

Department of Defense
Department of the Army
CONSOLIDATED BALANCE SHEET
As of June 30, 2009 and 2008

	<u>2009 Consolidated</u>	<u>2008 Consolidated</u>
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)	\$ 224,478,201,932.93	\$ 221,411,542,398.48
2. Investments (Note 4)	3,384,942.84	3,253,717.54
3. Accounts Receivable (Note 5)	811,551,061.56	665,349,148.17
4. Other Assets (Note 6)	454,974,792.56	337,911,900.86
5. Total Intragovernmental Assets	<u>\$ 225,748,112,729.89</u>	<u>\$ 222,418,057,165.05</u>
B. Cash and Other Monetary Assets (Note 7)	\$ 2,058,103,018.34	\$ 2,302,420,749.24
C. Accounts Receivable, Net (Note 5)	750,536,840.85	591,841,534.99
D. Loans Receivable (Note 8)	471,069.24	66,840.47
E. Inventory and Related Property, Net (Note 9)	34,329,802,946.78	40,357,558,135.09
F. General Property, Plant and Equipment, Net (Note 10)	122,145,004,389.92	104,862,796,866.84
H. Other Assets (Note 6)	8,029,674,215.66	6,999,820,206.94
2. TOTAL ASSETS	<u>\$ 393,061,705,210.68</u>	<u>\$ 377,532,561,498.62</u>
3. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT (Note 10)		
4. LIABILITIES (Note 11)		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 1,931,674,373.56	\$ 1,620,329,713.72
2. Debt (Note 13)	851,606.53	691,349.24
3. Other Liabilities (Note 15 & 16)	3,660,083,553.55	2,728,244,631.48
4. Total Intragovernmental Liabilities	<u>\$ 5,592,609,533.64</u>	<u>\$ 4,349,265,694.44</u>
B. Accounts Payable (Note 12)	\$ 9,725,255,206.79	\$ 12,229,453,769.59
C. Military Retirement and Other Federal Employment Benefits (Note 17)	1,472,382,704.34	1,483,176,546.48
D. Environmental and Disposal Liabilities (Note 14)	38,254,386,360.00	43,465,713,400.00
E. Loan Guarantee Liability (Note 8)	2,789,225.87	(110,338.95)
F. Other Liabilities (Note 15 & Note 16)	15,628,558,816.39	11,961,326,923.25
5. TOTAL LIABILITIES	<u>\$ 70,675,981,847.03</u>	<u>\$ 73,488,825,994.81</u>
6. COMMITMENTS AND CONTINGENCIES (NOTE 16)		
7. NET POSITION		
B. Unexpended Appropriations - Other Funds	212,167,678,693.66	220,784,724,003.16
C. Cumulative Results of Operations - Earmarked Funds	52,658,709.31	49,622,769.15
D. Cumulative Results of Operations - Other Funds	110,165,385,960.68	83,209,388,731.50
8. TOTAL NET POSITION	<u>\$ 322,385,723,363.65</u>	<u>\$ 304,043,735,503.81</u>
9. TOTAL LIABILITIES AND NET POSITION	<u>\$ 393,061,705,210.68</u>	<u>\$ 377,532,561,498.62</u>

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

	<u>2009 Consolidated</u>	<u>2008 Consolidated</u>
1. Program Costs		
A. Gross Costs	\$ 161,297,067,000.73	\$ 149,923,081,306.64
B. (Less: Earned Revenue)	(8,708,619,445.79)	(6,906,652,336.56)
C. Net Program Costs	<u>\$ 152,588,447,554.94</u>	<u>\$ 143,016,428,970.08</u>
4. Net Cost of Operations	<u>\$ 152,588,447,554.94</u>	<u>\$ 143,016,428,970.08</u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 For the periods ended June 30, 2009 and 2008

	<u>2009 Earmarked Funds</u>	<u>2009 All Other Funds</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 52,945,610.71	\$ 98,560,989,912.41
3. Beginning balances, as adjusted	<u>52,945,610.71</u>	<u>98,560,989,912.41</u>
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	168,856,659,351.93
4.C. Nonexchange revenue	8,578,124.36	0.00
4.D. Donations and forfeitures of cash	1,814,506.37	0.00
4.E. Transfers-in/out without reimbursement	0.00	1,023,000,000.00
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	(2,714,508,540.13)
5.C. Imputed financing from costs absorbed by others	0.00	725,076,798.34
5.D. Other (+/-)	(1,008,175.95)	(3,707,055,363.11)
6. Total Financing Sources	<u>9,384,454.78</u>	<u>164,183,172,247.03</u>
7. Net Cost of Operations (+/-)	9,671,356.18	152,578,776,198.76
8. Net Change	<u>(286,901.40)</u>	<u>11,604,396,048.27</u>
9. Cumulative Results of Operations	52,658,709.31	110,165,385,960.68
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 153,860,352,045.59
12. Beginning balances, as adjusted	<u>0.00</u>	<u>153,860,352,045.59</u>
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	227,059,851,000.00
13.B. Appropriations transferred-in/out	0.00	1,665,444,000.00
13.C. Other adjustments (rescissions, etc)	0.00	(1,561,309,000.00)
13.D. Appropriations used	0.00	(168,856,659,351.93)
14. Total Budgetary Financing Sources	0.00	58,307,326,648.07
15. Unexpended Appropriations	<u>0.00</u>	<u>212,167,678,693.66</u>
16. Net Position	<u>52,658,709.31</u>	<u>322,333,064,654.34</u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended June 30, 2009 and 2008

	<u>2009 Eliminations</u>	<u>2009 Consolidated</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 98,613,935,523.12
3. Beginning balances, as adjusted	0.00	98,613,935,523.12
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	168,856,659,351.93
4.C. Nonexchange revenue	0.00	8,578,124.36
4.D. Donations and forfeitures of cash	0.00	1,814,506.37
4.E. Transfers-in/out without reimbursement	0.00	1,023,000,000.00
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	(2,714,508,540.13)
5.C. Imputed financing from costs absorbed by others	0.00	725,076,798.34
5.D. Other (+/-)	0.00	(3,708,063,539.06)
6. Total Financing Sources	0.00	164,192,556,701.81
7. Net Cost of Operations (+/-)	0.00	152,588,447,554.94
8. Net Change	0.00	11,604,109,146.87
9. Cumulative Results of Operations	0.00	110,218,044,669.99
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 153,860,352,045.59
12. Beginning balances, as adjusted	0.00	153,860,352,045.59
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	227,059,851,000.00
13.B. Appropriations transferred-in/out	0.00	1,665,444,000.00
13.C. Other adjustments (rescissions, etc)	0.00	(1,561,309,000.00)
13.D. Appropriations used	0.00	(168,856,659,351.93)
14. Total Budgetary Financing Sources	0.00	58,307,326,648.07
15. Unexpended Appropriations	0.00	212,167,678,693.66
16. Net Position	0.00	322,385,723,363.65

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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 For the periods ended June 30, 2009 and 2008

