51,069.88	\$ 3,253,717.54	\$ 3,280,897.51
2. Other Investments					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A

As of June 30	2007				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
3. Intragovernmental Securities					
A. Nonmarketable, Market-Based					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	0.00		0.00	0.00	0.00
4. Other Funds	2,984,080.28	Effective Interest	22,997.80	3,007,078.08	2,823,986.82
5. Total Nonmarketable, Market-Based	2,984,080.28		22,997.80	3,007,078.08	2,823,986.82
B. Accrued Interest	15,430.45			15,430.45	15,430.45
C. Total Intragovernmental Securities	\$ 2,999,510.73		\$ 22,997.80	\$ 3,022,508.53	\$ 2,839,417.27
4. Other Investments					
A. Total Other	\$ 0.00		\$ 0.00	\$ 0.00	N/A

The Other Funds include the Army Gift Fund. The Army Gift Fund was established to control and account for the disbursement and use of monies donated to the Army General Fund along with the interest received from the investment of such donations. The related earnings are allocated to appropriate Army General Fund activities to be used in accordance with the directions of the donor. These funds are recorded as Nonmarketable Market-Based U.S. Treasury Securities, which are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. U.S. Treasury securities are issued to the Army General Fund as evidence of its deposits. U.S. Treasury securities are an asset to the Army General Fund and a liability to the U.S. Treasury. Because the Army General Fund and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Governmentwide financial statements. The U.S. Treasury securities provide the Army General Fund with authority to draw upon the U.S. Treasury to make expenditures. When the Army General Fund requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Note 5.	Accounts Receivable
----------------	----------------------------

As of June 30	2008			2007
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 665,349,148.17	N/A	\$ 665,349,148.17	\$ 627,073,516.37
2. Nonfederal Receivables (From the Public)	\$ 701,020,361.91	\$ (109,178,826.92)	\$ 591,841,534.99	\$ 556,917,386.53
3. Total Accounts Receivable	\$ 1,366,369,510.08	\$ (109,178,826.92)	\$ 1,257,190,683.16	\$ 1,183,990,902.90

Aged Accounts Receivable

As of June 30	2008		4th Quarter 2007	
	Intragovernmental	Nonfederal	Intragovernmental	Nonfederal
CATEGORY				
Nondelinquent				
Current	\$ 1,481,627,461.94	\$ 403,749,906.96	\$ 1,257,374,010.76	\$ 363,984,969.00
Noncurrent	0.00	0.00	0.00	0.00
Delinquent				
1 to 30 days	\$ 17,182,687.00	\$ 25,554,640.34	\$ 1,141,500.00	\$ 44,097,500.00
31 to 60 days	7,274,019.00	20,064,505.59	6,495,500.00	12,593,825.00
61 to 90 days	6,460,924.00	14,792,482.00	4,552,434.00	44,041,303.00
91 to 180 days	3,757,017.00	43,600,672.00	3,947,186.00	63,165,310.00
181 days to 1 year	4,316,028.00	95,297,875.77	9,801,652.00	51,208,543.00
Greater than 1 year and less than or equal to 2 years	4,200,942.00	63,956,051.15	15,200,350.00	43,925,306.00
Greater than 2 years and less than or equal to 6 years	9,006,330.00	26,061,526.67	74,153.00	26,620,249.00
Greater than 6 years and less than or equal to 10 years	0.00	4,841,345.36	0.00	4,756,924.00
Greater than 10 years	0.00	2,562,900.88	0.00	2,144,115.00
Subtotal	\$ 1,533,825,408.94	\$ 700,481,906.72	\$ 1,298,586,785.76	\$ 656,538,044.00
Less Supported Undistributed Collections	(64,859,341.79)	0.00	(55,679,818.40)	0.00
Less Eliminations	(803,616,918.98)	0.00	(822,490,030.06)	0.00
Less Other	0.00	538,455.19	0.00	0.00
Total	\$ 665,349,148.17	\$ 701,020,361.91	\$ 420,416,937.30	\$ 656,538,044.00

Note 6.	Other Assets
----------------	---------------------

As of June 30	2008	2007
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ 337,911,900.86	\$ 548,678,662.89
B. Other Assets	0.00	0.00
C. Total Intragovernmental Other Assets	\$ 337,911,900.86	\$ 548,678,662.89
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	\$ 6,787,998,141.20	\$ 5,236,292,106.66
B. Advances and Prepayments on behalf of Foreign Governments	0.00	0.00
C. Advances and Prepayments	211,822,065.74	403,470,083.51
D. Other Assets (With the Public)	0.00	0.00
E. Total Nonfederal Other Assets	\$ 6,999,820,206.94	\$ 5,639,762,190.17
3. Total Other Assets	\$ 7,337,732,107.80	\$ 6,188,440,853.06

Other Assets (With the Public) largely consists of military pay and travel advances.

Contract terms and conditions for certain types of contract financing payments convey certain rights to the Army General 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 Army General Fund is not obligated to make payment to the contractor until delivery and acceptance.

The Outstanding Contract Financing Payment balance of \$6.8 billion is comprised of \$6.4 billion in contract financing payments and an additional \$395.8 million in estimated 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
----------------	---------------------------------------

As of June 30	2008	2007
1. Cash	\$ 1,014,264,110.16	\$ 1,249,561,603.48
2. Foreign Currency	1,288,156,639.08	965,645,831.56
3. Other Monetary Assets	0.00	0.00
4. Total Cash, Foreign Currency, & Other Monetary Assets	\$ 2,302,420,749.24	\$ 2,215,207,435.04

Other Information Related to Cash and Other Monetary Assets

Cash consists primarily of cash held by disbursing officers to carry out their paying and collecting mission. Foreign currency consists primarily of burden sharing funds from the Republic of Korea.

Foreign currency is valued using the U.S. Treasury Prevailing Rate of Exchange. This rate is the most favorable rate that would legally be available to the U.S. Government's acquisition of foreign currency for its official disbursements and accommodation of exchange transactions. All the Army General Fund cash and foreign currency is nonentity and is, therefore, restricted.

Note 8. Direct Loan and/or Loan Guarantee Programs

As of June 30

Direct Loan and/or Loan Guarantee Programs

The Army General Fund operates a loan guarantee program, the Armament Retooling & Manufacturing Support (ARMS) Initiative Loan Guarantee Program, designed to encourage commercial use of inactive government facilities. The revenue generated from property rental offsets the cost of maintaining these facilities.

The “Federal Credit Reform Act of 1990” governs all loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees. The Army General Fund does not operate a direct loan program.

Loan guarantee liabilities are reported at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows:

- Payments by the Army General Fund to cover defaults and delinquencies, interest subsidies, or other payments; offset by
- Payments to the Army General Fund including origination and other fees, penalties, and recoveries.

Armament Retooling and Manufacturing Support Initiative

The ARMS Initiative, Title 10 United States Code 4551-4555, is a Loan Guarantee Program designed to encourage commercial use of the Army General Fund’s Inactive Ammunition Plants through many incentives for businesses willing to locate to a government ammunition production facility. The production capacity of these facilities is greater than current military requirements; however, this capacity may be needed by the military in the future. The revenues from the property rental are used to pay for the operation, maintenance and environmental cleanup at the facilities. The resulting savings in overhead costs lower the production cost of the goods manufactured and fund environmental cleanup at no cost to the government.

The Army General Fund, by means of ARMS Initiative legislation, established a loan guarantee program to facilitate commercial firms’ use of specified ammunition manufacturing facilities. The Army and U.S. Department of Agriculture (USDA) Rural Business-Cooperative Service (RBS) established a memorandum of understanding for the RBS to administer the ARMS Initiative loan guarantee program.

Loan Guarantees

In an effort to preclude additional Army General Fund loan liability, Assistant Secretary of the Army (Acquisition, Logistics and Technology) instituted an ARMS loan guarantee

moratorium in 2004. The Army General Fund continues to operate under the moratorium and does not anticipate becoming a party in new loan guarantees.

Summary of Direct Loans and Loan Guarantees
--

As of June 30	2008	2007
Loans Receivable		
<u>Direct Loans</u>		
1. Foreign Military Loan Liquidating Account	\$ 0.00	\$ 0.00
2. Military Housing Privatization Initiative	0.00	0.00
3. Foreign Military Financing Account	0.00	0.00
4. Military Debt Reduction Financing Account	0.00	0.00
5. Total Direct Loans	\$ 0.00	\$ 0.00
<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	66,840.47	15,553,827.30
7. Total Default Loan Guarantees	\$ 66,840.47	\$ 15,553,827.30
8. Total Loans Receivable	\$ 66,840.47	\$ 15,553,827.30

As of June 30	2008	2007
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	(110,338.95)	12,548,528.55
4. Total Loan Guarantee Liability	\$ (110,338.95)	\$ 12,548,528.55

Total Loans Receivable represents the total amount of defaulted loans guaranteed less an allowance for uncollectible loans. The \$66.8 thousand in loans receivable consists of a defaulted loan guarantee of \$14.4 million less a \$14.3 million allowance for subsidy cost, or uncollectible loans.

