

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
CONSOLIDATED BALANCE SHEET
As of March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
	<hr/>	<hr/>
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	\$ 5,000,000.00	\$ 4,999,999.99
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	0.00	0.00
2. Investments (Note 4)	86,097,083,835.66	56,816,777,020.79
3. Accounts Receivable (Note 5)	43,104,933.00	0.00
4. Other Assets (Note 6)	425,880,004.00	417,381,000.00
5. Total Intragovernmental Assets	<hr/> \$ 86,571,068,772.66	<hr/> \$ 57,239,158,020.78
B. Cash and Other Monetary Assets (Note 7)	\$ 0.00	\$ 0.00
C. Accounts Receivable (Note 5)	8,700,928.08	23,865,615.24
D. Loans Receivable (Note 8)	0.00	0.00
E. Inventory and Related Property (Note 9)	0.00	0.00
F. General Property, Plant and Equipment (Note 10)	0.00	0.00
G. Investments (Note 4)	0.00	0.00
H. Other Assets (Note 6)	0.00	0.00
2. TOTAL ASSETS	<hr/> <hr/> \$ 86,579,769,700.74	<hr/> <hr/> \$ 57,263,023,636.02
3. LIABILITIES (Note 11)		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 0.00	\$ 0.00
2. Debt (Note 13)	0.00	0.00
3. Other Liabilities (Note 15 & 16)	0.00	0.00
4. Total Intragovernmental Liabilities	<hr/> \$ 0.00	<hr/> \$ 0.00
B. Accounts Payable (Note 12)	\$ 238,102,352.25	\$ 156,959,870.18
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 17)	537,397,092,000.00	504,073,807,000.00
D. Environmental and Disposal Liabilities (Note 14)	0.00	0.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	705,659,000.00	838,341,000.00
4. TOTAL LIABILITIES	<hr/> \$ 538,340,853,352.25	<hr/> \$ 505,069,107,870.18
5. NET POSITION		
A. Unexpended Appropriations - Earmarked Funds (Note 23)	\$ 0.00	\$ 0.00
B. Unexpended Appropriations - Other Funds	0.00	0.00
C. Cumulative Results of Operations - Earmarked Funds	(451,761,083,651.51)	0.00
D. Cumulative Results of Operations - Other Funds	0.00	(447,806,084,234.16)
6. TOTAL NET POSITION	<hr/> \$ (451,761,083,651.51)	<hr/> \$ (447,806,084,234.16)
7. TOTAL LIABILITIES AND NET POSITION	<hr/> <hr/> \$ 86,579,769,700.74	<hr/> <hr/> \$ 57,263,023,636.02

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
CONSOLIDATED STATEMENT OF NET COST
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
1. Program Costs		
A. Gross Costs	\$ 3,572,981,892.35	\$ 3,543,918,637.02
B. (Less: Earned Revenue)	(29,471,953,607.66)	(21,834,035,054.62)
C. Net Program Costs	<u>\$ (25,898,971,715.31)</u>	<u>\$ (18,290,116,417.60)</u>
2. Cost Not Assigned to Programs	0.00	0.00
3. (Less: Earned Revenue Not Attributable to Programs)	0.00	0.00
4. Net Cost of Operations	<u><u>\$ (25,898,971,715.31)</u></u>	<u><u>\$ (18,290,116,417.60)</u></u>

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ (477,660,055,366.82)	\$ (466,096,200,651.76)
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	(477,660,055,366.82)	(466,096,200,651.76)
4. Budgetary Financing Sources:		
4.A. Appropriations received		
4.A.1 Earmarked funds	0.00	0.00
4.A.2 All other funds	0.00	0.00
4.B. Appropriations transferred-in/out (+/-)	0.00	0.00
4.C. Other adjustments (rescissions, etc.) (+/-)	0.00	0.00
4.D. Appropriations used		
4.D.1 Earmarked Funds	0.00	0.00
4.D.2 All other Funds	0.00	0.00
4.E. Nonexchange revenue		
4.E.1 Earmarked funds	0.00	0.00
4.E.2 All other funds	0.00	0.00
4.F. Donations and forfeitures of cash and cash equivalents		
4.F.1 Earmarked funds	0.00	0.00
4.F.2 All other funds	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	0.00	0.00
4.H. Other budgetary financing sources (+/-)		
4.H.1 Earmarked funds	0.00	0.00
4.H.2 All other funds	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property		
5.A.1 Earmarked funds	0.00	0.00
5.A.2 All other funds	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	0.00
5.C. Imputed financing from costs absorbed by others	0.00	0.00
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources		
6.A. Earmarked funds	0.00	0.00
6.B. All other funds	0.00	0.00
7. Net Cost of Operations (+/-)		
7.A. Earmarked funds	(25,898,971,715.31)	0.00
7.B. All other funds	0.00	(18,290,116,417.60)
8. Net Change		
8.A. Earmarked funds	25,898,971,715.31	0.00
8.B. All other funds	0.00	18,290,116,417.60
9. Ending Balances		
9.A. Earmarked funds	(451,761,083,651.51)	0.00
9.B. All other funds	0.00	(447,806,084,234.16)

Department of Defense

DoD Medicare-Eligible Retiree Health Care Fund

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
10. Total all funds	\$ <u>(451,761,083,651.51)</u>	\$ <u>(447,806,084,234.16)</u>

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
	<hr/>	<hr/>
UNEXPENDED APPROPRIATIONS		
1. Beginning Balances	\$ 0.00	\$ 0.00
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	<hr/> 0.00	<hr/> 0.00
4. Budgetary Financing Sources:		
4.A. Appropriations received		
4.A.1 Earmarked funds	0.00	0.00
4.A.2 All other funds	0.00	0.00
4.B. Appropriations transferred-in/out (+/-)	0.00	0.00
4.C. Other adjustments (rescissions, etc) (+/-)	0.00	0.00
4.D. Appropriations used		
4.D.1 Earmarked Funds	0.00	0.00
4.D.2 All other Funds	0.00	0.00
4.E. Nonexchange revenue		
4.E.1 Earmarked funds	0.00	0.00
4.E.2 All other funds	0.00	0.00
4.F. Donations and forfeitures of cash and cash equivalents		
4.F.1 Earmarked funds	0.00	0.00
4.F.2 All other funds	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	0.00	0.00
4.H. Other budgetary financing sources (+/-)		
4.H.1 Earmarked funds	0.00	0.00
4.H.2 All other funds	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property		
5.A.1 Earmarked funds	0.00	0.00
5.A.2 All other funds	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	0.00
5.C. Imputed financing from costs absorbed by others	0.00	0.00
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources	<hr/> 0.00	<hr/> 0.00
6.A. Earmarked funds	0.00	0.00
6.B. All other funds	0.00	0.00
7. Net Cost of Operations (+/-)		
7.A. Earmarked funds	0.00	0.00
7.B. All other funds		
8. Net Change		
8.A. Earmarked funds	0.00	0.00
8.B. All other funds	0.00	0.00
9. Ending Balances		
9.A. Earmarked funds	0.00	0.00
9.B. All other funds	0.00	0.00

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
10. Total all funds	\$ <u>0.00</u>	\$ <u>0.00</u>

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

	<u>2006 Combined</u>	<u>2005 Combined</u>
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	\$ 97,212,208.75	\$ 38,085,939,479.84
2. Recoveries of prior year unpaid obligations	0.00	0.00
3. Budget authority		
3.A. Appropriation	29,967,000,000.00	28,026,000,000.00
3.B. Borrowing authority	0.00	0.00
3.C. Contract authority	0.00	0.00
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	0.00	0.00
3.D.1.b. Change in receivables from Federal sources	0.00	0.00
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	0.00	0.00
3.D.2.b. Without advance from Federal sources	0.00	0.00
3.D.3. Anticipated for rest of year, without advances	0.00	0.00
3.D.4. Previously unavailable	0.00	0.00
3.D.5. Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	<u>29,967,000,000.00</u>	<u>28,026,000,000.00</u>
4. Nonexpenditure transfers, net, anticipated and actual	0.00	0.00
5. Temporarily not available pursuant to Public Law	(25,845,757,878.92)	0.00
6. Permanently not available	0.00	0.00
7. Total Budgetary Resources	<u><u>\$ 4,218,454,329.83</u></u>	<u><u>\$ 66,111,939,479.84</u></u>

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

	2006 Combined	2005 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 4,218,454,329.83	\$ 4,023,133,705.00
8.B. Reimbursable	0.00	0.00
8.C. Subtotal	<u>4,218,454,329.83</u>	<u>4,023,133,705.00</u>
9. Unobligated balance:		
9.A. Apportioned	0.00	1,863,866,295.00
9.B. Exempt from apportionment	0.00	0.00
9.C. Subtotal	<u>0.00</u>	<u>1,863,866,295.00</u>
10. Unobligated balance not available	0.00	60,224,939,479.84
11. Total status of budgetary resources	<u><u>\$ 4,218,454,329.83</u></u>	<u><u>\$ 66,111,939,479.84</u></u>
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	387,880,772.27	262,058,524.40
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	<u>\$ 0.00</u>	<u>\$ 0.00</u>
12.C. Total unpaid obligated balance	<u>387,880,772.27</u>	<u>262,058,524.40</u>
13. Obligations incurred net (+/-)	<u>\$ 4,218,454,329.83</u>	<u>\$ 4,023,133,705.00</u>
14. Less: Gross outlays	(4,059,047,732.37)	(3,602,415,597.40)
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	<u>0.00</u>	<u>0.00</u>
15.C. Total Unpaid obligated balance transferred, net	<u>0.00</u>	<u>0.00</u>
16. Less: Recoveries of prior year unpaid obligations, actual	0.00	0.00
17. Change in uncollected customer payments from Federal sources (+/-)	0.00	0.00
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	547,287,369.73	682,776,632.00
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	<u>0.00</u>	<u>0.00</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>547,287,369.73</u>	<u>682,776,632.00</u>
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	4,059,047,732.37	3,602,415,597.40
19.B. Less: Offsetting collections	0.00	0.00
19.C. Less: Distributed Offsetting receipts	(29,471,953,607.66)	(21,834,035,054.62)
19.D. Net Outlays	<u><u>\$ (25,412,905,875.29)</u></u>	<u><u>\$ (18,231,619,457.22)</u></u>