	<u>2008 Earmarked Funds</u>	<u>2008 All Other Funds</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 24,052,849.07	\$ 68,460,056,252.11
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
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 (+/-)	18,868,624.95	4,046,438,278.84
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	49,622,769.15	83,209,388,731.50
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 124,485,255,050.75
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>

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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended June 30, 2009 and 2008

	<u>2008 Eliminations</u>	<u>2008 Consolidated</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 68,484,109,101.18
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
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
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
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2009 and 2008

	<u>2009 Combined</u>	<u>2008 Combined</u>
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	\$ 40,552,960,178.28	\$ 32,258,187,897.92
2. Recoveries of prior year unpaid obligations	18,825,416,078.77	13,432,016,983.01
3. Budget authority		
3.A. Appropriation	227,070,095,310.98	231,197,980,647.10
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	17,576,452,651.82	15,457,931,933.01
3.D.1.b. Change in receivables from Federal sources	609,810,970.92	245,187,528.51
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	108,915,872.32	240,177,948.64
3.D.2.b. Without advance from Federal sources	5,272,718,907.14	6,514,313,479.54
3.D.3. Anticipated for rest of year, without advances	741,954,603.42	951,246,541.15
3.E. Subtotal	<u>251,379,948,316.60</u>	<u>254,606,838,077.95</u>
4. Nonexpenditure transfers, net, anticipated and actual	2,688,444,000.00	18,799,580,492.00
6. Permanently not available	(1,561,309,000.00)	(2,298,859,000.00)
7. Total Budgetary Resources	<u><u>\$ 311,885,459,573.65</u></u>	<u><u>\$ 316,797,764,450.88</u></u>

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

	<u>2009 Combined</u>	<u>2008 Combined</u>
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 176,027,747,477.47	\$ 179,209,349,148.33
8.B. Reimbursable	17,435,244,061.75	15,584,447,258.34
8.C. Subtotal	<u>193,462,991,539.22</u>	<u>194,793,796,406.67</u>
9. Unobligated balance:		
9.A. Apportioned	111,957,753,589.22	58,915,185,592.77
9.B. Exempt from apportionment	50,867,288.88	8,580,559.95
9.C. Subtotal	<u>112,008,620,878.10</u>	<u>58,923,766,152.72</u>
10. Unobligated balance not available	6,413,847,156.33	63,080,201,891.49
11. Total status of budgetary resources	<u><u>\$ 311,885,459,573.65</u></u>	<u><u>\$ 316,797,764,450.88</u></u>
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	144,392,278,481.38	116,374,289,429.97
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	\$ (22,571,943,379.85)	\$ (19,644,699,714.69)
12.C. Total unpaid obligated balance	<u>121,820,335,101.53</u>	<u>96,729,589,715.28</u>
13. Obligations incurred net (+/-)	\$ 193,462,991,539.22	\$ 194,793,796,406.67
14. Less: Gross outlays	<u>(184,952,758,279.27)</u>	<u>(171,162,055,514.22)</u>
16. Less: Recoveries of prior year unpaid obligations, actual	<u>(18,825,416,078.77)</u>	<u>(13,432,016,983.01)</u>
17. Change in uncollected customer payments from Federal sources (+/-)	(5,882,529,878.06)	(6,759,501,008.05)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	134,077,095,662.56	126,574,013,339.41
18.B. Less: Uncollected customer payments from Federal sources (-)	(28,454,473,257.91)	(26,404,200,722.74)
18.C. Total, unpaid obligated balance, net, end of period	<u>105,622,622,404.65</u>	<u>100,169,812,616.67</u>
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	184,952,758,279.27	171,162,055,514.22
19.B. Less: Offsetting collections	(17,685,368,524.14)	(15,698,109,881.65)
19.C. Less: Distributed Offsetting receipts	(816,541,261.98)	(423,849,732.69)
19.D. Net Outlays	<u><u>\$ 166,450,848,493.15</u></u>	<u><u>\$ 155,040,095,899.88</u></u>

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

	<u>2009 Combined</u>	<u>2008 Combined</u>
NONBUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES		
1. Unobligated balance, brought forward, October 1	\$ 317,619.62	\$ 589,647.63
3. Budget authority		
3.B. Borrowing authority	867,895.00	1,390,443.00
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	0.00	26,628,446.00
3.D.1.b. Change in receivables from Federal sources	471,069.24	213,182.00
3.D.3 Anticipated for rest of year, without advances	0.00	161,504.00
3.E. Subtotal	<u>1,338,964.24</u>	<u>28,393,575.00</u>
6. Permanently not available	0.00	(26,628,446.00)
7. Total Budgetary Resources	<u><u>\$ 1,656,583.86</u></u>	<u><u>\$ 2,354,776.63</u></u>

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

	<u>2009 Combined</u>	<u>2008 Combined</u>
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 18,807.34	\$ 703,993.05
8.C. Subtotal	<u>18,807.34</u>	<u>703,993.05</u>
9. Unobligated balance:		
9.A. Apportioned	800,616.93	1,299,309.57
9.C. Subtotal	<u>800,616.93</u>	<u>1,299,309.57</u>
10. Unobligated balance not available	837,159.59	351,474.01
11. Total Status of Budgetary Resources	<u>\$ 1,656,583.86</u>	<u>\$ 2,354,776.63</u>
13. Obligations incurred net (+/-)	\$ 18,807.34	\$ 703,993.05
14. Less: Gross outlays	0.00	(90,443.00)
17. Change in uncollected customer payments from Federal sources (+/-)	(471,069.24)	(213,182.00)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	18,807.34	613,550.05
18.B. Less: Uncollected customer payments from Federal sources (-)	(471,069.24)	(213,182.00)
18.C. Total, unpaid obligated balance, net, end of period	<u>(452,261.90)</u>	<u>400,368.05</u>
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	0.00	90,443.00
19.B. Less: Offsetting collections	0.00	(26,628,446.00)
19.D. Net Outlays	<u>\$ 0.00</u>	<u>\$ (26,538,003.00)</u>

Note 1.	Significant Accounting Policies
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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 234-year life of the Army, but the environment and nature of conflict have undergone many changes over that same time, especially with the Overseas Contingency Operations. 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 these 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. These general funds also include supplemental funds enacted by the American Recovery and Reinvestment Act (Recovery Act) of 2009. Details relating to Recovery Act appropriated funds are available on-line at <http://www.defenselink.mil/recovery/>.

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 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.

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).

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.

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 2009, 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.

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. Operating Materiel and Supplies (OM&S) consist of tangible personal property consumed in normal operations, and they are generally recognized as expenses 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 intragovernmental 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 Army General Fund 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 of the Federal Government is not included. The Federal Government does not apportion debt and its related costs to federal agencies. The DoD’s financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

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 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 to the U.S. Treasury on check issues, electronic fund transfers, interagency transfers, and deposits.

In addition, DFAS sites and USACE Finance Center submit reports to the U.S. Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records these transactions to the applicable Fund Balance with Treasury (FBWT) account. The Army General Fund’s recorded balance in the FBWT accounts and U.S. Treasury’s FBWT accounts must balance monthly.

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 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.