The Loan Guarantee Liability represents the present value of the estimated cash inflows less cash outflows of non-acquired loan guarantees. The negative \$110.3 thousand in loan guarantee liability represents the estimated long-term cost of the currently performing loans to the U.S. Government for the ARMS Initiative Loan Guarantee Program.

Direct Loans Obligated

As of June 30	2008	2007
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):		
1. Foreign Military Loan Liquidating Account		
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 Loan Losses	0.00	0.00
E. Value of Assets Related to Direct Loans, Net	\$ 0.00	\$ 0.00
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	\$ 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
4. Military Debt Reduction Financing Account		
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, Net	\$ 0.00	\$ 0.00
5. Total Direct Loans Receivable	\$ 0.00	\$ 0.00

The Army General Fund does not operate direct loan programs; therefore, this schedule is not applicable.

Total Amount of Direct Loans Disbursed

As of June 30	2008	2007
Direct Loan Programs		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Foreign Military Financing Account	0.00	0.00
3. Military Debt Reduction Financing Account	0.00	0.00
4. Total	\$ 0.00	\$ 0.00

The Army General Fund does not operate any direct loan programs; therefore, this schedule is not applicable.

Subsidy Expense for Post FY 1991 Direct Loan

As of June 30

2008	Interest Differential	Defaults	Fees	Other	Total
1. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Interest Differential	Defaults	Fees	Other	Total
2. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2008	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
		2008	2007		
5. Total Direct Loan Subsidy Expense:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00			
Foreign Military Financing Account	0.00		0.00		
Military Debt Reduction Financing Account	0.00		0.00		
Total	\$ 0.00	\$ 0.00			

The Army General Fund does not operate any direct loan programs.

Subsidy Rate for Direct Loans by Program

As of June 30	Interest Differential	Defaults	Fees and other Collections	Other	Total
Budget Subsidy Rates for Direct Loans:					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Foreign Military Financing Account	0.00%	0.00%	0.00%	0.00%	0.00%
3. Military Debt Reduction Financing Account	0.00%	0.00%	0.00%	0.00%	0.00%

The Army General Fund does not operate any direct loan programs; therefore, this schedule is not applicable.

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

As of June 30	2008	2007
Beginning Balances, Changes and Ending Balance:		
1. Beginning Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00
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	0.00	0.00
E. Subsidy Allowance Amortization	0.00	0.00
F. Other	0.00	0.00
G. Total of the above Adjustment Components	\$ 0.00	\$ 0.00
4. Ending Balance of the Subsidy Cost Allowance before Re-estimates	\$ 0.00	\$ 0.00
5. Add or Subtract Subsidy Re-estimates by Component		
A. Interest Rate Re-estimate	\$ 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	\$ 0.00	\$ 0.00

The Army General Fund does not operate any direct loan programs; therefore, this schedule is not applicable.

Defaulted Guaranteed Loans

As of June 30	2008	2007
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees (Allowance for Loss Method):		
1. Foreign Military Liquidating Account		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Loan Losses	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees (Present Value Method):		
2. Military Housing Privatization Initiative		
A. Defaulted Guaranteed 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 Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
3. Armament Retooling & Manufacturing Support Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 14,407,200.02	\$ 14,407,200.02
B. Interest Receivable	0.00	1,146,627.28
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	(14,340,359.55)	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 66,840.47	\$ 15,553,827.30
4. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	\$ 66,840.47	\$ 15,553,827.30

The ARMS Initiative Guaranteed Loans Program realized a guaranteed loan default in FY 2007. The defaulted amount is \$14.4 million, and the subsidy cost of the default is estimated at \$14.3 million. The residual \$66.8 thousand represents the value of assets related to the defaulted loan, and is available for additional fees related to the defaulted loan. An additional loan defaulted in September 2007 and is not included in the above schedule. Repurchase estimates are expected to be available in 4th Quarter, FY 2008.

Guaranteed Loans Outstanding

As of June 30	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	4,027,223.65	3,423,140.10
3. Foreign Military Liquidating Account	0.00	0.00
4. Total	\$ 4,027,223.65	\$ 3,423,140.10
2008		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
3. Foreign Military Liquidating Account	0.00	0.00
4. Total	\$ 0.00	\$ 0.00
2007		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
3. Foreign Military Liquidating Account	0.00	0.00
4. Total	\$ 0.00	\$ 0.00

Outstanding Principal of Guaranteed Loans, Face Value is the principal amount of loans disbursed by third parties and guaranteed by the Army General Fund. The face value does not include any interest that is due to be paid on the debt instruments.

Amount of Outstanding Principal Guaranteed is the principal amount of loans disbursed by third parties and guaranteed by the Army General Fund less borrower collateral. The net amount represents the loan amount guaranteed by the Army General Fund.

During FY 2007, the ARMS program managed two performing loans with a combined outstanding principal loan amount of \$4.0 million face value, and outstanding principal guaranteed amount of \$3.4 million, or 85%. During September 2007, one of the two performing loans defaulted, and so one performing loan remains. Repurchase estimates on the September 2007 defaulted loan are not presently available, and therefore, are not reflected in the schedule above. Estimates are expected in 4th Quarter, FY 2008.

Liabilities for Post FY 1991 Loan Guarantees, Present Value
--

As of June 30	2008	2007
Liabilities for Loan Guarantee Programs from Pre-FY 1992 (Allowance for Loss):		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
2. Total Loan Guarantee Liability (Pre-FY 1992)	\$ 0.00	\$ 0.00
Liabilities for Loan Guarantee Programs Post-FY 1991 (Present Value):		
3. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
4. Armament Retooling & Manufacturing Support Initiative	(110,338.95)	12,548,528.55
5. Total Loan Guarantee Liability (Post-FY 1991)	\$ (110,338.95)	\$ 12,548,528.55
6. Total Loan Guarantee Liability	\$ (110,338.95)	\$ 12,548,528.55

Liabilities for Loan Guarantee Programs Post-FY 1991 represent the present value of the estimated cash inflows less cash outflows of non-acquired loan guarantees. The negative \$110.3 thousand in loan guarantee liability represents the estimated long-term cost of the currently performing loans to the U. S. Government for the ARMS Initiative Loan Guarantee Program. The negative nature of the loan guarantee liability is due to annualized estimates, and will be adjusted to actual at September 30, 2008.

Subsidy Expense for Loan Guarantees by Program

As of June 30

2008	Interest Differential	Defaults	Fees	Other	Total
1. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Interest Differential	Defaults	Fees	Other	Total
2. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2008	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
		2008	2007		
5. Total Loan Guarantee:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	0.00		
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00		
Total	\$ 0.00	\$ 0.00	0.00		

In an effort to preclude additional Army General Fund loan liability, the Assistant Secretary of the Army (Acquisition Logistics and Technology) instituted an ARMS loan guarantee moratorium in 2004. The Army General Fund continues to operate under the moratorium, and does not anticipate initiating new loan guarantees.

Subsidy Rates for Loan Guarantees by Program

As of June 30	Interest Supplements	Defaults	Fees and other Collections	Other	Total
Budget Subsidy Rates for Loan Guarantees:					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Armament Retooling & Manufacturing Support Initiative	0.00%	0.00%	0.00%	0.00%	0.00%

The Subsidy Rates for Loan Guarantees table displays subsidy rates applied to new guaranteed loans. Since no new loan guarantees for the ARMS Initiative Program originated in FY 2008 or FY 2007, the table properly presents zero percent subsidy rates.

Schedule for Reconciling Loan Guarantee Liability Balances for Post-FY 1991 Loan Guarantees

As of June 30	2008	2007
Beginning Balance, Changes, and Ending Balance:		
1. Beginning Balance of the Loan Guarantee Liability	\$ 290,028.89	\$ 12,852,797.72
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component		
A. Interest Supplement Costs	\$ 0.00	\$ 0.00
B. Default Costs (Net of Recoveries)	0.00	15,553,827.30
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	\$ 15,553,827.30
3. Adjustments		
A. Loan Guarantee Modifications	\$ 0.00	\$ 0.00
B. Fees Received	0.00	0.00
C. Interest Supplements Paid	0.00	(1,146,627.28)
D. Foreclosed Property and Loans Acquired	0.00	0.00
E. Claim Payments to Lenders	0.00	(14,407,200.02)
F. Interest Accumulation on the Liability Balance	(400,368.05)	(304,269.17)
G. Other	0.21	0.00
H. Total of the above Adjustments	\$ (400,367.84)	\$ (15,858,096.47)
4. Ending Balance of the Loan Guarantee Liability before Reestimates	\$ (110,338.95)	\$ 12,548,528.55
5. Add or Subtract Subsidy Reestimates by Component		
A. Interest Rate Reestimate	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 Loan Guarantee Liability	\$ (110,338.95)	\$ 12,548,528.55

The loan guarantee reconciliation displays the calculation for the ending balance of the loan guarantee liability. The interest accumulation on the liability balance represents the net amount of the excess of accrued interest expense to the U.S. Treasury negative \$613.6 thousand over the estimate of accrued interest revenue from the U.S. Treasury negative \$213.2 thousand for 1st Quarter, FY 2008. This process will occur for the first three quarters of the fiscal year until the fourth quarter at which time actual values will be recorded.