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

	<u>2006 Combined</u>	<u>2005 Combined</u>
NONBUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES		
1. Unobligated balance, brought forward, October 1	\$ 0.00	\$ 0.00
2. Recoveries of prior year unpaid obligations	0.00	0.00
3. Budget authority		
3.A. Appropriation	0.00	0.00
3.B. Borrowing authority	0.00	0.00
3.C. Contract authority	0.00	0.00
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	0.00	0.00
3.D.1.b. Change in receivables from Federal sources	0.00	0.00
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	0.00	0.00
3.D.2.b. Without advance from Federal sources	0.00	0.00
3.D.3 Anticipated for rest of year, without advances	0.00	0.00
3.D.4 Previously unavailable	0.00	0.00
3.D.5 Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	<u>0.00</u>	<u>0.00</u>
4. Nonexpenditure transfers, net, anticipated and actual	0.00	0.00
5. Temporarily not available pursuant to Public Law	0.00	0.00
6. Permanently not available	0.00	0.00
7. Total Budgetary Resources	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

	2006 Combined	2005 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 0.00	\$ 0.00
8.B. Reimbursable	0.00	0.00
8.C. Subtotal	0.00	0.00
9. Unobligated balance:		
9.A. Apportioned	0.00	0.00
9.B. Exempt from apportionment	0.00	0.00
9.C. Subtotal	0.00	0.00
10. Unobligated balance not available	0.00	0.00
11. Total Status of Budgetary Resources	\$ 0.00	\$ 0.00
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	0.00	0.00
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	\$ 0.00	\$ 0.00
12.C. Total unpaid obligated balance	0.00	0.00
13. Obligations incurred net (+/-)	\$ 0.00	\$ 0.00
14. Less: Gross outlays	0.00	0.00
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	0.00	0.00
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	0.00	0.00
17. Change in uncollected customer payments from Federal sources (+/-)	0.00	0.00
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	0.00	0.00
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	0.00	0.00
18.C. Total, unpaid obligated balance, net, end of period	0.00	0.00
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	0.00	0.00
19.B. Less: Offsetting collections	0.00	0.00
19.C. Less: Distributed Offsetting receipts	0.00	0.00
19.D. Net Outlays	\$ 0.00	\$ 0.00

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
	<hr/>	<hr/>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
1. Obligations incurred	\$ 4,218,454,329.83	\$ 4,023,133,705.00
2. Less: Spending authority from offsetting collections and recoveries (-)	0.00	0.00
3. Obligations net of offsetting collections and recoveries	4,218,454,329.83	4,023,133,705.00
4. Less: Offsetting receipts (-)	(29,471,953,607.66)	(21,834,035,054.62)
5. Net obligations	<hr/> (25,253,499,277.83)	<hr/> (17,810,901,349.62)
Other Resources		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	0.00	0.00
8. Imputed financing from costs absorbed by others	0.00	0.00
9. Other (+/-)	0.00	0.00
10. Net other resources used to finance activities	<hr/> 0.00	<hr/> 0.00
11. Total resources used to finance activities	<hr/> \$ (25,253,499,277.83)	<hr/> \$ (17,810,901,349.62)
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 (-)	(588,889,411.93)	(810,364,589.32)
12b. Unfilled Customer Orders	0.00	0.00
13. Resources that fund expenses recognized in prior periods	(56,504,000.00)	0.00
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	0.00	0.00
15. Resources that finance the acquisition of assets	0.00	0.00
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations		
16a. Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)	0.00	0.00
16b. Other (+/-)	0.00	0.00
17. Total resources used to finance items not part of the net cost of operations	<hr/> \$ (645,393,411.93)	<hr/> \$ (810,364,589.32)
18. Total resources used to finance the net cost of operations	<hr/> \$ (25,898,892,689.76)	<hr/> \$ (18,621,265,938.94)

Department of Defense
DoD Medicare-Eligible Retiree Health Care Fund
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended March 31, 2006 and 2005

	<u>2006 Consolidated</u>	<u>2005 Consolidated</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Period:		
19. Increase in annual leave liability	0.00	0.00
20. Increase in environmental and disposal liability	0.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	0.00	0.00
23. Other (+/-)	0.00	346,997,000.00
24. Total components of Net Cost of Operations that will require or generate resources in future periods	<u>0.00</u>	<u>346,997,000.00</u>
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	0.00	0.00
26. Revaluation of assets or liabilities (+/-)	0.00	0.00
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	0.00	0.00
27c. Operating Material & Supplies Used	0.00	0.00
27d. Other	(79,025.55)	(15,847,478.66)
28. Total components of Net Cost of Operations that will not require or generate resources	<u>(79,025.55)</u>	<u>(15,847,478.66)</u>
29. Total components of net cost of operations that will not require or generate resources in the current period	<u>\$ (79,025.55)</u>	<u>\$ 331,149,521.34</u>
30. Net Cost of Operations	<u><u>\$ (25,898,971,715.31)</u></u>	<u><u>\$ (18,290,116,417.60)</u></u>

Note 1.	Significant Accounting Policies
----------------	--

1.A. Basis of Presentation

Public Law (PL) 106-398 authorized the Department of Defense (DoD) Medicare-Eligible Retiree Health Care Fund (MERHCF) (hereby referred to as “the Fund” or “the MERHCF”) for the purpose of accumulating funds to finance the liabilities of the DoD and the Uniformed Services health care programs for specific Medicare-eligible beneficiaries.

The Defense Finance and Accounting Service (DFAS) prepared these financial statements to report the financial position and results of operations for the Fund, as required by the “Chief Financial Officers (CFO) Act of 1990,” which the Government Management Reform Act of 1994 and other appropriate legislation expanded. Specifically, the DFAS Denver Trust Fund Accounting Division, Accounting Directorate, prepared the financial statements from its books and records in accordance with the “DoD Financial Management Regulation,” the Office of Management and Budget Circular A-136, Financial Reporting Requirements, and to the extent possible generally accepted accounting principles. The accompanying financial statements account for all resources for which the Medicare-Eligible Retiree Health Care Fund is responsible. Information relative to classified assets, programs, and operations is aggregated and reported in such a manner that it is no longer classified.

1.B. Mission of the Reporting Entity

The MERHCF accumulates funds in order to finance, on an actuarially sound basis, liabilities of the DoD and the Uniformed Services health care programs for specific Medicare-eligible beneficiaries.

The MERHCF categorizes its asset accounts used to prepare the statements as either entity or non-entity assets, when applicable. Entity accounts consist of resources that the MERHCF has the authority to use or when management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets that an entity holds but are not available for use in the operations of the entity.

1.C. Appropriations and Funds

The “Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001” authorized the Fund. The Fund pays the costs of all Military Service and other Uniformed Service retiree health care programs for members or former members of a participating service who are entitled to retired or retainer pay and are Medicare-eligible, their dependents who are Medicare-eligible, and survivors who are Medicare-eligible.

The Fund appropriations are designated as special funds. These appropriations fund the daily execution of the Fund mission.

The MERHCF is a special fund and uses both receipt and expenditure accounts. The Fund symbol is 97X5472. The account uses a budget activity level structure. The Fund establishes lower level accounts as necessary to meet reporting requirements.

Effective 1st Quarter, Fiscal Year (FY) 2006, the Fund started reporting its financial position and results of operations using the term “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 are also required to account for and report on the receipt, use and retention of revenues and other financing sources that distinguish it from general revenues.

1.D. Basis of Accounting

The CFO Act of 1990 established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of recommending Federal Accounting Standards to the Secretary of the Treasury, the Director of the OMB, the Director of the Office of Personnel Management, and the Comptroller General. The OMB and the Comptroller General issue Statements of Federal Financial Accounting Standards (SFFAS), some of which have deferred effective dates.

In April 2000, the American Institute of Certified Public Accountants (AICPA), via its Statements on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles (GAAP) in the Auditor’s Report*, as amended by SAS No. 91, established the following hierarchy of accounting principles for federal government entities.

- (A) FASAB Statements and Interpretations plus AICPA and Financial Accounting Standards Board pronouncements if made applicable to Federal governmental entities by a FASAB Statement or Interpretation.
- (B) FASAB Technical Bulletins and the following pronouncements if specifically made applicable to federal governmental entities by the AICPA and cleared by the FASAB: AICPA Industry Audit and Accounting Guides and AICPA Statement of Position.
- (C) AICPA Accounting Standards Executive Committee Practice Bulletins, if specifically made applicable to federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
- (D) Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the federal government.

In the absence of a pronouncement covered by federal GAAP or another source of established accounting principles, the auditor of a federal government entity may consider other accounting literature, depending on its relevance to the circumstance. When directed by OMB, through OMB Circular No. A-136, GAAP in the United States (U.S.) of America serves as authoritative guidance for federal agencies in preparing reports that are addressed within this circular.