1.L. Direct Loans and Loan Guarantees

The Army General Fund operates a 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 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 is currently developing a methodology to be used to account for “inventory held for sale” and “inventory held in reserve for future sale” with a completion date of year-end FY 2010 reporting.

Related property includes OM&S and stockpile materiels. The OM&S, including munitions not held for sale, are valued at standard purchase price. The Army General Fund 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 2009, 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.

Excess, obsolete, or unserviceable operating materials and supplies are reported at their net realizable value. The Army General Fund recognizes condemned material as "Excess, Obsolete, and Unserviceable." The cost of disposal is greater than the potential scrap value; therefore, the net value of condemned material is zero. Potentially redistributed material, 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, unless they are needed to finance claims or otherwise sustain operations. 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 mirror 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's General Property, Plant & Equipment (PP&E) capitalization threshold is \$100 thousand except for real property, which is \$20 thousand.

General PP&E assets are capitalized at historical acquisition cost when an asset has a useful life of two or more years and when the acquisition cost equals or exceeds the DoD capitalization threshold. The DoD also requires capitalization of improvements to existing General PP&E assets if the improvements equal or exceed the DoD capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. The DoD depreciates all General PP&E, other than land, on a straight-line basis.

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's 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 permitted 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 should be 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. The Army General Fund has not implemented this policy primarily due to system limitations.

1.Q. Leases

Lease payments for the rental of 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 (GSA) 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.

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 may provide 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. It is DoD policy to record certain contract financing payments as Other Assets.

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

1.S. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The 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. Unexpended Obligations

The Army General Fund obligates funds to provide goods and services for outstanding orders not yet delivered. Unless the title has passed, the financial statements do not reflect a liability for payment for goods and services not yet delivered. Unexpended obligations includes both obligations for which goods and services have been delivered (title passed) and a liability recognized, and obligations for which no delivery has occurred and no liability recognized. The balance of unexpended obligations appears immediately before net outlays in the Statement of Budgetary Resources, and is referred to as "Total, unpaid obligated balances, net, end of period."

1.X. Undistributed Disbursements and Collections

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to a specific obligation, payable, or receivable in the activity field records as opposed to those reported by the U.S. Treasury. These amounts should agree with the undistributed amounts reported on the 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.Y. Significant Events

There are no significant events as of June 30, 2009.

1.Z. Fiduciary Activities

Fiduciary cash and other assets are not assets of the Army General Fund and are not recognized on the balance sheet. Fiduciary activities are reported on the financial statement note schedules.

Note 2.	Nonentity Assets
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As of June 30	2009	2008
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ 331,891,252.36	\$ 248,369,224.60
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 331,891,252.36	\$ 248,369,224.60
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ 2,058,103,018.34	\$ 2,302,420,749.24
B. Accounts Receivable	26,015,348.40	23,671,216.18
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 2,084,118,366.74	\$ 2,326,091,965.42
3. Total Nonentity Assets	\$ 2,416,009,619.10	\$ 2,574,461,190.02
4. Total Entity Assets	\$ 390,645,695,591.58	\$ 374,958,100,308.60
5. Total Assets	\$ 393,061,705,210.68	\$ 377,532,561,498.62

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 canceled year appropriations. These receivables will be returned to the U.S. Treasury as miscellaneous receipts once collected.

Note 3.	Fund Balance with Treasury
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As of June 30	2009	2008
1. Fund Balances		
A. Appropriated Funds	\$ 224,090,094,535.72	\$ 221,109,495,918.02
B. Revolving Funds	4,286,311.60	4,303,339.61
C. Trust Funds	1,029,957.31	5,043,240.27
D. Special Funds	50,899,875.94	44,330,675.98
E. Other Fund Types	331,891,252.36	248,369,224.60
F. Total Fund Balances	\$ 224,478,201,932.93	\$ 221,411,542,398.48
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	\$ 224,462,995,105.74	\$ 163,272,137,276.53
B. Fund Balance per Army	224,478,201,932.93	221,411,542,398.48
3. Reconciling Amount	\$ (15,206,827.19)	\$ (58,139,405,121.95)

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 U.S. Treasury reported \$15.2 million less in Fund Balance with Treasury than reported by the Army General Fund. This includes an increase of \$29 million in fiduciary activity and a decrease of \$44.2 million in net differences due to the U.S. Treasury treatment of allocation transfers.

Status of Fund Balance with Treasury

As of June 30	2009	2008
1. Unobligated Balance		
A. Available	\$ 111,266,938,107.13	\$ 57,973,196,555.05
B. Unavailable	6,414,684,315.92	63,080,391,861.50
2. Obligated Balance not yet Disbursed	\$ 134,077,114,469.90	\$ 126,574,626,889.46
3. Nonbudgetary FBWT	\$ 1,178,676,244.99	\$ 192,546,255.66
4. NonFBWT Budgetary Accounts	\$ (28,459,211,205.01)	\$ (26,409,219,163.19)
5. Total	\$ 224,478,201,932.93	\$ 221,411,542,398.48

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

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.

Note 4. Investments and Related Interest

As of June 30	2009				
	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	3,408,516.60		(43,193.55)	3,365,323.05	0.00
5. Total Nonmarketable, Market-Based	3,408,516.60		(43,193.55)	3,365,323.05	0.00
B. Accrued Interest	19,619.79			19,619.79	19,619.79
C. Total Intragovernmental Securities	\$ 3,428,136.39		\$ (43,193.55)	\$ 3,384,942.84	\$ 19,619.79
2. Other Investments					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A
As of June 30	2008				
	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	3,184,600.71		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
4. Other Investments					
A. Total Other Investments	\$ 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 generated from earmarked funds 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 receipts. The 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. Government-wide 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
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As of June 30	2009		
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 811,551,061.56	N/A	\$ 811,551,061.56
2. Nonfederal Receivables (From the Public)	\$ 910,060,124.35	\$ (159,523,283.50)	\$ 750,536,840.85
3. Total Accounts Receivable	\$ 1,721,611,185.91	\$ (159,523,283.50)	\$ 1,562,087,902.41

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

Note 6.	Other Assets
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As of June 30	2009	2008
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ 454,974,792.56	\$ 337,911,900.86
B. Other Assets	0.00	0.00
C. Total Intragovernmental Other Assets	\$ 454,974,792.56	\$ 337,911,900.86
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	\$ 7,979,877,165.92	\$ 6,787,998,141.20
B. Advances and Prepayments	49,797,049.74	211,822,065.74
C. Other Assets (With the Public)	0.00	0.00
D. Total Nonfederal Other Assets	\$ 8,029,674,215.66	\$ 6,999,820,206.94
3. Total Other Assets	\$ 8,484,649,008.22	\$ 7,337,732,107.80

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 \$8.0 billion is comprised of \$7.6 billion in contract financing payments and an additional \$383.5 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
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As of June 30	2009	2008
1. Cash	\$ 672,529,424.35	\$ 1,014,264,110.16
2. Foreign Currency	1,385,573,593.99	1,288,156,639.08
3. Other Monetary Assets	0.00	0.00
4. Total Cash, Foreign Currency, & Other Monetary Assets	\$ 2,058,103,018.34	\$ 2,302,420,749.24

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 Loan Guarantees
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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 initiating new loan guarantees.