Administrative Expenses

Administrative expenses are limited to separately identified expenses incurred for administering guaranteed loans. Administrative expenses for the ARMS Initiative include fees paid to the U. S. Department of Agriculture RBS for administering the loan guarantees under the ARMS Initiative, which is a joint program. There were no administrative expenses processed in FY 2008 or FY 2007.

Note 9.	Inventory and Related Property
----------------	---------------------------------------

As of June 30	2008	2007
1. Inventory, Net	\$ 0.00	\$ 1,472,150.52
2. Operating Materiel & Supplies, Net	40,357,558,135.09	30,565,950,278.74
3. Stockpile Materiel, Net	0.00	0.00
4. Total	\$ 40,357,558,135.09	\$ 30,567,422,429.26

Inventory, Net

As of June 30	2008			2007		
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	Valuation Method	
1. Inventory Categories						
A. Available and Purchased for Resale	\$ 0.00	\$ 0.00	0.00	\$ 119,344.48	LAC,MAC	
B. Held for Repair	0.00	0.00	0.00	0.00	LAC,MAC	
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00	NRV	
D. Raw Materiel	0.00	0.00	0.00	0.00	MAC,SP,LAC	
E. Work in Process	0.00	0.00	0.00	1,352,806.04	AC	
F. Total	\$ 0.00	\$ 0.00	0.00	\$ 1,472,150.52		

Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses
 SP = Standard Price
 AC = Actual Cost

NRV = Net Realizable Value
 O = Other
 MAC = Moving Average Cost

The Army General Fund has been actively closing out the Conventional Ammunition Working Capital Fund (CAWCF) and its inventory since 1998. During FY 2007, the residual balance was reconciled and expensed bringing the CAWCF inventory balance to zero. The inventory of ammunitions is now fully reported in Operating Materiel and Supplies.

Operating Materiel and Supplies, Net

As of June 30	2008			2007	Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net	
1. OM&S Categories					
A. Held for Use	\$ 40,357,558,135.09	\$ 0.00	\$ 40,357,558,135.09	\$ 30,565,950,278.74	SP, LAC, MAC
B. Held for Repair	0.00	0.00	0.00	0.00	SP, LAC, MAC
C. Excess, Obsolete, and Unserviceable	731,936,526.40	(731,936,526.40)	0.00	0.00	NRV
D. Total	\$ 41,089,494,661.49	\$ (731,936,526.40)	\$ 40,357,558,135.09	\$ 30,565,950,278.74	

Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses	NRV = Net Realizable Value
SP = Standard Price	O = Other
AC = Actual Cost	MAC = Moving Average Cost

Operating Materiel and Supplies (OM&S) includes ammunition, tactical missiles, and related spare and repair parts. The category, Held for Use, includes all materiel able to be issued. Economically repairable materiel is categorized as held for repair.

Managers determine which items are more costly to repair than to replace. Items retained for management purposes are coded condemned. The net value of these items is zero, and is shown as Excess, Obsolete, and Unserviceable.

The Army General Fund establishes an allowance for excess, obsolete, and unserviceable OM&S and inventory at 100% of the carrying amount in accordance with DoD policy.

The value of the Army's Government Furnished Materiel and Contractor Acquired Materiel in the hands of contractors is normally not included in the OM&S values reported above. The DoD is presently reviewing its process for reporting these amounts in an effort to determine the appropriate accounting treatment and the best method to annually collect and report required information without duplicating information in other existing logistics systems.

There are no restrictions on the use, repair, or disposition of OM&S.

Stockpile Materiel, Net

As of June 30	2008			2007		Valuation Method
	Stockpile Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	Stockpile Materiel, Net		
1. Stockpile Materiel Categories						
A. Held for Sale	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00	AC, LCM
B. Held in Reserve for Future Sale	0.00	0.00	0.00	0.00	0.00	AC, LCM
C. Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00	

Legend for Valuation Methods:

LAC = Latest Acquisition Cost
 SP = Standard Price
 AC = Actual Cost

NRV = Net Realizable Value
 LCM = Lower of Cost or Market
 O = Other

Note 10. General PP&E, Net

As of June 30	2008					2007
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
1. Major Asset Classes						
A. Land	N/A	N/A	\$ 523,081,164.82	N/A	\$ 523,081,164.82	\$ 523,533,433.85
B. Buildings, Structures, and Facilities	S/L	20 Or 40	50,376,155,313.98	\$ (31,492,259,449.25)	18,883,895,864.73	17,317,691,077.49
C. Leasehold Improvements	S/L	lease term	14,825,823.00	(11,966,688.00)	2,859,135.00	13,448,121.00
D. Software	S/L	2-5 Or 10	501,717,934.66	(181,541,666.97)	320,176,267.69	237,070,625.12
E. General Equipment	S/L	5 or 10	3,961,010,065.47	(1,722,071,625.39)	2,238,938,440.08	1,309,130,690.73
F. Military Equipment	S/L	Various	115,544,076,846.00	(41,741,760,166.00)	73,802,316,680.00	61,630,863,136.00
G. Assets Under Capital Lease	S/L	lease term	166,616,689.13	(157,150,726.06)	9,465,963.07	13,687,270.31
H. Construction-in- Progress	N/A	N/A	9,056,952,824.45	N/A	9,056,952,824.45	6,635,457,501.60
I. Other			25,110,527.00	0.00	25,110,527.00	24,152,999.00
J. Total General PP&E			<u>\$ 180,169,547,188.51</u>	<u>\$ (75,306,750,321.67)</u>	<u>\$ 104,862,796,866.84</u>	<u>\$ 87,705,034,855.10</u>

¹ Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

S/L = Straight Line N/A = Not Applicable

Other Information Related to General PP&E

Other includes the projected value of timber reserves.

Currently, there are no restrictions on use/convertibility of General PP&E outside the continental United States.

Other Information Related to Heritage Assets and Stewardship Land

The mission of the Department of Defense, including the Army, is to provide the military forces needed to deter war and protect the security of the United States by organizing, training, supplying, equipping, and mobilizing forces for assignment in support of that mission. Executing this mission requires efficient and effective use of resources in a manner that ensures operational and environmental sustainability, while respecting the history and heritage that reflect and support the military mission. The Army has stewardship responsibilities for heritage assets that date not only from the military history of the land, but from prior historic occupations. The Army relies upon heritage assets, such as historic buildings and stewardship land for daily use in administration, housing, and training soldiers. Those heritage assets not currently employed as “multi-use,” such as archeological collections or museum collections, are items that embody the multi-faceted history of the land, the military, the local communities, and the nation, that is the heritage that the Department of Defense defends.

The Army's policy for managing cultural resources and heritage assets are published in Army Regulations 200-4 and 870-20. These policies provide in-depth procedures for managing the Army's cultural resources and museum collections. The Army Regulations take into account the Army's responsibilities under various legal compliance requirements such as the National Historic Preservation Act, the Native American Graves Protection and Repatriation Act, the National Environmental Policy Act, and the Archeological Resources Protection Act, among others. The regulations provide guidance to all active Army, Army Reserves, and National Guard units and installations as to the appropriate policies, responsibilities, procedures, and requirements affecting heritage assets. These policies are designed to ensure that Army installations and commanders make informed decisions regarding the cultural resources under their stewardship in compliance with public laws, in support of the military mission, and consistent with sound principles of cultural resource management.

Heritage assets are items that are distinguished by one or more of the following characteristics:

1. Historical or natural significance;
2. Cultural, educational, or artistic importance; or
3. Significant architectural characteristics.

Heritage assets are expected to be preserved. The DoD policy requires that heritage assets be reported within the following categories:

Museums: Buildings that house collection type items including artwork, archeological artifacts, archival materials, and other historical artifacts. The primary use of such buildings shall be the preservation, maintenance, and display of the collection type Heritage Assets.

Monuments and Memorials: Sites and structures built to honor and preserve the memory of significant individuals and/or events in history.

Cemeteries: Land on which gravesites of prominent historical figures are located.

Archeological Sites: Land on which items of significance are located.

Buildings and Structures: Includes buildings and structures that are listed on, or eligible for listing, on the National Register of Historic Places, including Multi-use Heritage Assets. These are buildings other than those used as museums.

Major Collections: Significant collections that are maintained outside of a museum.