The Fund identifies program costs based upon the major appropriation groups provided by the Congress. Current processes and systems do not capture and report accumulated costs for major programs based upon the performance measures as required by the Government Performance and Results Act. The Fund is in the process of reviewing available data and attempting to develop a cost reporting methodology that balances the need for cost information required by the SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," with the need to keep the financial statements from being overly voluminous.

1.E. Revenues and Other Financing Sources

The Fund receives its financing sources primarily through an annual unfunded actuarial liability payment from the U.S. Treasury; monthly contributions from the Military Services and other Uniformed Services (U.S. Coast Guard, the National Oceanic and Atmospheric Administration, and the U.S. Public Health Service); and interest earned on investments. The Military Services and other Uniformed Services calculate the monthly contributions by multiplying the monthly per capita rates (full-time and part-time) by the reported end strength for the most recently reported month. The DoD Office of the Actuary provides the full-time and part-time monthly per capita rates.

However, beginning in FY 2006, the Military Services and other Uniformed Services stopped making normal cost payments monthly. Instead, the U.S. Treasury now includes one lump sum cost payment for the entire year, on behalf of these contributors, in its annual amortization payment of the unfunded liability. The U.S. Treasury makes this payment at the beginning of each fiscal year.

The Fund does not include non-monetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost and the Statement of Financing. 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, DoD policy requires the recognition of benefit expenses in the period incurred. However, because the Fund's financial feeder system was not designed to collect and record financial information on the full accrual basis, accrual adjustments are made for major items such as accounts receivable and accounts payable.

1.G. Accounting for Intragovernmental Activities

The Fund purchases and redeems nonmarketable market-based securities issued by the U.S. Treasury, Bureau of Public Debt. Nonmarketable market-based securities include U.S. Treasury bills, notes, bonds, inflation-protected securities, and overnight certificates. U.S. Treasury bills are short-term securities with maturities of 1 year or less and are purchased at a discount. The U.S. Treasury notes have maturities of at least 1 year, but

not more than 10 years, and are purchased at a discount or premium. The U.S. Treasury bonds are long-term securities with maturity terms of 10 years or more and are purchased at either a discount or premium.

The Fund records investments at book value in Standard General Ledger (SGL) 1610, Investments, Net. Discounts and premiums are recorded on the trial balance in SGL 1611, Discount on U.S. Treasury Securities Issued by Public Debt and 1612, Premium on U.S. Treasury Securities Issued by Public Debt respectively. The Fund calculates amortization of discounts and premiums using the effective interest method and records this amortization on the trial balance in SGL 1613, Amortized Discount/Premium, U.S. Treasury Securities Issued by Public Debt.

The Fund receives interest on the value of its nonmarketable market-based securities from the U.S. Treasury on a semi-annual basis for U.S. Treasury bonds and notes.

Preparation of reliable financial statements requires the elimination of transactions occurring among entities within the DoD or between two or more federal agencies. 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 entities adjust their records to agree with DoD seller-side balances. Intra-DoD intragovernmental balances are then eliminated.

The Department of the Treasury Financial Management Service (FMS) is responsible for eliminating transactions between the 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 Treasury’s “Federal Intragovernmental Transactions Accounting Policy Guide” provide guidance for reporting and reconciling intragovernmental balances. The Fund is able to reconcile balances pertaining to investments in federal securities. The DoD’s proportionate share of public debt and related expenses of the federal government are not included. The federal government does not apportion debt and its related costs to federal agencies. The DoD’s financial statement, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

1.H. Transactions with Foreign Governments and International Organizations

N/A

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

The U.S. Treasury allows the Fund to be fully invested. Therefore, the Fund Balance with Treasury (FBWT) may be zero during various quarters of the fiscal year.

The Fund’s monetary financial resources are maintained in U.S. Treasury accounts. The DFAS Denver Trust Funds staff processes all fund receipts and adjustments. The DFAS Denver staff prepares monthly reports that provide information to the U.S. Treasury on transfers and deposits.

In addition, DFAS Denver submits reports to the Department of the Treasury, by appropriation, on collections received and disbursements issued. The Department of the Treasury records this information to the applicable Fund Balance with Treasury (FBWT) account. Differences between the MERHCF's recorded balance in the FBWT and Treasury's FBWT accounts sometimes result and are subsequently reconciled.

1.J. Foreign Currency

N/A

1.K. Accounts Receivable

As presented in the Balance Sheet, accounts receivable includes accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. 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 (per Code of Federal Regulations 4 CFR 101).

The Fund bases the estimate of uncollectible accounts receivable from the public on an analysis of the actual uncollectible amounts experienced during the last seven quarters of the previous two fiscal years.

1.L. Loans Receivable

N/A

1.M. Inventories and Related Property

N/A

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

The Fund reports investments in U.S. Treasury securities at cost, net of amortized premium or discounts, on the Balance Sheet. Premiums or discounts amortize into interest income over the term of the investment using the effective interest rate method. The Fund's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. Consequently, there is no provision for unrealized gains or losses on these securities.

The Fund invests in nonmarketable securities. The Bureau of the Public Debt issues nonmarketable par value intragovernmental securities. Nonmarketable, market-based intragovernmental securities mimic marketable securities, but are not publicly traded. Footnote 4 provides material disclosures.

1.O. General Property, Plant and Equipment

N/A

1.P. Advances and Prepayments

The Fund makes advance payments to the Military Services for Military Treatment Facility expenses for the upcoming quarter. The Fund makes these payments each quarter, except the fourth quarter (year-end), and reports them as “Other Assets” on the Balance Sheet.

1.Q. Leases

N/A

1.R. Other Assets

See paragraph 1P, above, for an explanation of the Fund’s Other Assets.

1.S. Contingencies and Other Liabilities

The SFFAS No. 5, “Accounting for Liabilities of the Federal Government,” as amended by SFFAS No. 12, “Recognition of Contingent Liabilities Arising from Litigation,” defines a contingency as an existing condition, situation, or set of circumstances that involve an uncertainty as to possible gain or loss. The 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.

1.T. Accrued Leave

N/A

1.U. Net Position

Net Position consists of cumulative results of operations and unexpended appropriations. Cumulative Results of Operations represent the net difference, since the inception of an activity, between expenses and losses and financing sources (including appropriations, revenue, and gains). Beginning in FY 1998, the cumulative results also include donations and transfer in and out of assets without reimbursement.

The Fund does not report unexpended appropriations because these amounts are not applicable.

1.V. Treaties for Use of Foreign Bases

N/A

1.W. Comparative Data

The notes to the financial statements explain financial statement fluctuations greater than 2 percent of total assets on the Balance Sheet or 10 percent from the amounts presented in the previous period. For comparative purposes, the financial statements display both FY 2005 and FY 2006 data.

1.X. Unexpended Obligations

N/A

1.Y. Undistributed Disbursements and Collections

N/A

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

As of March 31	2006	2005
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ 0.00	\$ 0.00
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 0.00	\$ 0.00
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ 0.00	\$ 0.00
B. Accounts Receivable	0.00	0.00
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 0.00	\$ 0.00
3. Total Nonentity Assets	\$ 0.00	\$ 0.00
4. Total Entity Assets	\$ 86,579,769,700.74	\$ 57,263,023,636.02
5. Total Assets	\$ 86,579,769,700.74	\$ 57,263,023,636.02

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

As of March 31	2006	2005
1. Fund Balances		
A. Appropriated Funds	\$ 0.00	\$ 0.00
B. Revolving Funds	0.00	0.00
C. Trust Funds	0.00	0.00
D. Special Funds	5,000,000.00	4,999,999.99
E. Other Fund Types	0.00	0.00
F. Total Fund Balances	\$ 5,000,000.00	\$ 4,999,999.99
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	\$ 5,000,000.00	\$ 4,999,999.99
B. Fund Balance per	5,000,000.00	4,999,999.99
3. Reconciling Amount	\$ 0.00	\$ 0.00

The Fund Balance with Treasury (FBWT) remained the same, approximately \$5.0 million from FY 2005 to FY 2006. At each month end, the Fund holds back approximately \$5.0 million to ensure the availability of sufficient funds to cover estimated month-end disbursements and invests the remaining funds in nonmarketable market-based securities.

Status of Fund Balance with Treasury

As of March 31	2006	2005
1. Unobligated Balance		
A. Available	\$ (715,983,743.90)	\$ (4,324,660,441.98)
B. Unavailable	85,564,592,698.19	60,224,939,479.84
2. Obligated Balance not yet Disbursed	\$ 547,287,369.73	\$ (55,895,279,037.87)
3. Nonbudgetary FBWT	\$ 0.00	\$ 0.00
4. NonFBWT Budgetary Accounts	\$ (85,390,896,324.02)	\$ 0.00
5. Total	\$ 5,000,000.00	\$ 4,999,999.99

The Office of Management and Budget (OMB) advised that certain US Standard General Ledger accounts are inconsistent with the budget presentations for certain Special and Trust Fund Receipts. Consequently, the Fund had to reclassify the unobligated fund balance brought forward in FY 2005 as receipts unavailable or precluded from obligation for the DoD Medicare-Eligible Retiree Health Care Fund. The OMB-directed restatement impacted, for FY 2005, Lines 1A and 1B (Unobligated Balances); Line 2 (Obligated Balance not yet Disbursed); and Line 4 (Non-FBWT Budgetary Accounts). Beginning with the September 30, 2005, year-end reporting, the Statement of Budgetary Resources no longer displays the unobligated unavailable balance.

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

Unobligated Balance not yet Disbursed represents funds that have been obligated for goods that have not been received or services that have not been performed.