Summary of Direct Loans and Loan Guarantees
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As of June 30	2009	2008
Loans Receivable		
<u>Direct Loans</u>		
1. Foreign Military Loan Liquidating Account	\$ 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	471,069.24	66,840.47
7. Total Default Loan Guarantees	\$ 471,069.24	\$ 66,840.47
8. Total Loans Receivable	\$ 471,069.24	\$ 66,840.47

As of June 30	2009	2008
Loan Guarantee Liability		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
2. Military Housing Privatization Initiative	0.00	0.00
3. Armament Retooling & Manufacturing Support Initiative	2,789,225.87	(110,338.95)
4. Total Loan Guarantee Liability	\$ 2,789,225.87	\$ (110,338.95)

The Loan Guarantee Liability represents the present value of the estimated cash inflows less cash outflows of non-acquired loan guarantees. The \$2.8 million 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.

Defaulted Guaranteed Loans

As of June 30

	2009	2008
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees (Allowance for Loss Method):		
1. Foreign Military Loan 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	\$ 15,142,175.56	\$ 14,407,200.02
B. Interest Receivable	471,069.24	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	(15,142,175.56)	(14,340,359.55)
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 471,069.24	\$ 66,840.47
4. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable		
	\$ 471,069.24	\$ 66,840.47

Guaranteed Loans Outstanding

As of June 30	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
2009		
Guaranteed Loans Outstanding		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	2,993,968.18	2,544,872.95
3. Foreign Military Liquidating Account	0.00	0.00
4. Total	\$ 2,993,968.18	\$ 2,544,872.95
2008		
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
2009		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
4. Total	\$ 0.00	\$ 0.00
2008		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	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. One performing loan remains.

Liabilities for Loan Guarantees
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As of June 30	2009	2008
Liabilities for Losses on Loan Guarantee from Pre 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 from Post 1991 (Present Value):		
3. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
4. Armament Retooling & Manufacturing Support Initiative	2,789,225.87	(110,338.95)
5. Total Loan Guarantee Liability (Post-FY 1991)	\$ 2,789,225.87	\$ (110,338.95)
6. Total Loan Guarantee Liability	\$ 2,789,225.87	\$ (110,338.95)

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 \$2.8 million in loan guarantee liability represents the estimated long-term cost of the currently performing loan to the U. S. Government for the ARMS Initiative Loan Guarantee Program.

Subsidy Expense for Loan Guarantees by Program

As of June 30

2009	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
2008	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
2009	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
2008	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
		2009	2008		
5. Total Loan Guarantee:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00			
Armament Retooling & Manufacturing Support Initiative	0.00	0.00			
Total	\$ 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 since 2004, 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	2009	2008
Beginning Balance, Changes, and Ending Balance:		
1. Beginning Balance of the Loan Guarantee Liability	\$ 2,336,963.97	\$ 290,028.89
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	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 Guarantee Modifications	\$ 0.00	\$ 0.00
B. Fees Received	0.00	0.00
C. Interest Supplements Paid	0.00	0.00
D. Foreclosed Property and Loans Acquired	0.00	0.00
E. Claim Payments to Lenders	0.00	0.00
F. Interest Accumulation on the Liability Balance	452,261.90	(400,368.05)
G. Other	0.00	0.21
H. Total of the above Adjustments	\$ 452,261.90	\$ (400,367.84)
4. Ending Balance of the Loan Guarantee Liability before Reestimates	\$ 2,789,225.87	\$ (110,338.95)
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	\$ 2,789,225.87	\$ (110,338.95)

Administrative Expenses

Administrative expense of \$16.0 thousand is an annual amount for salary and expense which normally occurs during the last quarter of the fiscal year.

Note 9.	Inventory and Related Property
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As of June 30	2009	2008
1. Inventory, Net	\$ 0.00	\$ 0.00
2. Operating Materiel & Supplies, Net	34,329,802,946.78	40,357,558,135.09
3. Stockpile Materiel, Net	0.00	0.00
4. Total	\$ 34,329,802,946.78	\$ 40,357,558,135.09

Operating Materiel and Supplies, Net

As of June 30	2009			Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	
1. OM&S Categories				
A. Held for Use	\$ 34,329,802,946.78	\$ 0.00	\$ 34,329,802,946.78	SP, LAC, MAC
B. Held for Repair	0.00	0.00	0.00	SP, LAC, MAC
C. Excess, Obsolete, and Unserviceable	509,531,196.31	(509,531,196.31)	0.00	NRV
D. Total	\$ 34,839,334,143.09	\$ (509,531,196.31)	\$ 34,329,802,946.78	

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

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

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

Managers determine which items are more costly to repair than to replace. 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 values of the Army's government furnished materiel and contractor acquired materiel in the hands of contractors are 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. Currently, there are no restrictions on OM&S.

Note 10. General PP&E, Net

As of June 30	2009				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
1. Major Asset Classes					
A. Land	N/A	N/A	\$ 536,201,529.98	N/A	\$ 536,201,529.98
B. Buildings, Structures, and Facilities	S/L	20 Or 40	54,395,325,630.15	\$ (33,165,825,931.67)	21,229,499,698.48
C. Leasehold Improvements	S/L	lease term	24,658,101.00	(19,764,024.00)	4,894,077.00
D. Software	S/L	2-5 Or 10	501,717,934.66	(205,313,624.63)	296,404,310.03
E. General Equipment	S/L	5 or 10	4,021,957,777.28	(1,812,639,316.91)	2,209,318,460.37
F. Military Equipment	S/L	Various	135,126,294,191.34	(44,703,917,389.53)	90,422,376,801.81
G. Shipbuilding (Construction-in- Progress)	N/A	N/A	0.00	0.00	0.00
H. Assets Under Capital Lease	S/L	lease term	166,616,689.13	(159,638,861.10)	6,977,828.03
I. Construction-in- Progress (Excludes Military Equipment)	N/A	N/A	7,439,331,684.22	N/A	7,439,331,684.22
J. Other			0.00	0.00	0.00
K. Total General PP&E			\$ 202,212,103,537.76	\$ (80,067,099,147.84)	\$ 122,145,004,389.92

As of June 30	2008				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
1. Major Asset Classes					
A. Land	N/A	N/A	\$ 523,081,164.82	N/A	\$ 523,081,164.82
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
C. Leasehold Improvements	S/L	lease term	14,825,823.00	(11,966,688.00)	2,859,135.00
D. Software	S/L	2-5 Or 10	501,717,934.66	(181,541,666.97)	320,176,267.69
E. General Equipment	S/L	5 or 10	3,961,010,065.47	(1,722,071,625.39)	2,238,938,440.08
F. Military Equipment	S/L	Various	115,544,076,846.00	(41,741,760,166.00)	73,802,316,680.00
G. Shipbuilding (Construction-in- Progress)	N/A	N/A	0.00	0.00	0.00
H. Assets Under Capital Lease	S/L	lease term	166,616,689.13	(157,150,726.06)	9,465,963.07
I. Construction-in- Progress (Excludes Military Equipment)	N/A	N/A	9,056,952,824.45	N/A	9,056,952,824.45
J. Other			25,110,527.00	0.00	25,110,527.00
K. Total General PP&E			\$ 180,169,547,188.51	\$ (75,306,750,321.67)	\$ 104,862,796,866.84

¹ Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

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

Information Related to Heritage Assets and Stewardship Land

The mission of DoD, 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. 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. This is the heritage that DoD defends.