Assets Under Capital Lease

As of June 30	2008	2007
1. Entity as Lessee, Assets Under Capital Lease		
A. Land and Buildings	\$ 166,070,564.45	\$ 166,070,564.45
B. Equipment	546,124.68	546,124.68
C. Accumulated Amortization	(157,150,726.06)	(152,929,418.82)
D. Total Capital Leases	\$ 9,465,963.07	\$ 13,687,270.31

Note 11.	Liabilities Not Covered by Budgetary Resources
-----------------	---

As of June 30	2008	2007
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	613,550.05	548,031.92
C. Other	2,762,002,985.25	552,884,210.38
D. Total Intragovernmental Liabilities	\$ 2,762,616,535.30	\$ 553,432,242.30
2. Nonfederal Liabilities		
A. Accounts Payable	\$ 194,938,090.99	\$ 94,702,903.78
B. Military Retirement and Other Federal Employment Benefits	1,483,176,546.48	1,461,097,881.90
C. Environmental Liabilities	42,513,342,229.00	43,442,270,216.00
D. Other Liabilities	5,698,768,069.01	5,278,739,821.78
E. Total Nonfederal Liabilities	\$ 49,890,224,935.48	\$ 50,276,810,823.46
3. Total Liabilities Not Covered by Budgetary Resources	\$ 52,652,841,470.78	\$ 50,830,243,065.76
4. Total Liabilities Covered by Budgetary Resources	\$ 20,835,984,524.03	\$ 19,119,738,946.93
5. Total Liabilities	\$ 73,488,825,994.81	\$ 69,949,982,012.69

Intragovernmental Liabilities

Intragovernmental Liabilities, Other primarily consists of disbursing officers custodial liability.

Nonfederal Liabilities

Nonfederal Other Liabilities, Other consists of employer contributions and payroll taxes, contingent liabilities, contract holdbacks, and custodial liabilities for Iraqi seized cash and the Development Fund for Iraq.

Other Disclosures

Military Retirement and Other Federal Employment Benefits not covered by budgetary resources is comprised of various employee actuarial liabilities. These liabilities are primarily comprised of Federal Employee Compensation Act benefits liability of \$1.5 billion. Refer to Note 17, Military Retirement and Other Federal Employment Benefits, for additional details and disclosures.

Liabilities not covered by budgetary resources are liabilities for which congressional action is needed before budgetary resources can be provided.

Liabilities such as Environmental Liabilities, Military Retirement and Other Federal Employment Benefits, Accounts Payable and Debt are not covered by budgetary resources due to being classified as noncurrent. Congressional action will not be taken to cover these liabilities until classified as current.

Other Intragovernmental Liabilities include liabilities for non-entity assets, such as disbursing officers cash, that are held in the Army General Fund to be transferred to other entities and therefore not covered by budgetary resources. Unfunded Annual Leave is leave an employee is entitled to upon separation and funded with future years' appropriations and thus not covered by budgetary resources in the current fiscal year.

Note 12.	Accounts Payable
-----------------	-------------------------

As of June 30	2008			2007
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 1,620,329,713.72	\$ N/A	\$ 1,620,329,713.72	\$ 1,696,852,976.62
2. Nonfederal Payables (to the Public)	12,229,453,769.59	0.00	12,229,453,769.59	8,673,768,652.40
3. Total	\$ 13,849,783,483.31	\$ 0.00	\$ 13,849,783,483.31	\$ 10,370,621,629.02

Other Information Related to Accounts Payable

The Army General Fund systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue, accounts receivable, and unearned revenue. Accounts payable were adjusted by reclassifying between federal and nonfederal accounts payable.

Note 13.	Debt
-----------------	-------------

As of June 30	2008			2007	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)					
A. Debt to the Treasury	\$ 26,706,245.19	\$ (26,014,895.95)	\$ 691,349.24	\$ 0.00	\$ 26,312,104.47
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00	0.00
C. Total Agency Debt	\$ 26,706,245.19	\$ (26,014,895.95)	\$ 691,349.24	\$ 0.00	\$ 26,312,104.47
2. Total Debt	\$ 26,706,245.19	\$ (26,014,895.95)	\$ 691,349.24	\$ 0.00	\$ 26,312,104.47

The Army General Fund, by means of Armament Retooling and Manufacturing Support (ARMS) Initiative legislation, established a loan guarantee program to facilitate commercial firms' use of specified ammunition manufacturing facilities. When a borrower defaults on a guaranteed loan, the Army General Fund executes borrowing authority with the U.S. Treasury to pay the lender the outstanding principal guaranteed resulting in a debt with the U.S. Treasury. The total debt of \$691.3 thousand consists of interest and principal payments due to the U.S. Treasury for two ARMS loan defaults. During 3rd Quarter, FY 2008, the Army General Fund made a \$26.6 million payment to the U.S. Treasury for two defaulted loans related to the ARMS Initiative legislation.

Note 14.	Environmental Liabilities and Disposal Liabilities
-----------------	---

As of June 30	2008			2007
	Current Liability	Noncurrent Liability	Total	Total
1. Environmental Liabilities--				
Nonfederal				
A. Accrued Environmental Restoration Liabilities				
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ 375,748,000.00	\$ 2,077,753,000.00	\$ 2,453,501,000.00	\$ 2,691,764,000.00
2. Active Installations—Military Munitions Response Program (MMRP)	47,431,000.00	3,156,921,000.00	3,204,352,000.00	3,302,483,000.00
3. Formerly Used Defense Sites—IRP and BD/DR	145,720,000.00	3,554,807,000.00	3,700,527,000.00	4,052,612,000.00
4. Formerly Used Defense Sites--MMRP	76,994,000.00	14,534,894,000.00	14,611,888,000.00	14,715,876,000.00
B. Other Accrued Environmental Liabilities—Non-BRAC				
1. Environmental Corrective Action	31,929,000.00	478,941,000.00	510,870,000.00	404,751,000.00
2. Environmental Closure Requirements	2,759,000.00	94,088,000.00	96,847,000.00	96,847,000.00
3. Environmental Response at Operational Ranges	26,626,000.00	156,442,000.00	183,068,000.00	225,996,000.00
4. Asbestos	0.00	0.00	0.00	0.00
5. Non-Military Equipment	0.00	0.00	0.00	0.00
6. Other	0.00	33,874,400.00	33,874,400.00	46,557,216.00
C. Base Realignment and Closure Installations				
1. Installation Restoration Program	196,737,000.00	612,212,000.00	808,949,000.00	523,686,000.00
2. Military Munitions Response Program	29,986,000.00	845,348,000.00	875,334,000.00	800,312,000.00
3. Environmental Corrective Action / Closure Requirements	16,837,000.00	96,747,000.00	113,584,000.00	32,276,000.00
4. Asbestos	0.00	0.00	0.00	0.00
5. Non-Military Equipment	0.00	0.00	0.00	0.00
6. Other	0.00	0.00	0.00	163,653,000.00
D. Environmental Disposal for Military Equipment / Weapons Programs				
1. Nuclear Powered Military Equipment / Spent Nuclear Fuel	0.00	0.00	0.00	0.00
2. Non-Nuclear Powered Military Equipment	0.00	0.00	0.00	0.00
3. Other National Defense Weapons Systems	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00
E. Chemical Weapons Disposal Programs				
1. Chemical Agents and Munitions Destruction (CAMD)	1,099,779.00	11,152,417,221.00	11,153,517,000.00	18,891,182,000.00
2. CAMD Assembled Chemical Weapons Assessment (ACWA)	504,392.00	5,718,897,608.00	5,719,402,000.00	0.00
3. Other	0.00	0.00	0.00	0.00
2. Total Environmental Liabilities	\$ 952,371,171.00	\$ 42,513,342,229.00	\$ 43,465,713,400.00	\$ 45,947,995,216.00

Environmental Disclosures

As of June 30	2008	2007
A. The unrecognized portion of the estimated total cleanup costs associated with general property, plant, and equipment.	0.00	0.00
B. Changes in total cleanup costs due to changes in laws, regulations, and/or technology.	0.00	0.00
C. Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods.	0.00	0.00

Other Disclosures

Others Category Disclosure Comparative Table		
(Amounts in thousands)	2008	2007
Other Accrued Environmental Costs - Other		
Low Level Radio Active Waste	\$33,874	\$46,557
Base Realignment and Closure - Other		
BRAC Unliquidated Liabilities that cannot be categorized within BRAC program lines on Note 14	\$0	\$163,653
Total	\$33,874	\$210,210

Applicable Laws and Regulations

The Army General Fund is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activity prior to 1986 from hazardous substances and wastes that created a public health or environmental risk and prior to FY 2003 from unexploded ordnance (UXO), discarded military munitions, and munitions constituents at other than operational ranges under the Defense Environmental Restoration Program (DERP), established by Section 211 of the Superfund Amendments and Reauthorization Act of 1986 codified in Title 10 of the United States Code 2701. The Army General Fund is also required to clean up contamination resulting from waste disposal practices, leaks, spills, and other activity after 1986 from hazardous substances and wastes and after FY 2003 from UXO, discarded military munitions, and munitions constituents migrating from an operational range under the Army Compliance Cleanup Program.