Nonbudgetary FBWT includes entity and nonentity FBWT accounts which do not have budgetary authority, such as unavailable receipt accounts or clearing accounts.

Non-FBWT Budgetary Accounts include budgetary accounts that do not affect FBWT, such as contract authority, borrowing authority, and investment accounts. This category reduces the Status of FBWT.

Disclosures Related to Suspense/Budget Clearing Accounts

As of March 31	2004	2005	2006	(Decrease)/ Increase from FY 2005 - 2006
Account				
F3875	\$ 0.00	\$ 0.00	\$ 0.00	0.00
F3880	0.00	0.00	0.00	0.00
F3882	0.00	0.00	0.00	0.00
F3885	0.00	0.00	0.00	0.00
F3886	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	0.00

Disclosures Related to Problem Disbursements and In-Transit Disbursements

As of March 31	2004	2005	2006	(Decrease)/ Increase from FY 2005 to 2006
1. Total Problem Disbursements, Absolute Value				
A. Unmatched Disbursements (UMDs) \$	0.00 \$	0.00 \$	0.00 \$	0.00
B. Negative Unliquidated Obligations (NULO)	0.00	0.00	0.00	0.00
2. Total In-transit Disbursements, Net \$	0.00 \$	0.00 \$	0.00 \$	0.00

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

As of March 31	2006				
	Par Value / Cost	Amortization Method	Unamortized (Premium) / Discount	Investments, Net	Market Value Disclosure
1. Intragovernmental Securities					
A. Nonmarketable, Market-Based	\$ 74,190,607,603.85		\$ 11,200,288,720.17	\$ 85,390,896,324.02	\$ 82,440,852,530.11
B. Accrued Interest	706,187,511.64			706,187,511.64	706,187,511.64
C. Total Intragovernmental Securities	<u>\$ 74,896,795,115.49</u>		<u>\$ 11,200,288,720.17</u>	<u>\$ 86,097,083,835.66</u>	<u>\$ 83,147,040,041.75</u>
2. Other Investments					
A. Total Investments	<u>\$ 0.00</u>		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>N/A</u>

As of March 31	2005				
	Par Value / Cost	Amortization Method	Unamortized (Premium) / Discount	Investments, Net	Market Value Disclosure
3. Intragovernmental Securities					
A. Nonmarketable, Market-Based	\$ 54,285,959,046.95		\$ 2,292,096,622.92	\$ 56,578,055,669.87	\$ 56,590,320,067.58
B. Accrued Interest	238,721,350.92			238,721,350.92	238,721,350.92
C. Total Intragovernmental Securities	<u>\$ 54,524,680,397.87</u>		<u>\$ 2,292,096,622.92</u>	<u>\$ 56,816,777,020.79</u>	<u>\$ 56,829,041,418.50</u>
4. Other Investments					
A. Total Investments	<u>\$ 0.00</u>		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>N/A</u>

Total Intra-governmental Securities increased \$29.3 billion (52 percent) because contributions exceeded beneficiary payments, the earned accrued interest increased, and there was a change in the normal cost funding methodology in FY 2006. Beginning with the 1st quarter, FY 2006, the Military Services and other Uniformed Services stopped making normal cost payments monthly. Instead, the U.S. Treasury makes one lump sum payment, on behalf of these contributors, for normal cost for the entire year at the beginning of the year. For FY 2006, the amount was \$11.1 billion. This change in procedures resulted in the availability of additional funds for investments and an increase in the related interest income of \$467.5 million (196 percent) in 2nd quarter, FY 2006. The FY 2006 table, above, displays the Fund's investments at Market Value as of March 31, 2006.

The following tables display the Par Values of the U.S. Treasury Securities referenced above:

<u>PAR VALUE FY 2006</u>		<u>PAR VALUE FY2005</u>	
<u>(\$000)</u>		<u>(\$000)</u>	
Bills	\$2,250,000	Bills	\$0
Bonds	2,000,000	Bonds	2,000,000
Notes	22,634,102	Notes	23,384,102
Overnights	6,958,792	Overnights	20,572,417
TIPS (see Note)	<u>40,347,714</u>	TIPS (see Note)	<u>8,329,440</u>
Total	\$74,190,608	Total	\$54,285,959

Note: Treasury Inflation-Protected Securities, or TIPS, provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, Treasury pays the adjusted principal or original principal, whichever is greater.

The investments for 2nd quarter, FY 2006, include an investment of \$2.3 billion in Treasury Bills. These nonmarketable, market-based securities are short-term securities with maturities of 1 year or less. The Fund purchased these securities at a discount. Investing in Treasury Bills is a new strategy, used by the Fund, which better matches the maturities of the investments to the timing of the cash flows. The changes in the notes, overnights, and TIPS reflect a change in the Fund's investment strategy away from short-term to more long-term investments.

Contributions to the Medicare-Eligible Retiree Health Care Fund (MERHCF) maintain the Fund on an actuarially sound basis. This concept means that there will be sufficient funds to make all covered payments on behalf of eligible beneficiaries each year, and that the Fund balance is projected to eventually equal the actuarial liability, i.e., all unfunded liabilities are liquidated. In order to accomplish this objective, the DoD Office of the Actuary calculates the normal costs to fully fund the current year projected liability for active duty members and reservists. In addition, the DoD Office of the Actuary calculates the amortization payments to fund liabilities that were present at the Fund's inception (initial unfunded) and any emerging actuarial gains or losses.

The actuaries are amortizing the initial unfunded liability of the program over a 50-year period and all subsequent gains and losses experienced by the system over a 30-year period. Chapter 56 of Title 10, United States (U.S.) Code requires that the methods and assumptions for the following amounts be approved by the DoD MERHCF Board of Actuaries: computation of actuarial costs and liabilities, as well as all actuarial gains and losses, and the amortization of the initial unfunded liability. The Secretary of Defense appoints the Board of Actuaries, which is a Federal Advisory Committee.

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

the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

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

As of March 31	2006			2005
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 43,104,933.00	N/A	\$ 43,104,933.00	\$ 0.00
2. Nonfederal Receivables (From the Public)	\$ 8,970,028.95	\$ (269,100.87)	\$ 8,700,928.08	\$ 23,865,615.24
3. Total Accounts Receivable	<u>\$ 52,074,961.95</u>	<u>\$ (269,100.87)</u>	<u>\$ 51,805,861.08</u>	<u>\$ 23,865,615.24</u>

Intragovernmental

Intragovernmental receivables increased \$43.1 million (100 percent) because the Army Reserve underpaid its normal cost contribution for September 2005. The auditors discovered this discrepancy after the DoD published the year-end FY 2005 financial statements. Management believed that the effects of this uncorrected financial statement misstatement of accounts receivable at the close of FY 2005 were immaterial. Management so stated this fact in the Management Representation Letter to the auditors, dated November 7, 2005.

Nonfederal

Nonfederal Accounts Receivable decreased by \$15.2 million (64 percent) primarily due to debt of \$10.2 million owed by the Managed Care Support contractors to the government in the 2nd quarter of FY 2005. This debt pertained to the transfer of responsibility for processing all TRICARE for Life dual-eligible claims from the Managed Care Support contractors to the TRICARE Dual-Eligible Fiscal Intermediary Contract (TDEFIC) contractor. The TDEFIC contractor, Wisconsin Physician Services, collected the debts during the remainder of FY 2005. Additionally, the TDEFIC contractor has more aggressively pursued debt collections in the 2nd quarter, FY 2006, which has helped to reduce the nonfederal gross accounts receivable from \$10.0 million in the 1st quarter, FY 2006, to the current gross receivable level of \$9.0 million.

The table below displays the nondelinquent and delinquent amounts through 180 days that the TDEFIC holds in accordance with contract requirements. During this timeframe, the TDEFIC tries to recoup the receivables from the providers. If the TDEFIC has not received payment by the time it receives another claim from that particular provider, the TDEFIC deducts the amount owed the government in the accounts receivable from the amount owed on the new claim, pays the difference, and closes out the receivable. Once the accounts age to 180 days, the TDEFIC transfers the larger debts, totaling at least \$600, to the TRICARE Management Activity (TMA) General Counsel for review and transfer to Treasury. The TDEFIC holds accounts of less than \$600 for the life of the contract and continues to pursue collection or claims offset. When TMA awards the contract to a new contractor, the incumbent contractor transfers these accounts receivable to the new contractor for appropriate collection action.

The TMA calculates an Allowance for Estimated Uncollectibles as a percentage (3 percent) of receivables from all sources. The TDEFIC holds the majority of the receivables. The TMA bases the allowance for uncollectible accounts on an analysis of the actual uncollectible amounts experienced during FY 2004 and the first 3 quarters of FY 2005.

Of the \$1.3 thousand delinquent accounts receivables over 180 days, the TMA General Counsel is reviewing \$50.9 thousand. The status of the remaining amount is as follows: \$479.5 thousand has been transferred to the Treasury for collection; \$818.3 thousand is held by the fiscal intermediary (FI) for collection in accordance with the contract that requires the FI to retain claims of \$600 or less for collection efforts for the duration of the FI contract.