The Army’s policies for managing cultural resources and heritage assets is 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. 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, National Guard, Army Reserve 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:

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. The Register includes national historic landmarks; buildings or structures that are contributing elements to districts listed on or eligible for the Register or a National Historic Landmark District; and buildings and structures designated eligible for the Register for purposes of program alternatives.

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.

Archeological Sites: Sites that have been identified, evaluated, and determined to be eligible for or are listed on the National Register of Historic Places.

Assets Under Capital Lease

As of June 30	2009	2008
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	(159,638,861.10)	(157,150,726.06)
D. Total Capital Leases	\$ 6,977,828.03	\$ 9,465,963.07

Note 11.	Liabilities Not Covered by Budgetary Resources
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As of June 30	2009	2008
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	0.00	613,550.05
C. Other	394,931,793.53	2,762,002,985.25
D. Total Intragovernmental Liabilities	\$ 394,931,793.53	\$ 2,762,616,535.30
2. Nonfederal Liabilities		
A. Accounts Payable	\$ 191,472,248.79	\$ 194,938,090.99
B. Military Retirement and Other Federal Employment Benefits	1,472,382,704.34	1,483,176,546.48
C. Environmental Liabilities	35,511,905,360.00	42,513,342,229.00
D. Other Liabilities	6,411,137,665.73	5,698,768,069.01
E. Total Nonfederal Liabilities	\$ 43,586,897,978.86	\$ 49,890,224,935.48
3. Total Liabilities Not Covered by Budgetary Resources	\$ 43,981,829,772.39	\$ 52,652,841,470.78
4. Total Liabilities Covered by Budgetary Resources	\$ 26,694,152,074.64	\$ 20,835,984,524.03
5. Total Liabilities	\$ 70,675,981,847.03	\$ 73,488,825,994.81

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

Nonfederal Other Liabilities, Other consists of unfunded annual leave and conventional munitions disposals.

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 and Military Retirement and Other Federal Employment Benefits 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
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As of June 30	2009		
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total
1. Intragovernmental Payables	\$ 1,931,674,373.56	\$ N/A	\$ 1,931,674,373.56
2. Nonfederal Payables (to the Public)	9,717,767,666.33	7,487,540.46	9,725,255,206.79
3. Total	\$ 11,649,442,039.89	\$ 7,487,540.46	\$ 11,656,929,580.35

As of June 30	2008		
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total
1. Intragovernmental Payables	\$ 1,620,329,713.72	\$ N/A	\$ 1,620,329,713.72
2. Nonfederal Payables (to the Public)	12,229,453,769.59	0.00	12,229,453,769.59
3. Total	\$ 13,849,783,483.31	\$ 0.00	\$ 13,849,783,483.31

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 amounts between federal and nonfederal accounts payable.

Note 13.	Debt
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As of June 30	2009		
	Beginning Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ 832,799.19	\$ 18,807.34	\$ 851,606.53
B. Debt to the Federal Financing Bank	0.00	0.00	0.00
C. Total Agency Debt	\$ 832,799.19	\$ 18,807.34	\$ 851,606.53
2. Total Debt	\$ 832,799.19	\$ 18,807.34	\$ 851,606.53

As of June 30	2008		
	Beginning 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
B. Debt to the Federal Financing Bank	0.00	0.00	0.00
C. Total Agency Debt	\$ 26,706,245.19	\$ (26,014,895.95)	\$ 691,349.24
2. Total Debt	\$ 26,706,245.19	\$ (26,014,895.95)	\$ 691,349.24

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 guaranteed outstanding principal resulting in a debt with the U.S. Treasury. The total debt of \$851.6 thousand consists of interest and principal payments due to the U.S. Treasury for 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
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As of June 30	2009	2008
1. Environmental Liabilities--Nonfederal		
A. Accrued Environmental Restoration Liabilities		
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ 2,256,912,000.00	\$ 2,453,501,000.00
2. Active Installations—Military Munitions Response Program (MMRP)	2,692,785,000.00	3,204,352,000.00
3. Formerly Used Defense Sites—IRP and BD/DR	2,911,084,000.00	3,700,527,000.00
4. Formerly Used Defense Sites--MMRP	14,711,730,000.00	14,611,888,000.00
B. Other Accrued Environmental Liabilities—Non-BRAC		
1. Environmental Corrective Action	370,660,000.00	510,870,000.00
2. Environmental Closure Requirements	96,847,000.00	96,847,000.00
3. Environmental Response at Operational Ranges	150,400,000.00	183,068,000.00
4. Asbestos	0.00	0.00
5. Non-Military Equipment	0.00	0.00
6. Other	96,456,360.00	33,874,400.00
C. Base Realignment and Closure Installations		
1. Installation Restoration Program	715,918,000.00	808,949,000.00
2. Military Munitions Response Program	952,219,000.00	875,334,000.00
3. Environmental Corrective Action / Closure Requirements	298,485,000.00	113,584,000.00
4. Asbestos	0.00	0.00
5. Non-Military Equipment	0.00	0.00
6. Other	0.00	0.00
D. Environmental Disposal for Military Equipment / Weapons Programs		
1. Nuclear Powered Military Equipment / Spent Nuclear Fuel	0.00	0.00
2. Non-Nuclear Powered Military Equipment	0.00	0.00
3. Other National Defense Weapons Systems	0.00	0.00
4. Other	0.00	0.00
E. Chemical Weapons Disposal Program		
1. Chemical Agents and Munitions Destruction (CAMD)	7,404,167,000.00	11,153,517,000.00
2. CAMD Assembled Chemical Weapons Assessment (ACWA)	5,596,723,000.00	5,719,402,000.00
3. Other	0.00	0.00
2. Total Environmental Liabilities	\$ 38,254,386,360.00	\$ 43,465,713,400.00

Environmental Disclosures

As of June 30	2009	2008
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

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.

The Army has a liability to take environmental restoration/corrective action for buried chemical munitions and agents, which it is unable to estimate at this time because the extent of the buried chemical munitions and agents is unknown. The Department is also unable to provide a complete estimate for Formerly Utilized Sites Remedial Action Program. The Department has ongoing studies and will update its estimate as additional liabilities are identified. In addition, not all components of the Department recognize environmental liabilities associated with General PP&E due to process and system limitations.

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 Liabilities – Non-BRAC, Other consists of Low Level Radioactive Waste.