The Army is required to destroy the chemical stockpile and nonstockpile as part of the Chemical Demilitarization Program. The 1986 Defense Authorization Act (Public Law (PL) 99-145, as amended by subsequent acts) directed the DoD to destroy the unitary chemical stockpile while providing for maximum protection of the environment, public, and personnel involved in the destruction effort. The 1993 Defense Authorization Act (PL 102-484) required the establishment of the NonStockpile Chemical Material Project to safely dispose of all nonstockpile chemical material. The destruction operations being

carried out using the facilities and equipment developed and fielded as part of the program are also subject to numerous federal and state environmental regulations.

Applicable laws are as follows for the DERP, NonDERP, Low Level Radioactive Waste, and the BRAC programs:

- Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)
- Superfund Amendments and Reauthorization Act (SARA)
- Clean Water Act
- Safe Drinking Water Act
- Clean Air Act
- Resource Conservation and Recovery Act (RCRA)
- Toxic Substances Control Act (TSCA)
- Medical Waste Tracking Act
- Atomic Energy Act
- Nuclear Waste Policy Act
- Low Level Radioactive Waste Policy Amendments Act
- National Defense Authorization Acts

Types of Environmental Liabilities and Disposal Liabilities Identified

The Army General Fund has environmental cleanup requirements for the DERP sites at active installations, Base Realignment and Closure (BRAC) installations, Formerly Used Defense Sites (FUDS), NonDERP sites at active installations, weapon systems programs, and chemical weapons disposal programs. The DERP and NonDERP sites are required to clean up contamination in coordination with regulatory agencies, other responsible parties, and current property owners. Environmental disposal for weapons systems programs consists of chemical weapons disposal, including the destruction of the entire U.S. stockpile of chemical agents and munitions and disposal of nonstockpile chemical material. This includes binary chemical weapons, old chemical weapons recovered as part of remediation and recovery operations, and miscellaneous materiel associated with chemical weapon production, storage, testing, maintenance, and disposal. The weapons systems program also consists of nuclear-powered aircraft carriers, nuclear powered submarines, and other nuclear ships. All clean-up is done in coordination with regulatory agencies, other responsible parties, and current property owners.

Methods for Assigning Estimated Total Cleanup Costs to Current Operating Periods

The Army General Fund uses engineering estimates and independently validated models to estimate environmental liabilities. The models are contained within the Remedial Action Cost Engineering Requirements and the Normalization of Data System. The Department validates the models in accordance with DoD Instruction 5000.61 and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation. The Army General Fund primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project.

Once the environmental cost estimates are complete, Army General Fund complies with accounting standards to assign costs to current operating periods. Army General Fund has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997, unless the costs are intended to be recovered through user charges. If the costs are recovered through user charges, then Army General Fund expensed that portion of the asset that has passed since General PP&E was placed into service and is systematically recognizing the remaining cost over the life of the assets.

For General PP&E placed into service after September 30, 1997, the Army General Fund expenses the associated environmental costs systematically over the life of the asset. Army General Fund expenses the full cost to clean up contamination for Stewardship PP&E at the time the asset is placed into service.

Army General Fund uses two methods for systematic recognition: physical capacity for operating landfills, and life expectancy in years for all other assets.

Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, or Applicable Laws and Regulations

The Army General Fund had changes in estimates resulting from overlooked or previously unknown contaminants, better site characterization with sampling, reestimation based on different assumptions, and lessons learned. Environmental liabilities can also change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

Uncertainty Regarding the Accounting Estimates used to Calculate the Reported Environmental Liabilities

The environmental liabilities for the Army General Fund are based on accounting estimates, which require certain judgments and assumptions that are believed to be reasonable based upon information available to us at the time of calculating the estimates. The actual results may materially vary from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. The liabilities can be further impacted if further investigation of the environmental sites discloses contamination different than known at the time of the estimates.

For the environmental liability associated with the destruction of chemical weapons, the schedules and cost estimates in the approved baseline are based on the best information available and have been through the formal Acquisition Program Baseline approval process at the time of report submission. It should be noted that they are subject to fact of life changes and impacts from program risks and uncertainties inherent to the task of chemical demilitarization and the political sensitivity of the program. These risks may include processing changes required to meet the operational schedules due to the deteriorating condition of the stockpile and additional schedule time and/or cost to address changes in environmental laws or Congressional requirements.

In addition to the liabilities reported above, the Army General Fund is uncertain regarding the extent of the liabilities at installations that are realigning or closing as a result of the FY 2005 BRAC round. The Army General Fund is in the process of determining the extent of environmental liabilities at bases due to realign or close; in particular those liabilities associated with unexploded ordnance on training ranges that are due to realign or close.

The Army General Fund is also uncertain regarding the extent of NonDERP closure environmental liabilities at Active installations. The Army General Fund is in the process of determining the extent of environmental liabilities associated with NonDERP closure requirements.

In addition, the Army General Fund reports the costs for restoration initiatives in conjunction with returning overseas Defense facilities to host nations. The Army General Fund is currently unable to provide a reasonable estimate because the extent of restoration required is not known.

Other Accrued Environmental Costs, Other consists of Low Level Radioactive Waste.

The Army General Fund reports zeros in the Environmental Disclosure table. The Army General Fund is unable to systematically report and gather information for items presented above. These reporting deficiencies result from system and internal control weaknesses. The Army General Fund will continue coordination with the Office of the Under Secretary of Defense (Comptroller) to address these deficiencies and additionally outline specific tasks and milestones in the Army Chief Financial Officers Strategic Plan by 4th Quarter, FY 2010.

Note 15.	Other Liabilities
-----------------	--------------------------

As of June 30	2008			2007
	Current Liability	Noncurrent Liability	Total	Total
1. Intragovernmental				
A. Advances from Others	\$ 49,219,616.88	\$ 0.00	\$ 49,219,616.88	\$ 103,348,304.02
B. Deposit Funds and Suspense Account Liabilities	(201,044,749.73)	0.00	(201,044,749.73)	586,243,214.32
C. Disbursing Officer Cash	2,302,959,204.43	0.00	2,302,959,204.43	2,215,207,435.04
D. Judgment Fund Liabilities	0.00	0.00	0.00	0.00
E. FECA Reimbursement to the Department of Labor	107,308,855.95	137,876,998.32	245,185,854.27	250,144,125.64
F. Custodial Liabilities	110,616,090.81	0.00	110,616,090.81	106,164,744.91
G. Employer Contribution and Payroll Taxes Payable	117,389,023.58	0.00	117,389,023.58	31,915,872.52
H. Other Liabilities	103,919,591.24	0.00	103,919,591.24	197,614,553.21
I. Total Intragovernmental Other Liabilities	\$ 2,590,367,633.16	\$ 137,876,998.32	\$ 2,728,244,631.48	\$ 3,490,638,249.66
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	\$ 2,367,222,251.66	\$ 0.00	\$ 2,367,222,251.66	\$ 868,618,459.00
B. Advances from Others	1,765,023,656.14	0.00	1,765,023,656.14	1,328,776,260.76
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	303,768,704.53	0.00	303,768,704.53	(11,919.77)
E. Temporary Early Retirement Authority	0.00	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities				
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	1,764,646,089.00	1,764,646,089.00	1,354,509,002.56
G. Accrued Unfunded Annual Leave	3,505,002,429.59	0.00	3,505,002,429.59	3,698,785,600.43
H. Capital Lease Liability	3,752,133.90	12,018,966.97	15,771,100.87	22,859,381.56
I. Contract Holdbacks	204,689,963.36	0.00	204,689,963.36	344,824,501.20
J. Employer Contribution and Payroll Taxes Payable	1,063,320,565.22	0.00	1,063,320,565.22	336,888,463.21
K. Contingent Liabilities	151,176,512.00	819,154,784.85	970,331,296.85	641,532,378.00
L. Other Liabilities	1,550,866.03	0.00	1,550,866.03	43,986,276.14
M. Total Nonfederal Other Liabilities	\$ 9,365,507,082.43	\$ 2,595,819,840.82	\$ 11,961,326,923.25	\$ 8,640,768,403.09
3. Total Other Liabilities	\$ 11,955,874,715.59	\$ 2,733,696,839.14	\$ 14,689,571,554.73	\$ 12,131,406,652.75

Intragovernmental – Other Liabilities

Intragovernmental Other Liabilities, Other consists of accrued unfunded annual leave, education benefits trust liability, and unemployment compensation liability.

Nonfederal – Other Liabilities

Nonfederal Other Liabilities, Other consists of miscellaneous liabilities submitted by the U.S. Army Corps of Engineers.