AGED ACCOUNTS RECEIVABLE GROUPS

CATEGORY	Intragovernmental	Nonfederal
Non-delinquent		
Current	\$43,104,933	\$5,001,147
Non-current		
Delinquent		
1 to 30 days		\$1,907,884
31 to 60 days		\$2,487
61 to 90 days		\$784
91 to 180 days		\$709,095
181 days to 1 year		\$633,366
>1 year and \leq 2 yrs		\$715,266
> 2 years and \leq 6 yrs		
> 6 years and \leq 10 yrs		
> 10 years		
Subtotal	\$43,104,933	\$8,970,029
Less: Supported Undistributed Collections		
Less: Eliminations		
Less: Other		
Totals	\$43,104,933	\$8,970,029

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

As of March 31	2006	2005
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ 425,880,004.00	\$ 417,381,000.00
B. Total Intragovernmental Other Assets	\$ 425,880,004.00	\$ 417,381,000.00
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	\$ 0.00	\$ 0.00
B. Other Assets (With the Public)	0.00	0.00
C. Total Nonfederal Other Assets	\$ 0.00	\$ 0.00
3. Total Other Assets	<u>\$ 425,880,004.00</u>	<u>\$ 417,381,000.00</u>

Line 1A, Advances and Prepayments, increased \$8.5 million (2 percent) in FY 2006. The Fund uses these advances to pay the Military Treatment Facility expenses for the upcoming quarter, except at year-end. The Fund made the 2nd quarter advance payments in late December 2005 and the 3rd quarter, FY 2006 advance payments in late March 2006.

Note 7.	Cash and Other Monetary Assets
----------------	---------------------------------------

As of March 31	2006	2005
1. Cash	\$ 0.00	\$ 0.00
2. Foreign Currency	0.00	0.00
3. Total Cash, Foreign Currency, & Other Monetary Assets	\$ 0.00	\$ 0.00

Note 8.	Direct Loan and/or Loan Guarantee Programs
----------------	---

As of March 31

Direct Loan and/or Loan Guarantee Programs The entity operates the following direct loan and/or Loan guarantee program(s)

Military Housing Privatization Initiative

Armament Retooling & Manufacturing Support Initiative

Direct Loans Obligated After FY 1991

As of March 31	2006		2005
Loan Programs			
1. Military Housing Privatization Initiative			
A. Loans Receivable Gross	\$ 0.00	\$	0.00
B. Interest Receivable	0.00		0.00
C. Foreclosed Property	0.00		0.00
D. Allowance for Subsidy Cost (Present Value)	0.00		0.00
E. Value of Assets Related to Direct Loans	\$ 0.00	\$	0.00
2. Total Loans Receivable	\$ 0.00	\$	0.00

Total Amount of Direct Loans Disbursed

As of March 31	2006	2005
Direct Loan Programs		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Total	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Subsidy Expense for Post FY 1991 Direct Loan

As of March 31

2006	Interest Differential	Defaults	Fees	Other	Total
1. New Direct Loans Disbursed: Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2005	Interest Differential	Defaults	Fees	Other	Total
2. New Direct Loans Disbursed: Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Direct Loan Modifications and Reestimates: Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2005	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Direct Loan Modifications and Reestimates: Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
		2006	2005		
5. Total Direct Loan Subsidy Expense: Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00		

Subsidy Rate for Direct Loans

As of March 31	Interest Differential	Defaults	Fees and other Collections	Other	Total
Direct Loan Programs					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule for Reconciling Subsidy Cost Allowance Balances for Post 1991 Direct Loans

As of March 31	2006	2005
1. Beginning Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00
2. Add: Subsidy Expense for Direct Loans Disbursed during the Reporting Years by Component		
A. Interest Rate Differential Costs	\$ 0.00	\$ 0.00
B. Default Costs (Net of Recoveries)	0.00	0.00
C. Fees and Other Collections	0.00	0.00
D. Other Subsidy Costs	0.00	0.00
E. Total of the above Subsidy Expense Components	\$ 0.00	\$ 0.00
3. Adjustments		
A. Loan Modifications	\$ 0.00	\$ 0.00
B. Fees Received	0.00	0.00
C. Foreclosed Property Acquired	0.00	0.00
D. Loans Written Off	0.00	0.00
E. Subsidy Allowance Amortization	0.00	0.00
F. Other	0.00	0.00
G. Total of the above Adjustment Components	\$ 0.00	\$ 0.00
4. Ending Balance of the Subsidy Cost Allowance before Re-estimates	\$ 0.00	\$ 0.00
5. Add or Subtract Subsidy Re-estimates by Component		
A. Interest Rate Re-estimate	\$ 0.00	\$ 0.00
B. Technical/Default Reestimate	0.00	0.00
C. Total of the above Reestimate Components	\$ 0.00	\$ 0.00
6. Ending Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00

Defaulted Guaranteed Loans from Post FY 1991 Guarantees

As of March 31	2006		2005	
Loan Guarantee Program(s)				
1. 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
2. Armament Retooling & Manufacturing Support 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. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable				
	\$	0.00	\$	0.00

Guaranteed Loans Outstanding

As of March 31	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
3. Total	\$ 0.00	\$ 0.00
2006		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
3. Total	\$ 0.00	\$ 0.00
2005		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
3. Total	\$ 0.00	\$ 0.00

Liabilities for Post FY 1991 Loan Guarantees, Present Value

As of March 31	2006	2005
Loan Guarantee Program(s)		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
3. Total	\$ 0.00	\$ 0.00

Subsidy Expense for Post FY 1991 Loan Guarantees

As of March 31

2006	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
2005	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
2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2005	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2006	2005				
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			

Subsidy Rates for Loan Guarantees

As of March 31	Interest Supplements	Defaults	Fees and other Collections	Other	Total
Loan Guarantee Programs:					
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%

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

As of March 31	2006	2005
1. Beginning Balance of the Loan Guarantee Liability	\$ 0.00	\$ 0.00
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	0.00	0.00
G. Other	0.00	0.00
H. Total of the above Adjustments	\$ 0.00	\$ 0.00
4. Ending Balance of the Loan Guarantee Liability before Reestimates	\$ 0.00	\$ 0.00
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	\$ 0.00	\$ 0.00

DoD Medicare-Eligible Retiree Health Care Fund

Administrative Expenses

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

As of March 31	2006	2005
1. Inventory, Net	\$ 0.00	\$ 0.00
2. Operating Materials & Supplies, Net	0.00	0.00
3. Stockpile Materials, Net	0.00	0.00
4. Total	\$ 0.00	\$ 0.00

Inventory, Net

As of March 31	2006			2005		Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net		
1. Inventory Categories						
A. Available and Purchased for Resale	\$ 0.00	\$ 0.00	0.00	\$ 0.00	0.00	LAC,MAC
B. Held for Repair	0.00	0.00	0.00	0.00	0.00	LAC,MAC
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00	0.00	NRV
D. Raw Materials	0.00	0.00	0.00	0.00	0.00	MAC,SP,LAC
E. Work in Process	0.00	0.00	0.00	0.00	0.00	AC
F. Total	\$ 0.00	\$ 0.00	0.00	\$ 0.00	0.00	

Legend for Valuation Methods:

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

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

Operating Materials and Supplies, Net

As of March 31	2006			2005		Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net		
1. OM&S Categories						
A. Held for Use	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	SP, LAC
B. Held for Repair	0.00	0.00	0.00	0.00	0.00	SP, LAC
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00	0.00	NRV
D. Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	

Legend for Valuation Methods:

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

NRV = Net Realizable Value
 O = Other

Stockpile Materials, Net

As of March 31	2006			2005		Valuation Method
	Stockpile Materials Amount	Allowance for Gains (Losses)	Stockpile Materials, Net	Stockpile Materials, Net		
1. Stockpile Materials Categories						
A. Held for Sale	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00		AC, LCM
B. Held in Reserve for Future Sale	0.00	0.00	0.00	0.00		AC, LCM
C. Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00		

Legend for Valuation Methods:

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

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

Note 10. General PP&E, Net

As of March 31	2006					2005	
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value	
1. Major Asset Classes							
A. Land	N/A	N/A	\$ 0.00	N/A	\$ 0.00	\$ 0.00	
B. Buildings, Structures, and Facilities	S/L	20 Or 40	0.00	\$ 0.00	0.00	0.00	
C. Leasehold Improvements	S/L	lease term	0.00	0.00	0.00	0.00	
D. Software	S/L	2-5 Or 10	0.00	0.00	0.00	0.00	
E. General Equipment	S/L	5 or 10	0.00	0.00	0.00	0.00	
F. Military Equipment	S/L	Various	0.00	0.00	0.00	0.00	
G. Assets Under Capital Lease	S/L	lease term	0.00	0.00	0.00	0.00	
H. Construction-in- Progress	N/A	N/A	0.00	N/A	0.00	0.00	
I. Other			0.00	0.00	0.00	0.00	
J. Total General PP&E			\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	

¹ Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

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

Assets Under Capital Lease

As of March 31	2006	2005
1. Entity as Lessee, Assets Under Capital Lease		
A. Land and Buildings	\$ 0.00	\$ 0.00
B. Equipment	0.00	0.00
C. Accumulated Amortization	0.00	0.00
D. Total Capital Leases	\$ 0.00	\$ 0.00

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

As of March 31	2006	2005
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	0.00	0.00
C. Other	0.00	0.00
D. Total Intragovernmental Liabilities	\$ 0.00	\$ 0.00
2. Nonfederal Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	451,832,499,301.81	441,985,001,225.16
C. Environmental Liabilities	0.00	0.00
D. Other Liabilities	705,659,000.00	838,341,000.00
E. Total Nonfederal Liabilities	\$ 452,538,158,301.81	\$ 442,823,342,225.16
3. Total Liabilities Not Covered by Budgetary Resources	\$ 452,538,158,301.81	\$ 442,823,342,225.16
4. Total Liabilities Covered by Budgetary Resources	\$ 85,802,695,050.44	\$ 62,245,765,645.02
5. Total Liabilities	\$ 538,340,853,352.25	\$ 505,069,107,870.18

Line 2B, Military Retirement Benefits and Other Employment-Related Actuarial Liabilities, which increased \$9.8 billion (2 percent), represents the amount for which there are currently no assets available to pay plan benefits. This increase is attributable to an increase of \$33.3 billion in the actuarial liability that is offset by an increase of \$23.5 billion in the value of assets available to pay benefits. For additional information, see Note 17.