The Army General Fund reports zero balances 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
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As of June 30

2009

Current
LiabilityNoncurrent
Liability

Total

1. Intragovernmental

A. Advances from Others	\$	38,132,822.37	\$	0.00	\$	38,132,822.37
B. Deposit Funds and Suspense Account Liabilities		903,274,013.08		0.00		903,274,013.08
C. Disbursing Officer Cash		2,058,440,410.19		0.00		2,058,440,410.19
D. Judgment Fund Liabilities		0.00		0.00		0.00
E. FECA Reimbursement to the Department of Labor		113,369,407.15		134,560,186.50		247,929,593.65
F. Custodial Liabilities		124,816,973.35		0.00		124,816,973.35
G. Employer Contribution and Payroll Taxes Payable		139,740,700.29		0.00		139,740,700.29
H. Other Liabilities		147,749,040.62		0.00		147,749,040.62
I. Total Intragovernmental Other Liabilities	\$	3,525,523,367.05	\$	134,560,186.50	\$	3,660,083,553.55

2. Nonfederal

A. Accrued Funded Payroll and Benefits	\$	5,360,225,375.11	\$	0.00	\$	5,360,225,375.11
B. Advances from Others		1,863,943,294.87		0.00		1,863,943,294.87
C. Deferred Credits		0.00		0.00		0.00
D. Deposit Funds and Suspense Accounts		176,263,215.11		0.00		176,263,215.11
E. Temporary Early Retirement Authority		0.00		0.00		0.00
F. Nonenvironmental Disposal Liabilities						
(1) Military Equipment (Nonnuclear)		0.00		0.00		0.00
(2) Excess/Obsolete Structures		0.00		0.00		0.00
(3) Conventional Munitions Disposal		0.00		2,072,316,361.00		2,072,316,361.00
G. Accrued Unfunded Annual Leave		3,926,979,166.24		0.00		3,926,979,166.24
H. Capital Lease Liability		3,943,600.20		8,075,366.77		12,018,966.97
I. Contract Holdbacks		302,799,455.08		0.00		302,799,455.08
J. Employer Contribution and Payroll Taxes Payable		1,054,518,080.33		0.00		1,054,518,080.33
K. Contingent Liabilities		66,258,615.69		792,167,005.90		858,425,621.59
L. Other Liabilities		1,069,280.09		0.00		1,069,280.09
M. Total Nonfederal Other Liabilities	\$	12,756,000,082.72	\$	2,872,558,733.67	\$	15,628,558,816.39

3. Total Other Liabilities

	\$	16,281,523,449.77	\$	3,007,118,920.17	\$	19,288,642,369.94
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As of June 30	2008		
	Current Liability	Noncurrent Liability	Total
1. Intragovernmental			
A. Advances from Others	\$ 49,219,616.88	\$ 0.00	\$ 49,219,616.88
B. Deposit Funds and Suspense Account Liabilities	(201,044,749.73)	0.00	(201,044,749.73)
C. Disbursing Officer Cash	2,302,959,204.43	0.00	2,302,959,204.43
D. Judgment Fund Liabilities	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
F. Custodial Liabilities	110,616,090.81	0.00	110,616,090.81
G. Employer Contribution and Payroll Taxes Payable	117,389,023.58	0.00	117,389,023.58
H. Other Liabilities	103,919,591.24	0.00	103,919,591.24
I. Total Intragovernmental Other Liabilities	\$ 2,590,367,633.16	\$ 137,876,998.32	\$ 2,728,244,631.48
2. Nonfederal			
A. Accrued Funded Payroll and Benefits	\$ 2,367,222,251.66	\$ 0.00	\$ 2,367,222,251.66
B. Advances from Others	1,765,023,656.14	0.00	1,765,023,656.14
C. Deferred Credits	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	303,768,704.53	0.00	303,768,704.53
E. Temporary Early Retirement Authority	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities			
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	1,764,646,089.00	1,764,646,089.00
G. Accrued Unfunded Annual Leave	3,505,002,429.59	0.00	3,505,002,429.59
H. Capital Lease Liability	3,752,133.90	12,018,966.97	15,771,100.87
I. Contract Holdbacks	204,689,963.36	0.00	204,689,963.36
J. Employer Contribution and Payroll Taxes Payable	1,063,320,565.22	0.00	1,063,320,565.22
K. Contingent Liabilities	151,176,512.00	819,154,784.85	970,331,296.85
L. Other Liabilities	1,550,866.03	0.00	1,550,866.03
M. Total Nonfederal Other Liabilities	\$ 9,365,507,082.43	\$ 2,595,819,840.82	\$ 11,961,326,923.25
3. Total Other Liabilities	\$ 11,955,874,715.59	\$ 2,733,696,839.14	\$ 14,689,571,554.73

Intragovernmental – Other Liabilities

Intragovernmental Other Liabilities, Other consists of unemployment compensation liability.

Nonfederal – Other Liabilities

Nonfederal Other Liabilities, Other consists of other related liabilities submitted by the U.S. Army Corps of Engineers without related budgetary obligations.

Estimated Future Contract Financing Payments

Contingent Liabilities includes \$383.5 million related to contracts authorizing Progress Payments Based on Cost as defined in the Federal Acquisition Regulation (FAR). In accordance with contract terms, specific rights to the contractors' work vests with the Federal Government when a specific type of contract financing payment is made. This action protects taxpayer funds in the event of contract nonperformance. These rights should not be misconstrued as rights of ownership. The Department is under no obligation to pay contractors for amounts greater than the amounts authorized in contracts until delivery and government acceptance. Due to the probability the contractors will complete their efforts and deliver satisfactory products, and because the amount of potential future payments are estimable, the Department has recognized a contingent liability for estimated future payments which are conditional pending delivery and government acceptance.

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

Capital Lease Liability

As of June 30	2009					
	Asset Category					
	Land and Buildings	Equipment	Other	Total		
1. Future Payments Due						
A. 2009	\$ 1,343,880.74	\$ 0.00	\$ 0.00	\$ 1,343,880.74		
B. 2010	5,375,522.96	0.00	0.00	5,375,522.96		
C. 2011	4,509,788.83	0.00	0.00	4,509,788.83		
D. 2012	2,413,188.31	0.00	0.00	2,413,188.31		
E. 2013	1,611,522.96	0.00	0.00	1,611,522.96		
F. 2014	147,895.17	0.00	0.00	147,895.17		
G. After 5 Years	0.00	0.00	0.00	0.00		
H. Total Future Lease Payments Due	\$ 15,401,798.97	\$ 0.00	\$ 0.00	\$ 15,401,798.97		
I. Less: Imputed Interest Executory Costs	3,382,832.00	0.00	0.00	3,382,832.00		
J. Net Capital Lease Liability	\$ 12,018,966.97	\$ 0.00	\$ 0.00	\$ 12,018,966.97		

2. Capital Lease Liabilities Covered by Budgetary Resources \$ 9,904,375.39

3. Capital Lease Liabilities Not Covered by Budgetary Resources \$ 2,114,591.58

As of June 30	2008					
	Asset Category					
	Land and Buildings	Equipment	Other	Total		
1. Future Payments Due						
A. 2008	\$ 1,551,165.74	\$ 39,882.00	\$ 0.00	\$ 1,591,047.74		
B. 2009	5,375,522.96	93,058.00	0.00	5,468,580.96		
C. 2010	5,375,522.96	0.00	0.00	5,375,522.96		
D. 2011	4,509,788.83	0.00	0.00	4,509,788.83		
E. 2012	2,413,188.31	0.00	0.00	2,413,188.31		
F. 2013	1,611,522.96	0.00	0.00	1,611,522.96		
G. After 5 Years	147,895.17	0.00	0.00	147,895.17		
H. Total Future Lease Payments Due	\$ 20,984,606.93	\$ 132,940.00	\$ 0.00	\$ 21,117,546.93		
I. Less: Imputed Interest Executory Costs	5,317,594.78	28,851.28	0.00	5,346,446.06		
J. Net Capital Lease Liability	\$ 15,667,012.15	\$ 104,088.72	\$ 0.00	\$ 15,771,100.87		