Estimated Future Contract Financing Payments

Contingent Liabilities includes \$395.8 million in estimated future contract financing payments that will be paid to the contractors upon delivery and Government acceptance. In accordance with contract terms, specific rights to the contractor's work vests with the 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 the rights of ownership. Army General Fund is under no obligation to pay the contractor for amounts greater than the amounts authorized in the contract until delivery and Government acceptance. Because it is probable that the contractor will complete its efforts and deliver a satisfactory product to Army General Fund and the amount of potential future payments is estimable; the Army General Fund has recognized a contingent liability for estimated future payments, which are conditional pending delivery and Government acceptance.

Capital Lease Liability

As of June 30	2008				2007
	Asset Category				
	Land and Buildings	Equipment	Other	Total	Total
1. Future Payments Due					
A. 2008	\$ 1,551,165.74	\$ 39,882.00	\$ 0.00	\$ 1,591,047.74	\$ 8,684,605.77
B. 2009	5,375,522.96	93,058.00	0.00	5,468,580.96	5,468,580.96
C. 2010	5,375,522.96	0.00	0.00	5,375,522.96	5,375,522.96
D. 2011	4,509,788.83	0.00	0.00	4,509,788.83	4,509,788.83
E. 2012	2,413,188.31	0.00	0.00	2,413,188.31	0.00
F. 2013	1,611,522.96	0.00	0.00	1,611,522.96	0.00
G. After 5 Years	147,895.17	0.00	0.00	147,895.17	4,172,606.44
H. Total Future Lease Payments Due	\$ 20,984,606.93	\$ 132,940.00	\$ 0.00	\$ 21,117,546.93	\$ 28,211,104.96
I. Less: Imputed Interest Executory Costs	5,317,594.78	28,851.28	0.00	5,346,446.06	10,711,993.79
J. Net Capital Lease Liability	\$ 15,667,012.15	\$ 104,088.72	\$ 0.00	\$ 15,771,100.87	\$ 17,499,111.17
2. Capital Lease Liabilities Covered by Budgetary Resources				\$ 11,552,127.41	\$ 16,695,564.91
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ 4,218,973.46	\$ 6,163,816.65

Note 16.	Commitments and Contingencies
-----------------	--------------------------------------

The Army General Fund is a party in various administrative proceedings and legal actions, with claims including environmental damage claims, equal opportunity matters, and contractual bid protests.

The Army General Fund has accrued contingent liabilities for legal actions where our Office of General Counsel (OGC) considers an adverse decision probable and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The Army General Fund records Judgment Fund liabilities in Note 12, Accounts Payable, and Note 15, Other Liabilities.

Nature of Contingency

The FY 2007 Army Legal Representation Letter outlines claims against the Army General Fund totaling \$1.3 trillion for which the Army Office of General Counsel is unable to express an opinion. The historical payout percentage for these cases is less than 1%, or \$12.9 billion. To determine the historical payout, the Army Office of General Counsel divides the total amount reported as a payout in the fiscal year by the total amount of claimed in the Army Legal Representation Letter.

The Army General Fund has other contingent liabilities for which the possibility of loss is considered reasonable. These liabilities are not accrued in the Army General Fund's financial statements nor reported in the FY 2007 Army Legal Representation Letter. As of June 30, 2008, the Army General Fund had \$530.0 million in claims considered reasonably possible. These contingent liabilities and estimates are presented in the following table. Estimates for litigations, claims and assessments are required to be fully supported. Additionally, the Army General Fund has coordinated with Army Office of General Counsel to ensure that estimates agree with the legal representation letters and management summary schedule.

(Amounts in thousands)

Title of Contingent Liabilities	Estimate
Army Environmental Law Division	259,316
Army Contract Appeals	98,731
U.S. Army Claims Service	86,228
Litigation Division	85,761
Total	\$530,036

Other Information Pertaining to Commitments

The Army General Fund has entered into contractual commitments that require future use of financial resources. It has significant amounts of long-term lease obligations, undelivered orders, and cancelled accounts payable. The amount of contractual commitments for 2nd Quarter, FY 2008 is presented in the following schedule.

(Amounts in thousands)

Title of Contractual Commitments

Long-term lease obligations	\$15,771
Undelivered orders	\$194,938
Cancelled accounts payable	\$115,430,820

The Army General Fund is a party in numerous individual contracts that contain clauses, such as price escalation, award fee payments, or dispute resolution, that may or may not result in a future outflow of expenditures. Currently, the Army General Fund does not have an automated system by which it captures or assesses these potential contingent liabilities; therefore, the amounts reported may not fairly present the Army General Fund's contingent liabilities.

Contingencies that are considered both measurable and probable have been recognized as liabilities. Refer to Note 15, Other Liabilities, for further details.

Note 17.	Military Retirement and Other Federal Employment Benefits
-----------------	--

As of June 30	2008				2007
	Present Value of Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liability	Present Value of Benefits
1. Pension and Health Actuarial Benefits					
A. Military Retirement Pensions	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits	0.00		0.00	0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	0.00		0.00	0.00	0.00
D. Total Pension and Health Actuarial Benefits	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Other Actuarial Benefits					
A. FECA	\$ 1,483,176,546.48	5.31%	\$ 0.00	\$ 1,483,176,546.48	\$ 1,461,097,881.90
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00	0.00
C. DoD Education Benefits Fund	0.00		0.00	0.00	0.00
D. Total Other Actuarial Benefits	\$ 1,483,176,546.48		\$ 0.00	\$ 1,483,176,546.48	\$ 1,461,097,881.90
3. Other Federal Employment Benefits	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
4. Total Military Retirement and Other Federal Employment Benefits:	\$ 1,483,176,546.48		\$ 0.00	\$ 1,483,176,546.48	\$ 1,461,097,881.90

Actuarial Cost Method Used:

Assumptions:

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

Federal Employees Compensation Act (FECA)

Actuarial Cost Method Used: The Army's actuarial liability for Workers' Compensation benefits is developed by the Department of Labor and provided to the Army General Fund each fiscal year end. The liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns to predict the ultimate payments.

Assumptions: The projected annual benefit payments are discounted to the present value using the Office of Management and Budget's economic assumptions for 10-year U.S. Treasury notes and bonds. Cost of living adjustments and medical inflation factors provided by the Department of Labor are also applied to the calculation of projected future benefits. The estimated actuarial liability is updated only at the end of each fiscal year.

Note 18.	General Disclosures Related to the Statement of Net Cost
-----------------	---

Intragovernmental Costs and Exchange Revenue		
As of June 30	2008	2007

As of June 30	2008	2007
1. Intragovernmental Costs	\$ 38,309,575,349.77	\$ 35,161,510,409.17
2. Public Costs	111,613,505,956.87	100,724,105,509.52
3. Total Costs	\$ 149,923,081,306.64	\$ 135,885,615,918.69
4. Intragovernmental Earned Revenue	\$ (5,744,713,380.55)	\$ (5,973,064,324.69)
5. Public Earned Revenue	(1,161,938,956.01)	(1,202,838,031.67)
6. Total Earned Revenue	\$ (6,906,652,336.56)	\$ (7,175,902,356.36)
7. Net Cost of Operations	\$ 143,016,428,970.08	\$ 128,709,713,562.33

Definitions

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

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

Other Information Regarding Costs

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

The amounts presented in the Consolidated Statement of Net Cost are based on funding, obligation, accrual, and disbursing transactions, which are not always recorded using accrual accounting. The Army General Fund's systems do not always record the transactions on an accrual basis as is required by the generally accepted accounting principles. The information presented also includes data from nonfinancial feeder systems to capture all cost and financing sources for the Army General Fund.

Additional Disclosures

The Army General Fund systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. Additional expenses are accrued when the Army General Fund balance is lower than the other DoD entity.

The Army General Fund accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. The Army General Fund is not able to separately identify the costs of acquiring, constructing, improving, reconstructing or renovating heritage assets. The Army Chief Financial Officers Strategic Plan outlines tasks to separately identify and report costs associated with Heritage Assets by 1st Quarter, FY 2010.