Line 2E, Other Liabilities, represents Incurred But Not Reported (IBNR) costs. This line decreased \$132.7 million (16 percent) between 2nd quarter, FY 2005 and 2nd quarter, FY 2006. The explanation for this decrease can be attributed to the following reasons:

- Higher experience trend rates for in-patient hospital claims and lower out-patient and prescription claims;
- Faster claims turnaround (i.e., processing);
- Lower percentage load for administrative expenses because certain administrative costs are reported with the claims; and

- Improved claims process analysis that extracts information from a claims system on new and re-processed claims to compare the month and amount that care was provided to the month and amount of collection. This analysis is utilized by the actuaries to project/compute the IBNR.

Note 15 provides additional details regarding this decrease. For example, beginning with the September 30, 2005, year-end reporting, the Fund reclassified the IBNR costs to Other Accrued Liabilities from Other Unfunded Employment-Related Liabilities.

Line 4, Total Liabilities Covered by Budgetary Resources, increased \$23.5 billion (38 percent) in 2nd quarter, FY 2006 due to increased total assets. The assets increased because the contributions to the Fund exceeded the beneficiary payments. Notes 4 and 15 contain additional information.

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

As of March 31	2006			2005
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 0.00	\$ N/A	\$ 0.00	\$ 0.00
2. Nonfederal Payables (to the Public)	238,102,352.25	0.00	238,102,352.25	156,959,870.18
3. Total	\$ 238,102,352.25	\$ 0.00	\$ 238,102,352.25	\$ 156,959,870.18

Nonfederal

Line 2, Non-Federal Payables (to the Public) increased \$81.1 million (52%). The increase is attributable to an understatement of Accounts Payable in early FY 2005 as well as an overstatement of the undelivered orders in FY 2005. The understatement resulted from a backlog of health care claims when TMA converted its record systems from Health Care Service Record (HCSR) to TRICARE Encounter Data Systems (TEDS). The backlog was cleared in the third quarter of FY 2005.

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

As of March 31	2006			2005	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)					
A. Debt to the Treasury	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00	0.00
C. Total Agency Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Total Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

As of March 31	2006			2005
	Current Liability	Noncurrent Liability	Total	Total
1. Environmental Liabilities-- Nonfederal				
A. Accrued Environmental Restoration Liabilities				
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Active Installations—Military Munitions Response Program (MMRP)	0.00	0.00	0.00	0.00
3. Formerly Used Defense Sites— IRP and BD/DR	0.00	0.00	0.00	0.00
4. Formerly Used Defense Sites-- MMRP	0.00	0.00	0.00	0.00
B. Other Accrued Environmental Liabilities—Active Installations				
1. Environmental Corrective Action	0.00	0.00	0.00	0.00
2. Environmental Closure Requirements	0.00	0.00	0.00	0.00
3. Environmental Response at Operational Ranges	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00
C. Base Realignment and Closure (BRAC)				
1. Installation Restoration Program	0.00	0.00	0.00	0.00
2. Military Munitions Response Program	0.00	0.00	0.00	0.00
3. Environmental Corrective Action / Closure Requirements	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00
D. Environmental Disposal for Weapons Systems Programs				
1. Nuclear Powered Aircraft Carriers	0.00	0.00	0.00	0.00
2. Nuclear Powered Submarines	0.00	0.00	0.00	0.00
3. Other Nuclear Powered Ships	0.00	0.00	0.00	0.00
4. Other National Defense Weapons Systems	0.00	0.00	0.00	0.00
5. Chemical Weapons Disposal Program	0.00	0.00	0.00	0.00
6. Other	0.00	0.00	0.00	0.00
2. Total Environmental Liabilities	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Environmental Disclosures

As of March 31	2006	2005
A. Amount of operating and capital expenditures used to remediate legacy waste. Legacy wastes are the remediation efforts covered by IRP, MMRP, and BD/DR regardless of funding source.	0.00	0.00
B. The unrecognized portion of the estimated total cleanup costs associated with general property, plant, and equipment.	0.00	0.00
C. The estimated cleanup costs associated with general property, plant, and equipment placed into service during each fiscal year.	0.00	0.00
D. Changes in total cleanup costs due to changes in laws, regulations, and/or technology.	0.00	0.00
E. Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods.	0.00	0.00

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

As of March 31	2006			2005
	Current Liability	Noncurrent Liability	Total	Total
1. Intragovernmental				
A. Advances from Others	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Deposit Funds and Suspense Account Liabilities	0.00	0.00	0.00	0.00
C. Disbursing Officer Cash	0.00	0.00	0.00	0.00
D. Judgment Fund Liabilities	0.00	0.00	0.00	0.00
E. FECA Reimbursement to the Department of Labor	0.00	0.00	0.00	0.00
F. Other Liabilities	0.00	0.00	0.00	0.00
G. Total Intragovernmental Other Liabilities	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	\$ 0.00	\$ 0.00	\$ 0.00	\$ 838,341,000.00
B. Advances from Others	0.00	0.00	0.00	0.00
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	0.00	0.00	0.00	0.00
E. Temporary Early Retirement Authority	0.00	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities				
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	0.00	0.00	0.00
G. Accrued Unfunded Annual Leave	0.00	0.00	0.00	0.00
H. Capital Lease Liability	0.00	0.00	0.00	0.00
I. Other Liabilities	705,659,000.00	0.00	705,659,000.00	0.00
J. Total Nonfederal Other Liabilities	\$ 705,659,000.00	\$ 0.00	\$ 705,659,000.00	\$ 838,341,000.00
3. Total Other Liabilities	\$ 705,659,000.00	\$ 0.00	\$ 705,659,000.00	\$ 838,341,000.00

Line 2A, Accrued Funded Payroll and Benefits decreased \$838.3 million (100 percent) due to the recording of Incurred But Not Reported (IBNR) costs as Other Accrued Liabilities beginning in the 4th quarter, FY 2005. The Fund previously recorded these amounts as Other Unfunded Employment-

Related Liabilities. The IBNR costs are not unfunded and, therefore, the Fund reclassified these amounts to Other Accrued Liabilities, which is line 2I.

Line 2I, Other Liabilities, increased \$705.7 million (100 percent) because of the reclassification of the IBNR costs from Other Unfunded Employment-Related Liabilities to Other Accrued Liabilities effective 4th quarter, FY 2005. The current IBNR liabilities decreased \$132.7 million (16 percent) from 2nd quarter, FY 2005 to 2nd quarter, FY 2006. The explanation for this decrease can be attributed to the following reasons:

1. Higher experience trend rates for in-patient hospital claims and lower out-patient and prescription claims;
2. Faster claims turnaround (i.e., processing);
3. Lower percentage load for administrative expenses because certain administrative costs are reported with the claims; and
4. Improved claims process analysis that extracts information from a claims system on new and re-processed claims to compare the month and amount that care was provided to the month and amount of collection. This analysis is utilized by the actuaries to project/compute the IBNR.

Capital Lease Liability

As of March 31	2006				2005	
	Asset Category					
	Land and Buildings	Equipment	Other	Total	Total	
1. Future Payments Due						
A. 2006	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. 2007	0.00	0.00	0.00	0.00	0.00	0.00
C. 2008	0.00	0.00	0.00	0.00	0.00	0.00
D. 2009	0.00	0.00	0.00	0.00	0.00	0.00
E. 2010	0.00	0.00	0.00	0.00	0.00	0.00
F. 2011	0.00	0.00	0.00	0.00	0.00	0.00
G. After 5 Years	0.00	0.00	0.00	0.00	0.00	0.00
H. Total Future Lease Payments Due	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
I. Less: Imputed Interest Executory Costs	0.00	0.00	0.00	0.00	0.00	0.00
J. Net Capital Lease Liability	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Capital Lease Liabilities Covered by Budgetary Resources				\$ 0.00	\$ 0.00	\$ 0.00
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ 0.00	\$ 0.00	\$ 0.00

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

Note 17.**Military Retirement Benefits and Other Employment Related Actuarial Liabilities**

As of March 31	2006			2005	
	Actuarial Present Value of Projected Plan Benefits	Assume Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Actuarial Liability	Unfunded Actuarial Liability
1. Pension and Health Benefits					
A. Military Retirement Pensions	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits	0.00		0.00	0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	537,397,092,000.00		(85,564,592,698.19)	451,832,499,301.81	441,985,001,225.16
D. Total Pension and Health Benefits	\$ 537,397,092,000.00		\$ (85,564,592,698.19)	\$ 451,832,499,301.81	\$ 441,985,001,225.16
2. Other					
A. FECA	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	0.00		0.00	0.00	0.00
D. Total Other	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities:	\$ 537,397,092,000.00		\$ (85,564,592,698.19)	\$ 451,832,499,301.81	\$ 441,985,001,225.16

Actuarial Cost Method Used:

Assumptions:

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

Actuarial Cost Method Used: Aggregate Entry-Age Normal**Assumptions:** Interest Rate 6.25 percent**Market Value of Investments in Market-based and Marketable Securities:** \$82 billion**Fluctuation**

Line 1C, above, displays an increase of \$9.8 billion (2 percent) in the unfunded actuarial liability for the Medicare-Eligible Retiree Health Care Fund (MERHCF) from the 2nd quarter, FY 2005, to the 2nd quarter, FY 2006. This increase is attributable to an increase of \$33.3 billion in the actuarial liability that is offset by an increase of \$23.5 billion in the value of assets available to pay benefits. The table below provides further details about the \$33.3 billion increase in the actuarial liability. Footnote 11 also contains additional information about this change.