2. Capital Lease Liabilities Covered by Budgetary Resources \$ 11,552,127.41

3. Capital Lease Liabilities Not Covered by Budgetary Resources \$ 4,218,973.46

Note 16.	Commitments and Contingencies
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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 2008 Army Legal Representation Letter outlines claims against the Army General Fund totaling \$2.3 trillion for which the Army OGC is unable to express an opinion. The historical payout percentage for these cases is less than 1%. To determine the historical payout, the Army OGC divides the total amount reported as a payout in the fiscal year by the total amount 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 2008 Army Legal Representation Letter. As of June 30, 2009, the Army General Fund had \$619.4 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 OGC 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	\$241,755
Army Contract Appeals	227,221
U.S. Army Claims Service	48,096
Litigation Division	102,334
Total	\$619,406

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 3rd Quarter, FY 2009 is presented in the following schedule.

(Amounts in thousands)

Title of Contractual Commitments

Long-term lease obligations	\$8,075
Undelivered orders	\$123,054,082
Cancelled accounts payable	\$191,472

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
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As of June 30	2009			
	Liabilities	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
1. Pension and Health Actuarial Benefits				
A. Military Retirement Pensions	\$ 0.00		\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits	0.00		0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	0.00		0.00	0.00
D. Total Pension and Health Actuarial Benefits	\$ 0.00		\$ 0.00	\$ 0.00
2. Other Actuarial Benefits				
A. FECA	\$ 1,472,382,704.34		\$ 0.00	\$ 1,472,382,704.34
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00
C. DoD Education Benefits Fund	0.00		0.00	0.00
D. Total Other Actuarial Benefits	\$ 1,472,382,704.34		\$ 0.00	\$ 1,472,382,704.34
3. Other Federal Employment Benefits				
	\$ 0.00		\$ 0.00	\$ 0.00
4. Total Military Retirement and Other Federal Employment Benefits:				
	\$ 1,472,382,704.34		\$ 0.00	\$ 1,472,382,704.34

Actuarial Cost Method Used:

Assumptions:

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

Army General Fund

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

Actuarial Cost Method Used:

Assumptions:

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

Federal Employees Compensation Act (FECA)

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.

Actuarial Cost Method Used: 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
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Intragovernmental Costs and Exchange Revenue		
As of June 30	2009	2008

As of June 30	2009	2008
1. Intragovernmental Costs	\$ 40,347,424,153.19	\$ 38,309,575,349.77
2. Public Costs	120,949,642,847.54	111,613,505,956.87
3. Total Costs	\$ 161,297,067,000.73	\$ 149,923,081,306.64
4. Intragovernmental Earned Revenue	\$ (7,104,566,855.54)	\$ (5,744,713,380.55)
5. Public Earned Revenue	(1,604,052,590.25)	(1,161,938,956.01)
6. Total Earned Revenue	\$ (8,708,619,445.79)	\$ (6,906,652,336.56)
7. Net Cost of Operations	\$ 152,588,447,554.94	\$ 143,016,428,970.08

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

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. Expenses were adjusted by reclassifying amounts between federal and nonfederal expenses.

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 2012.

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

Army General Fund does not have any Restatements.

Other

Other Financing Sources (Other) primarily consists of gains and losses that resulted from adjustments necessary to balance the Army General Fund's feeder systems with DoD's financial reporting system and to correct inherent limitations of the current financial systems.

Appropriations Received

Appropriations Received on the Statement of Changes in Net Position (SCNP) does not agree with the Appropriations Received on the Statement of Budgetary Resources. The total difference is \$10.2 million and is due to additional resources included in the Appropriation Received on the Statement of Budgetary Resources. Refer to Note 20, Disclosures Related to the Statement of Budgetary Resources, for additional details.

Eliminations

In the SCNP, all offsetting balances (i.e. transfers-in and transfers-out, revenues, and expenses) for intradepartment activity between earmarked and other (nonearmarked) 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.

Earmarked

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

Note 20.	Disclosures Related to the Statement of Budgetary Resources
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As of June 30	2009	2008
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 123,054,081,632.62	\$ 115,430,820,205.86
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. These differences, totaling \$10.2 million, are made up of the recording of receipts for trust and special funds and the appropriations anticipated indefinite accounts, \$9.7 million and \$528.8 thousand respectively.

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	\$127.7 billion	\$0.00
Category B	\$48.3 billion	\$17.4 billion
Total	\$176.0 billion	\$17.4 billion
Non-Budgetary		
Category A	\$18.8 thousand	\$0.00

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.

Borrowings are repaid on Standard Form 1151, Nonexpenditure Transfer Authorization, as maturity dates become due. For liquidating accounts, maturity dates are one working day prior to the anniversary date of the note. For financing accounts, maturity dates are based on the period of time used in the subsidy calculation, not the contractual term of the Agency's loans to borrowers.

Available Borrowing Authority as of June 30, 2009, is \$868.0 thousand.

Note 21.	Reconciliation of Net Cost of Operations to Budget
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As of June 30	2009	2008
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Resources Used to Finance Activities:

Budgetary Resources Obligated:

1. Obligations incurred	\$ 193,463,010,346.56	\$ 194,794,500,399.72
2. Less: Spending authority from offsetting collections and recoveries (-)	(42,393,785,550.21)	(35,916,469,500.71)
3. Obligations net of offsetting collections and recoveries	\$ 151,069,224,796.35	\$ 158,878,030,899.01
4. Less: Offsetting receipts (-)	(816,541,261.98)	(423,849,732.69)
5. Net obligations	\$ 150,252,683,534.37	\$ 158,454,181,166.32
Other Resources:		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	(2,714,508,540.13)	1,661,333,923.23
8. Imputed financing from costs absorbed by others	725,076,798.34	666,051,700.12
9. Other (+/-)	(3,708,063,539.06)	4,065,306,903.79
10. Net other resources used to finance activities	\$ (5,697,495,280.85)	\$ 6,392,692,527.14
11. Total resources used to finance activities	\$ 144,555,188,253.52	\$ 164,846,873,693.46

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 (-)	\$ 9,995,415,744.25	\$ (7,050,130,638.23)
12b. Unfilled Customer Orders	5,381,634,779.46	6,754,491,428.18
13. Resources that fund expenses recognized in prior Periods (-)	(4,228,799,111.24)	(2,296,064,498.52)
14. Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	817,012,331.22	450,691,360.69
15. Resources that finance the acquisition of assets (-)	(17,175,002,294.02)	(21,602,756,574.32)
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 (+/-)	6,422,572,079.19	(5,726,640,827.02)
17. Total resources used to finance items not part of the Net Cost of Operations	\$ 1,212,833,528.86	\$ (29,470,409,749.22)
18. Total resources used to finance the Net Cost of Operations	\$ 145,768,021,782.38	\$ 135,376,463,944.24