Note 19. Disclosures Related to the Statement of Changes in Net Position

As of June 30	2008		2007	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Prior Period Adjustments				
Increases (Decreases) to Net Position Beginning Balance				
A. Changes in Accounting Standards	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Errors and Omissions in Prior Year Accounting Reports	0.00	0.00	0.00	0.00
C. Total Prior Period Adjustments	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Imputed Financing				
A. Civilian CSRS/FERS Retirement	\$ 203,710,413.33	\$ 0.00	\$ 200,937,526.07	\$ 0.00
B. Civilian Health	416,391,084.00	0.00	445,198,728.00	0.00
C. Civilian Life Insurance	1,427,253.84	0.00	1,271,394.02	0.00
D. Judgment Fund	44,522,948.95	0.00	49,338,123.46	0.00
E. Other	0.00	0.00	0.00	0.00
F. IntraEntity	0.00	0.00	0.00	0.00
G. Total Imputed Financing	\$ 666,051,700.12	\$ 0.00	\$ 696,745,771.55	\$ 0.00

Prior Period Adjustments: Errors and Omissions in Prior Year Accounting Reports

Prior period adjustments made in the prior fiscal year are not appropriately reflected in the comparative period of the note table. The Army General Fund recognized a \$3.8 billion prior period adjustment for FY 2007, which decreased cumulative results of operations and increased unexpended appropriations by the same amount. The adjustment relates to a change in reporting parent/child allocation transfers, and is presented as a change in accounting principle. The change affects the Balance Sheet and the Statement of Changes in Net Position. In accordance with the exceptions identified in Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements," the Army General Fund is required to report all financial activity of the Iraq Relief and Reconstruction Fund carried out on behalf of the Executive Office of the President. Previous OMB guidance required the child to report material financial activity except for budgetary transactions. Effective FY 2007, OMB requires the Army General Fund to also report this budgetary activity resulting in this prior period adjustment.

In the Statement of Changes in Net Position, all offsetting balances (i.e. transfers-in and transfers-out, revenues, and expenses) for intraDoD activity between earmarked and other (non earmarked) funds are reported on the same lines. This results in an eliminations column, which appears to contain no balances. In reality, the column

contains all appropriate elimination entries, but all net to zero within each respective line, except for intraentity imputed financing costs.

Cumulative Results of Operations

Other Budgetary Financing Sources (All other funds) and Other Financing Sources (Other) represent adjustments to bring the proprietary accounts into agreement with the budgetary accounts. Due to system deficiencies, there are unreconciled differences between the budgetary and proprietary trial balances. The net effect of these adjustments is reflected on Other budgetary financing sources and Other Financing Sources on the Statement of Net Position.

Unexpended Appropriations

Appropriations Received on the Statement of Changes in Net Position does not agree with the Appropriations Received on the Statement of Budgetary Resources. The total difference is \$15.1 million and is due to additional resources included in the Appropriation Received on the Statement of Budgetary Resources. The Statement of Budgetary Resources includes \$49.4 million in receipts for Appropriated, Trust or Special Fund Receipts that are not included in the Statement of Changes in Net Position. Refer to Note 20, Disclosures Related to the Statement of Budgetary Resources, for additional details.

Earmarked Cumulative Results of Operations ending balance on the Statement of Changes in Net Position does not agree with the Earmarked Cumulative Results reported on the Balance Sheet because the cumulative results on the Balance Sheet are presented net of eliminations.

Note 20.	Disclosures Related to the Statement of Budgetary Resources
-----------------	--

As of June 30	2008	2007
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 115,430,820,205.86	\$ 98,696,487,507.87
2. Available Borrowing and Contract Authority at the End of the Period	0.00	0.00

Undelivered Orders

Undelivered Orders presented in the Statement of Budgetary Resources includes Undelivered Orders-Unpaid for both direct and reimbursable funds.

Reporting of Appropriations Received

Appropriations received on the Statement of Budgetary Resources do not agree with appropriations received on the Statements of Changes in Net Position because of differences between proprietary and budgetary accounting concepts and reporting requirements. The differences are made up of the recording of receipts for trust and special funds and the appropriations anticipated indefinite accounts.

Presentation of Statement of Budgetary Resources

The Statement of Budgetary Resources includes intraentity transactions because the statements are presented as combined.

Breakdown of Apportionment Categories

Office of Management and Budget Circular A-136 specifically requires disclosure of the amount of direct and reimbursable obligations incurred against amounts apportioned under Category A (apportioned by fiscal quarter), Category B (apportioned by project or activity), and Exempt from Apportionment.

Budgetary	Direct	Reimbursable
Category A	\$159.7 billion	\$11.9 billion
Category B	\$19.5 billion	\$3.6 billion
Total	\$179.2 billion	\$15.5 billion
Non-Budgetary		
Category A	\$704.0 million	

This disclosure agrees with the aggregate of the related information as reported on the Budgetary Execution Report and Obligations Incurred on the Statement of Budgetary Resources.

Terms of Borrowing Authority

Borrowing authority is used for guaranteed loan defaults relating to the Armament Retooling and Manufacturing Support (ARMS) Initiative. This initiative is designed to encourage commercial use of inactive Army General Fund ammunition plants through many incentives for businesses willing to locate to a government ammunition production facility. The Army General Fund, by means of ARMS Initiative legislation, established a loan guarantee program to facilitate commercial firms' use of specified ammunition manufacturing facilities. The Army General Fund and Department of Agriculture Rural Business-Cooperative Service (RBS) established a Memorandum of Understanding for the RBS to administer the ARMS Initiative Loan Guarantee Program.

Available Borrowing Authority as of June 30, 2008, is \$1.4 million.

This note has been modified to accurately report the remaining available balance of borrowing and contract authority. Previously, the Army General Fund reported the amount of the contract/borrowing authority that had initially been used and not subsequently replaced by reimbursement or appropriation.

Note 21.	Reconciliation of Net Cost of Operations to Budget
-----------------	---

As of June 30	2008	2007
---------------	------	------

Resources Used to Finance Activities:

Budgetary Resources Obligated:

1. Obligations incurred	\$ 194,794,500,399.72	\$ 174,528,026,885.41
2. Less: Spending authority from offsetting collections and recoveries (-)	(35,916,469,500.71)	(34,313,565,329.71)
3. Obligations net of offsetting collections and recoveries	\$ 158,878,030,899.01	\$ 140,214,461,555.70
4. Less: Offsetting receipts (-)	(423,849,732.69)	491,506,388.12
5. Net obligations	\$ 158,454,181,166.32	\$ 140,705,967,943.82
Other Resources:		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	1,661,333,923.23	818,977,865.09
8. Imputed financing from costs absorbed by others	666,051,700.12	696,745,771.55
9. Other (+/-)	4,065,306,903.79	(10,250,065,580.79)
10. Net other resources used to finance activities	\$ 6,392,692,527.14	\$ (8,734,341,944.15)
11. Total resources used to finance activities	\$ 164,846,873,693.46	\$ 131,971,625,999.67

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 (-)	\$ (7,050,130,638.23)	\$ (14,323,336,085.25)
12b. Unfilled Customer Orders	6,754,491,428.18	5,733,069,545.54
13. Resources that fund expenses recognized in prior Periods (-)	(2,296,064,498.52)	(84,140,693.87)
14. Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	450,691,360.69	(491,262,625.37)
15. Resources that finance the acquisition of assets (-)	(21,602,756,574.32)	(8,387,241,740.84)
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 (+/-)	(5,726,640,827.02)	9,431,087,715.70
17. Total resources used to finance items not part of the Net Cost of Operations	\$ (29,470,409,749.22)	\$ (8,121,823,884.09)
18. Total resources used to finance the Net Cost of Operations	\$ 135,376,463,944.24	\$ 123,849,802,115.58

Army General Fund

As of June 30	2008	2007
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	972,758,121.00
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 (+/-)	847,121,636.36	904,859,877.01
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$ 847,121,636.36	\$ 1,877,617,998.01
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	\$ 8,648,015,656.88	\$ 3,669,996,279.98
26. Revaluation of assets or liabilities (+/-)	287,578.72	178,341,720.25
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	(1,855,459,846.12)	(866,044,551.49)
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ 6,792,843,389.48	\$ 2,982,293,448.74
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$ 7,639,965,025.84	\$ 4,859,911,446.75
30. Net Cost of Operations	\$ 143,016,428,970.08	\$ 128,709,713,562.33

Required Disclosures

The Reconciliation of Net Cost of Operations to Budget is intended to explain and define the relationship between net obligations from budgetary accounting and net cost of operations from proprietary accounting. The following Reconciliation of Net Cost of Operations to Budget lines are presented as combined instead of consolidated due to intra-agency 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, and
Unfilled Customer Orders.

Other Resources – Other, and Other resources or adjustments to net obligated resources that do not affect net cost of operations – Other include Other Gains and Losses, which represents adjustments to bring the proprietary accounts into agreement with the budgetary accounts. Due to system deficiencies, there are unreconciled differences between the budgetary and proprietary trial balances. In addition, Other resources or adjustments to net obligated resources that do not affect net cost of operations – Other includes transfers in and out without reimbursement.

Other Components Requiring or Generating Resources in Future Period represents increases in future funded expense for various liabilities such as Federal Employment Compensation Act, Judgment Fund, Unemployment Compensation, and Closed Accounts Payable.

Other Components not Requiring or Generating Resources is comprised of Other Expenses not Requiring Budgetary Resources for the Iraqi Relief and Reconstruction Fund. The Iraqi Relief and Reconstruction Fund is a transfer fund where the Army General Fund executes the funding on behalf of the Executive Office of the President. The U.S. Treasury requires that the execution for this type of transfer is presented on the Army General Fund financial statements.