Other Information

Public Law 106-398 authorized the MERHCF for the purpose of accumulating funds to finance the liabilities of the Department of Defense (DoD) and the uniformed services health care programs for specific Medicare-eligible beneficiaries. The Fund began operations effective October 1, 2002.

Actuarial Cost Method Used for MERHCF Liability: Aggregate Entry-Age Normal

Interest Rate: 6.25 percent

Assumptions in Calculation of MERHCF Liability:

Medical Trend: 3.2 percent from FY 2004 to FY 2005, ultimate rate of 6.25 percent in 2029

Medical Inpatient: 5.6 percent from FY 2004 to FY 2005, ultimate rate of 6.25 percent in 2029

Medicare Outpatient: 10.0 percent from FY 2004 to FY 2005, ultimate rate of 6.25 percent in 2029

Medicare Prescriptions

(Purchased Care): 15.2 percent from FY 2004 to FY 2005, ultimate rate of 6.25 percent in 2029

The medical cost trend rate assumptions have a significant effect on the amounts reported. If the assumed rates increased by 1 percentage point in each year, that would increase the actuarial present value of projected plan benefits as of September 30, 2005, by 28 percent, or approximately \$150.0 billion.

The market value of the MERHCF's nonmarketable market-based securities as of March 31, 2006, totaled \$83.1 billion, which included \$706.2 million in accrued interest.

The liability for the MERHCF includes Medicare liabilities for all uniformed services. The reported MERHCF actuarial liability is only changed once a year, at September 30. For this reason, there is no change in the March 31, 2006, actuarial liability from the September 30, 2005, actuarial liability. For the same reason, the change in the actuarial liability from March 31, 2005, to March 31, 2006, is the same as the change from September 30, 2004, to September 30, 2005. The table below displays the FY 2005 change in the actuarial liability:

Change in MERHCF Actuarial Liability

(\$ in Thousands)

a. Actuarial Liability as of 09/30/04 (all Uniformed Services Medicare)	\$504,073,807
b. Expected Normal Cost for FY 2005	\$10,613,753
c. Expected Benefit Payments for FY 2005	(\$6,546,888)
d. Interest Cost for FY 2005	\$31,629,776
e. Actuarial (gains)/losses due to other factors	(\$14,902,660)
f. Actuarial (gains)/losses due to changes in trend assumptions	\$12,529,304
g. Actuarial Liability as of 09/30/05 (all Uniformed Services Medicare)	\$537,397,092
h. Change in Actuarial Liability	\$33,323,285

Each year the actuarial liability is expected to increase with normal cost, decrease with benefit payments, and increase with the interest cost. In the absence of actuarial gains and losses or benefit changes, an increase of \$35.7 billion in the actuarial liability was expected during FY 2005 (line b plus line c plus line d). The September 30, 2005, actuarial liability includes changes due to new assumptions and actuarial experience. The actuarial loss due to new medical trend assumptions is \$12.5 billion (line f). The actuarial gains and losses due to other factors (net -\$14.9 billion, line e) includes new population data, other actuarial experience being different from assumed and actuarial assumption changes other than the change in trend assumptions.

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

Intragovernmental Costs and Exchange Revenue		
As of March 31	2006	2005

As of March 31	2006	2005
1. Intragovernmental Costs	\$ 1,029,373,364.00	\$ 884,122,000.00
2. Public Costs	2,543,608,528.35	2,659,796,637.02
3. Total Costs	\$ 3,572,981,892.35	\$ 3,543,918,637.02
4. Intragovernmental Earned Revenue	\$ (29,474,587,792.62)	\$ (21,834,035,054.62)
5. Public Earned Revenue	2,634,184.96	0.00
6. Total Earned Revenue	\$ (29,471,953,607.66)	\$ (21,834,035,054.62)
7. Net Cost of Operations	\$ (25,898,971,715.31)	\$ (18,290,116,417.60)

The Statement of Net Cost is unique because its principles are driven on understanding the net cost of programs that the Federal Government supports through appropriations or other means. This Statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and/or organization administered by a responsible reporting entity. Public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity. For public earned revenue, the buyer of the goods or services is a nonfederal entity. Intragovernmental costs and revenue are related to transactions made between two reporting entities with the federal government.

Line 1, Intragovernmental Costs, represents the distribution of funds from the Medicare-Eligible Retiree Health Care Fund (MERHCF) to the military treatment facilities (MTFs) for care provided to Medicare-eligible uniformed service beneficiaries in these facilities. The increase of \$145.3 million (16 percent) is attributable to increased ambulatory pharmacy use and increases in actual costs per encounter for inpatient, outpatient and pharmacy care/services. About the same number of beneficiaries has been using the inpatient and outpatient services each year since the Fund's inception. More beneficiaries have been using the ambulatory pharmacy services each year since FY 2003. The pharmacy services increased due to a combination of an increase in the number of users and an increase in average demand per user.

Line 2, Public Costs, decreased \$116.2 million (4 percent) due to the following reasons:

- 1) An increase in payments to the daily Purchased Care Operations and Maintenance of \$271.5 million
- 2) A decrease in the change of Incurred But Not Reported (IBNR) payables of \$403.5 million.
- 3) A decrease in the Allowance for Estimated Uncollectibles of \$.08 million.
- 4) An increase in Accounts Receivables of \$15.8 million.

Line 5, Public Earned Revenue, increased \$2.6 million (100 percent). This change is due to financial statement compliance reporting for public earned revenue.

Line 6, Total Earned Revenue, explanations for the intragovernmental and public earned revenue amounts as well as the related fluctuations are shown in the below table:

Intragovernmental and Public Earned Revenues for Program Costs
(\$ in 000's)

	<u>FY 2006</u>	<u>FY 2005</u>
1. Uniformed Services Contributions	\$11,115,152	\$5,294,017
2. U.S. Treasury Annual Unfunded Liability Payment	16,612,000	15,721,000
3. Interest on Investments	1,747,436	819,018
4. Public Earned Revenue – Accounts Receivable	(2,634)	0
5. Total	\$29,471,954	\$21,834,035

Line 1, above, reflects the total contributions from the Military Services plus the U.S. Public Health Service, U.S. Coast Guard, and National Oceanic and Atmospheric Administration, known collectively as the Uniformed Services. These contributions also include an accounts receivable that the Army Reserves owe in the amount of \$43.1 million, which is reflected in Note 5.

The Uniformed Services contributions increased \$5.8 billion (110 percent) from FY 2005 to FY 2006. A change in policy in the 1st quarter, FY 2006, which required upfront annual contributions rather than monthly contributions is the primary reason for this fluctuation. This variance also includes an increase in normal cost contribution rates provided by the Board of Actuaries.

Line 2, U.S. Treasury Annual Unfunded Liability Payment, increased \$891.0 million (6 percent) from FY 2005 to FY 2006 due to the computation provided by the DoD Retirement Board of Actuaries. The FY 2005 Defense Authorization Act assigned Treasury, vice the Uniformed Services, the responsibility of paying normal cost contributions into the Fund, starting in FY 2006.

Line 3, Interest on Investments, increased \$928.4 million (113 percent) from FY 2005 to FY 2006. This fluctuation is primarily due to the large increase in contributions received in October 2005 and the compounding effect of higher rates of return since that time.

Line 4, Public Earned Revenue, represents accounts receivable. From the close of the 4th quarter, FY 2005, through the close of the 2nd quarter, FY 2006, accounts receivable decreased \$2.6 million (100 percent). During the 2nd quarter, FY 2006, the TRICARE Dual Eligible Fiscal Intermediary Contractor (TDEFIC) aggressively pursued collections to reduce the nonfederal gross accounts receivable from \$10.0 million in the 1st quarter, FY 2006, to the current \$9.0 million. (See Note 5 for additional details.) The remainder of the decrease in receivables since the close of FY 2005 is due to aggressive collection actions by the TDEFIC contractor during the 1st quarter, FY 2006.

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

As of March 31	2006		2005	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance				
A. Changes in Accounting Standards	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Errors and Omissions in Prior Year Accounting Reports	0.00	0.00	0.00	0.00
C. Total Prior Period Adjustments	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Imputed Financing				
A. Civilian CSRS/FERS Retirement	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Civilian Health	0.00	0.00	0.00	0.00
C. Civilian Life Insurance	0.00	0.00	0.00	0.00
D. Judgment Fund	0.00	0.00	0.00	0.00
E. IntraEntity	0.00	0.00	0.00	0.00
F. Total Imputed Financing	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

As of March 31	2006	2005
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 0.00	\$ 0.00
2. Available Borrowing and Contract Authority at the End of the Period	0.00	0.00

Information Related to the Statement of Budgetary Resources

Apportionment Categories

The Office of Management and Budget (OMB) Circular No. A-136, section 9.27, specifically requires disclosure of the amount of direct and reimbursable obligations incurred against amounts apportioned under categories A, B, and exempt from apportionment. This disclosure should agree with the aggregate of the related information as included in each reporting entity's SF 133 and line 8 in the Statement of Budgetary Resources (SBR). The Medicare-Eligible Retiree Health Care Fund (MERHCF) reported \$4.2 billion in exempt from apportionment obligations and no category A or category B obligations.

Permanent Indefinite Appropriation

Title 10, U.S. Code 1111 provides the MERHCF a permanent indefinite appropriation with which to finance, on an actuarially sound basis, the liabilities of DoD's uniformed services retiree health care programs for Medicare-eligible beneficiaries.