As of June 30	2009	2008
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Period:		
19. Increase in annual leave liability	\$ 486,813,741.97	\$ 0.00
20. Increase in environmental and disposal liability	0.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	0.00	0.00
23. Other (+/-)	127,024,021.59	847,121,636.36
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$ 613,837,763.56	\$ 847,121,636.36
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	\$ 6,056,008,159.04	\$ 8,648,015,656.88
26. Revaluation of assets or liabilities (+/-)	(607.80)	287,578.72
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	150,580,457.76	(1,855,459,846.12)
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ 6,206,588,009.00	\$ 6,792,843,389.48
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$ 6,820,425,772.56	\$ 7,639,965,025.84
30. Net Cost of Operations	\$ 152,588,447,554.94	\$ 143,016,428,970.08

Required Disclosures

Due to Army General Fund’s financial system limitations, budgetary data is not in agreement with proprietary expenses and assets capitalized. The difference between budgetary and proprietary data is a previously identified deficiency.

The amount of the adjustment to the note schedule to bring it into balance with the Statement of Net Cost totaled \$3.3 million and was reported in the category of Other Components Not Requiring of Generating Resource.

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 intraagency budgetary transactions not being eliminated:

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

Budgetary Resources Obligated, – Other includes Other Gains and Losses and Gains and Losses on Disposition of Assets that resulted from adjustments necessary to balance the Army General Fund's feeder systems with DoD's financial reporting system and to correct inherent limitations of the current financial systems.

Other Resources or adjustments to net obligated resources that do not affect Net Cost of Operations, – Other includes Financing Sources Transferred In and Out without Reimbursement and Other Gains and Losses and Gains and Losses on Disposition of Assets.

Components Requiring or Generating Resources in Future Period, – Other represents increases in Future Funded Expenses for Conventional Disposal costs and Contingent liabilities for contract appeals and tort claims.

Components not Requiring or Generating Resources, – Other 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.

Note 23.**Earmarked Funds**

BALANCE SHEET As of June 30	2009				
	Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
ASSETS					
Fund balance with Treasury	\$ 0.00	\$ 0.00	\$ 52,213,793.06	\$ 0.00	52,213,793.06
Investments	0.00	0.00	3,384,942.84	0.00	3,384,942.84
Accounts and Interest Receivable	0.00	0.00	3,356,872.98	(2,885,803.74)	471,069.24
Other Assets	0.00	0.00	0.00	0.00	0.00
Total Assets	\$ 0.00	\$ 0.00	\$ 58,955,608.88	\$ (2,885,803.74)	\$ 56,069,805.14
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	6,296,899.57	2,095,413.29	8,392,312.86
Total Liabilities	\$ 0.00	\$ 0.00	\$ 6,296,899.57	\$ 2,095,413.29	\$ 8,392,312.86
Unexpended Appropriations	0.00	0.00	0.00	0.00	0.00
Cumulative Results of Operations	0.00	0.00	52,658,709.31	0.00	52,658,709.31
Total Liabilities and Net Position	\$ 0.00	\$ 0.00	\$ 58,955,608.88	\$ 2,095,413.29	\$ 61,051,022.17
STATEMENT OF NET COST					
For the period ended June 30					
Program Costs	\$ 0.00	\$ 0.00	\$ 10,142,425.42	\$ 0.00	10,142,425.42
Less Earned Revenue	0.00	0.00	(471,069.24)	0.00	(471,069.24)
Net Program Costs	\$ 0.00	\$ 0.00	\$ 9,671,356.18	\$ 0.00	\$ 9,671,356.18
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	\$ 9,671,356.18	\$ 0.00	\$ 9,671,356.18

Army General Fund

STATEMENT OF CHANGES IN NET POSITION For the period ended June 30	2009				
	Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
Net Position Beginning of the Period	\$ 0.00	\$ 0.00	\$ 52,945,610.71	\$ 0.00	52,945,610.71
Net Cost of Operations	0.00	0.00	9,671,356.18	0.00	9,671,356.18
Budgetary Financing Sources	0.00	0.00	10,392,630.73	0.00	10,392,630.73
Other Financing Sources	0.00	0.00	(1,008,175.95)	0.00	(1,008,175.95)
Change in Net Position	\$ 0.00	\$ 0.00	(286,901.40)	\$ 0.00	(286,901.40)
Net Position End of Period	\$ 0.00	\$ 0.00	\$ 52,658,709.31	\$ 0.00	52,658,709.31

Army General Fund

		2008				
BALANCE SHEET As of June 30		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						
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. Fiduciary Activities**Schedule of Fiduciary Activity**

For the period ended June 30

2009

1. Fiduciary net assets, beginning of year	\$	128,312,562.17
2. Fiduciary revenues		0.00
3. Contributions		144,824,569.72
4. Investment earnings		9,460,411.48
5. Gain (Loss) on disposition of investments, net		0.00
6. Administrative and other expenses		0.00
7. Distributions to and on behalf of beneficiaries		(150,538,433.83)
8. Increase/(Decrease) in fiduciary net assets	\$	<u>3,746,547.37</u>
9. Fiduciary net assets, end of period	\$	<u><u>132,059,109.54</u></u>

Schedule of Fiduciary Net Assets

For the period ended June 30

2009

FIDUCIARY ASSETS		
1. Cash and cash equivalents	\$	132,059,109.54
2. Investments		0.00
3. Other Assets		0.00
		0.00
FIDUCIARY LIABILITIES		
4. Less: LIABILITIES	\$	<u>0.00</u>
5. TOTAL FIDUCIARY NET ASSETS	\$	<u><u>132,059,109.54</u></u>

Fiduciary activities are those federal government activities that relate to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which nonfederal individuals or entities have an ownership interest that the federal government must uphold. The DoD has a fiduciary duty to the Savings Deposit Program, of which the Army General Fund participates. Public Law 89538 authorizes DoD, through the Savings Deposit Program, to collect a voluntary allotment from the current pay of members of the Armed Forces deployed outside the United States or its possessions in designated areas. The Army General Fund collects the savings and allotments of soldiers, and the collections and accrued earned interest are transferred to the Program's Executive Agent, the Navy General

Fund. These fiduciary assets are not assets of the Army General Fund and are not recognized on the Army General Fund's balance sheet.

Note 25.	Other Disclosures
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As of June 30	2009			
	Asset Category			
	Land and Buildings	Equipment	Other	Total

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

Future Payments Due
Fiscal Year

2009	886,003.98	0.00	0.00	886,003.98
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
2014	66,651.00	0.00	0.00	66,651.00
After 5 Years	15,283,696.25	0.00	0.00	15,283,696.25

**Total Future Lease
Payments Due**

	\$ 18,554,640.34	\$ 0.00	\$ 0.00	\$ 18,554,640.34
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