Components Requiring or Generating Resources in Future Period reports \$1.0 billion of decreases in unfunded expenses that were incurred during FY 2008. The cumulative total of unfunded expenses from all fiscal years is reported as Liabilities Not Covered by Budgetary Resources in Note 11.

Liabilities not covered by budgetary resources on the Army General Fund Balance Sheet totals \$52.7 billion and the amount reported here as requiring or generating resources in future periods totals \$847.1 million. The difference of \$51.9 billion is primarily due to the differing perspectives. Liabilities not covered by budgetary resources report the cumulative balance for Balance Sheet liabilities not yet funded whereas as components requiring or generating resources in future periods reflect only the current period changes for all unfunded liabilities.

Resources used to Finance Activities, Other consist of the Other Gains and Losses, Nonbudgetary. Other resources or adjustments to net obligated resources that do not affect net cost of operations, other consists of Other Gains and Losses and Transfers in without reimbursement. Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period, Other consists of Future Funded Expenses and Future Funded Unemployment. Components not Requiring or Generating Resources, Other consists of the cost capitalization offset, bad debt expense, and other expenses not requiring budgetary resources.

Beginning 4th Quarter, FY 2007, DoD began presenting the Statement of Financing (SOF) as a note in accordance with the Office of Management and Budget (OMB) Circular A-136. The SOF will no longer be considered a basic statement and is now referred to as “Reconciliation of Net Cost of Operations to Budget.”

Note 22.

Disclosures Related to Incidental Custodial Collections

Note 23.	Earmarked Funds
-----------------	------------------------

BALANCE SHEET As of June 30, 2008					
---	--	--	--	--	--

	Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
--	--------------------------	--	-----------------------	--------------	-------

ASSETS					
Fund balance with					
Treasury	\$ 0.00	\$ 0.00	\$ 49,674,904.07	\$ 0.00	\$ 49,674,904.07
Investments	0.00	0.00	2,350,853.01	0.00	2,350,853.01
Accounts and Interest Receivable	0.00	0.00	66,840.47	0.00	66,840.47
Other Assets	0.00	0.00	1,116,046.53	0.00	1,116,046.53
Total Assets	\$ 0.00	\$ 0.00	\$ 53,208,644.08	\$ 0.00	\$ 53,208,644.08

LIABILITIES and NET POSITION					
Military Retirement Benefits and Other Federal Employment Benefits					
	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Other Liabilities	0.00	0.00	3,585,874.93	0.00	3,585,874.93
Total Liabilities	\$ 0.00	\$ 0.00	\$ 3,585,874.93	\$ 0.00	\$ 3,585,874.93
Unexpended Appropriations					
	0.00	0.00	0.00	0.00	0.00
Cumulative Results of Operations	0.00	0.00	49,622,769.15	0.00	49,622,769.15
Total Liabilities and Net Position	\$ 0.00	\$ 0.00	\$ 53,208,644.08	\$ 0.00	\$ 53,208,644.08

STATEMENT OF NET COST					
For the period ended June 30, 2008					
Program Costs	\$ 0.00	\$ 0.00	\$ 8,401,111.74	\$ 0.00	\$ 8,401,111.74
Less Earned Revenue	0.00	0.00	(613,550.05)	0.00	(613,550.05)
Net Program Costs	\$ 0.00	\$ 0.00	\$ 7,787,561.69	\$ 0.00	\$ 7,787,561.69
Less Earned Revenues Not Attributable to Programs					
	0.00	0.00	0.00	0.00	0.00
Net Cost of Operations	\$ 0.00	\$ 0.00	\$ 7,787,561.69	\$ 0.00	\$ 7,787,561.69

Army General Fund

STATEMENT OF CHANGES IN NET POSITION For the period ended June 30, 2008	Military Retirement Fund		Medicare Eligible Retiree Health Care Fund		Other Earmarked Funds		Eliminations		Total
Net Position Beginning of the Period	\$	0.00	\$	0.00	\$	24,052,849.07	\$	0.00	\$ 24,052,849.07
Net Cost of Operations		0.00		0.00		7,787,561.69		0.00	7,787,561.69
Budgetary Financing Sources		0.00		0.00		14,488,856.82		0.00	14,488,856.82
Other Financing Sources		0.00		0.00		18,868,624.95		0.00	18,868,624.95
Change in Net Position	\$	0.00	\$	0.00	\$	25,569,920.08	\$	0.00	\$ 25,569,920.08
Net Position End of Period	\$	0.00	\$	0.00	\$	49,622,769.15	\$	0.00	\$ 49,622,769.15

Earmarked Funds

Earmarked Funds represent funds received from outside sources for specific purposes. The Army General Fund receives earmarked funds for the following appropriations:

- Sale of Hunting and Fishing Permits. Fees are received from individuals for the issuance of special hunting and fishing permits. The funds for this account are used for wildlife, fish, and game conservation and rehabilitation on military reservations. Title 10, United States Code (USC) 670b gives the authority to collect funds for this purpose and distribute the funds for the intended purposes.
- Restoration of Rocky Mountain Arsenal. Funds are received from private industry for the cleanup of contamination areas of Rocky Mountain Arsenal. Public Law (PL) 99-661, Section 1367 provides the authority for this explicit use.
- Royalties for Use of DoD-Military Insignia and Trademarks. Funds are received from the sale of commemorative memorabilia, trademarks, and licensing activities. The funds are used to replenish inventory stock for such items and other related Commemorative Program expenses. The authority to create expenditures originates from PL 102-484, Section 378.
- Forest and Wildlife Conservation, Military Reservations. These funds are produced from the sale of forest products that are in excess of operation and maintenance expenses at fiscal year-end for the payment of entitlements to states. The authority and directive for this fund originates from Title 10, USC 2665.
- National Science Center. Funds received from the collection of fees for the use of the National Science Center and use for the operation and maintenance of the National Science Center as authorized under PL 99-145, Defense Authorization Act, 1986, Section 1459.

- Department of the Army General Gift Fund. Funds are received from private parties and estates and used for various purposes. Title 10, USC 2601 establishes the authority governing the use of this fund.

The Total Earmarked Funds column is shown as consolidated and relates only to Earmarked Funds. The elimination column on this note includes only eliminations associated with Earmarked Funds and excludes the offsetting eliminations from All Other Funds. This exclusion causes assets to not equal liabilities and net position in the note. However, the amounts in the total column equal the amounts reported for Earmarked Funds on the Balance Sheet.

Note 24.	Other Disclosures
-----------------	--------------------------

As of June 30	2008 Asset Category			
	Land and Buildings	Equipment	Other	Total

**1. ENTITY AS LESSEE-
Operating Leases**

Future Payments Due

Fiscal Year

2008	\$ 979,673.73	\$ 0.00	\$ 0.00	\$ 979,673.73
2009	3,793,801.84	0.00	0.00	3,793,801.84
2010	2,118,330.11	0.00	0.00	2,118,330.11
2011	66,654.00	0.00	0.00	66,654.00
2012	66,653.50	0.00	0.00	66,653.50
2013	66,651.50	0.00	0.00	66,651.50
After 5 Years	15,350,347.00	0.00	0.00	15,350,347.00

**Total Future Lease
Payments Due**

	\$ 22,442,111.68	\$ 0.00	\$ 0.00	\$ 22,442,111.68
--	------------------	---------	---------	------------------

Note 25.	Restatements
-----------------	---------------------

During the reporting period, an accounting error was discovered. As a result, prior year changes have been made retrospectively in accordance with generally accepted accounting principles (GAAP).

Correction of an Accounting Error

In September 2007, the military payroll, that was due to be disbursed on October 1st, was vouchered in Standard Finance Redesign (SRD) causing it to be sent to Treasury as a September disbursement. The actual payroll was not paid to the soldiers until October 2007. During a review of Military Personnel accounts, the Office of Management and Budget (OMB) discovered that the outlays were overstated for FY 2007. OMB determined that both Treasury and the Army General Fund would need to correct their records to reflect the outlays in the correct fiscal year.

Per OMB Circular A-136 Section II.4.5.4, errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. Prior period financial statements should be restated for corrections of errors that would have caused any statements presented to be materially misstated, consistent with Statement of Federal Financial Accounting Standards No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles."

Statement of Budgetary Resources

Beginning Balance Change for FY 2008

(Amount in thousands)

Unpaid Obligations, brought forward	\$1,281,537
-------------------------------------	-------------

The adjustment to correct the beginning balance of Total Actual Resources increases Unpaid Obligations, brought forward. Since the supplemental Treasury 224 entry allowed Treasury to correct the beginning balance and repost the disbursements in 2008, the proprietary balances are in agreement with Treasury. Therefore, no additional entries need to be prepared for the proprietary accounts in 3rd Quarter, FY 2008. A comparative account adjustment will be prepared in 4th Quarter, FY 2008 to correct the FY 2007 Fund Balance with Treasury and Payroll Liability accounts.