Reconciliation Differences

The Department of the Treasury issues annual warrants that pay amortized payments for the unfunded actuarial liabilities of the MERHCF. The MERHCF's annual warrant for FY 2006 totaled \$16.6 billion. The Other Defense Organizations General Fund credits, and subsequently expends, this amount to the MERHCF in accordance with OMB guidance. The OMB is aware, and approves, of this duplicate reporting.

In addition, the MERHCF reports Appropriations Received for contributions that the Army, Navy, and Air Force pay. The Military Departments also include these amounts in their respective Appropriations Received. The MERHCF reported a total of \$10.8 billion for FY 2006.

Appropriations Received on the SBR did not agree with Appropriations Received on the Statement of Changes in Net Position (SCNP) because of differences between proprietary and budgetary accounting concepts and reporting requirements. The SBR reported \$30.0 billion in Appropriations Received, and the SCNP reported zero. The MERHCF accounts for its incoming

funds, which are treated as other financing sources, in the cumulative results of operations account rather than the unexpended appropriations account.

Note 21.	Disclosures Related to the Statement of Financing
-----------------	--

Information Related to the Statement of Financing

The amount on Line 4, Less: Offsetting Receipts, increased \$7.7 billion (35 percent) for the following reasons:

Contributions from the Uniformed Services increased \$5.8 billion from 2nd quarter, FY 2005, to 2nd quarter, FY 2006, primarily due to a change in policy in the 1st quarter, FY 2006, which requires upfront annual contributions rather than monthly contributions.

The United States Treasury annual unfunded liability payment increased \$891.0 million from 2nd quarter, FY 2005, to 2nd quarter, FY 2006, based on the computation provided by the Department of Defense Retirement Board of Actuaries. The FY 2005 Defense Authorization Act assigned Treasury, vice the Uniformed Services, the responsibility of paying normal cost contributions into the Fund, starting in FY 2006.

The interest on investments increased \$928.4 million from 2nd quarter, FY 2005, to 2nd quarter, FY 2006, due to the large increase in contributions received in October 2005 from the Uniformed Services and the compounding effect of higher rates of return since that time.

See Note 1 for additional information on the Uniformed Services contributions and Treasury payments and Note 18 for further details about the fluctuation.

Line 23, Other, decreased \$347.0 million (100 percent) between 2nd quarter, FY 2005, and 2nd quarter, FY 2006. This decrease represents the Incurred But Not Reported costs which were reclassified to Other Accrued Liabilities from Other Unfunded Employment-Related Liabilities in 4th quarter, FY 2005. These costs are not unfunded.

Line 27d, Other, decreased \$15.8 million (99 percent) between 2nd quarter, FY 2005, and 2nd quarter, FY 2006. The majority of this difference represents a change in accounts receivable. Effective 1st quarter, FY 2006, the change in accounts receivable is reflected as a decrease to revenue and appears on the Statement of Net Cost.

The remaining difference of \$79 thousand represents bad debt expense for the MERHCF. These bad debts occur because of erroneous payments to beneficiaries of the MERHCF or nonfederal medical service providers.

Note 22.	Disclosures Related to the Statement of Custodial Activity
-----------------	---

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

BALANCE SHEET As of March 31	MRF	MERHCF	Other Earmarked Funds	Total Earmarked Funds
ASSETS				
Fund balance with Treasury	\$ 0.00	\$ 5,000,000.00	\$ 0.00	\$ 5,000,000.00
Investments	0.00	86,097,083,835.66	0.00	86,097,083,835.66
Accounts and Interest Receivable	0.00	51,805,861.08	0.00	51,805,861.08
Other Assets	0.00	425,880,004.00	0.00	425,880,004.00
Total Assets	\$ 0.00	\$ 86,579,769,700.74	\$ 0.00	\$ 86,579,769,700.74
LIABILITIES and NET POSITION				
Military Retirement Benefits and Other Employment Related Actuarial Liabilities	\$ 0.00	\$ 537,397,092,000.00	\$ 0.00	\$ 537,397,092,000.00
Other Liabilities	0.00	943,761,352.25	0.00	943,761,352.25
Unexpended Appropriations	0.00	0.00	0.00	0.00
Cumulative Results of Operations	0.00	(451,761,083,651.51)	0.00	(451,761,083,651.51)
Total Liabilities and Net Position	\$ 0.00	\$ 86,579,769,700.74	\$ 0.00	\$ 86,579,769,700.74
STATEMENT OF NET COST As of March 31				
Program Costs	\$ 0.00	\$ 3,572,981,892.35	\$ 0.00	\$ 3,572,981,892.35
Less Earned Revenue	0.00	(29,471,953,607.66)	0.00	(29,471,953,607.66)
Net Program Costs	\$ 0.00	\$ (25,898,971,715.31)	\$ 0.00	\$ (25,898,971,715.31)
Less Earned Revenues Not Attributable to Programs	0.00	0.00	0.00	0.00
Net Cost of Operations	\$ 0.00	\$ (25,898,971,715.31)	\$ 0.00	\$ (25,898,971,715.31)
STATEMENT OF CHANGES IN NET POSITION As of March 31				
Net Position Beginning of the Period	\$ 0.00	\$ (477,660,055,366.82)	\$ 0.00	\$ (477,660,055,366.82)
Net Cost of Operations	0.00	(25,898,971,715.31)	0.00	(25,898,971,715.31)
Other Nonexchange Revenue	0.00	0.00	0.00	0.00
Change in Net Position	\$ 0.00	\$ 25,898,971,715.31	\$ 0.00	\$ 25,898,971,715.31
Net Position End of Period	\$ 0.00	\$ (451,761,083,651.51)	\$ 0.00	\$ (451,761,083,651.51)

1. A description of the fund's purpose, how the component accounts for and reports the fund, and its authority to use those revenue, and other financing sources.

The Medicare-Eligible Retiree Health Care Fund (MERHCF) accumulates funds to finance, on an actuarially sound basis, liabilities of the Department of Defense and the uniformed services health care programs for specific Medicare-eligible beneficiaries.

Public Law 106-398 authorized the establishment of the MERHCF. The MERHCF's appropriations are designated as special funds which are used to fund the daily execution of the MERHCF's mission. The MERHCF, which is classified as a special fund, uses both receipt and expenditure accounts. These accounts have a budget activity level structure, and the MERHCF can establish lower level accounts as necessary to meet reporting requirements.

The MERHCF prepares financial statements to report the financial position and results of operations as required by the Chief Financial Officers Act of 1990, which was expanded by the Government Management Reform Act of 1994.

2. The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows or resources to the Department.

There are three primary financing sources for the MERHCF--which are inflows only to the Fund. These sources are an annual unfunded actuarial liability payment from Treasury, annual contribution(s) from the Military Services and other uniformed services (US Coast Guard, the National Oceanic and Atmospheric Administration, and the US Public Health Service), and interest earned from the Fund's investments.

On the consolidated Balance Sheet, Assets section, the Fund Balance with Treasury \$5.0 million represents the funds held back at the end of the month for any unexpected expenses. Next, the \$86.1 billion is the net investments of the fund, which consists of bills, bonds, notes, overnights, and inflation-protected securities as well as interest receivable. The Accounts and Interest Receivable is the accounts receivable of \$43.1 million, which is an underpayment of the Army Reserve's FY 2005 contribution, and another accounts receivable of \$8.7 million due from the public. Finally, the Other Assets of \$425.9 million is the advance payment that the Fund made to the Military Treatment Facilities for 3rd quarter, FY 2006.

The consolidated Balance Sheet, Liabilities section, starts with \$537.4 billion for the actuarial health insurance liability. The \$943.7 million is comprised of Incurred But Not Reported amounts of \$705.6 million and accounts payable amounts of \$238.1 million. Finally, the \$451.8 billion is the net difference since inception of the activity between the revenues and expenses, interest revenue from investments, contributions, operating expenses, bad debt expenses, and future unfunded expenses.

The consolidated Statement of Net Cost, reports Program Costs of \$3.6 billion. This amount represents the total program costs, which is a combination of operating expenses, bad debt expenses, and future unfunded expenses. The Earned Revenue line of \$29.5 billion is comprised of contributions and interest revenue from investments.

The consolidated Statement of Changes in Net Position displays the Net Position Beginning of the Period of \$477.7 billion. This amount represents the net difference since inception of the activity between the revenues and expenses. The Net Cost of Operations of \$25.9 billion represents the current year net result of totaling the interest revenue from investments, contributions, operating expenses, bad debt expenses, and future unfunded expenses.

3. Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund.

The Congress has made no changes in legislation during or after this reporting period that significantly changed the purpose of this Fund.

4. Any elimination(s) between earmarked funds and other funds within the reporting entity should be disclosed.

The MERHCF only trades with other entities outside the Fund—that is, the Military Services, the other Unformed Services, and the US Treasury. There are eliminations with these federal trading partners, but they are considered outside reporting entities.

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

As of March 31	2006 Asset Category			
	Land and Buildings	Equipment	Other	Total

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

Future Payments Due

Fiscal Year

2006	\$	0.00	\$	0.00	\$	0.00	\$	0.00
2007		0.00		0.00		0.00		0.00
2008		0.00		0.00		0.00		0.00
2009		0.00		0.00		0.00		0.00
2010		0.00		0.00		0.00		0.00
2011		0.00		0.00		0.00		0.00
After 5 Years		0.00		0.00		0.00		0.00

**Total Future Lease
Payments Due**

	\$	0.00	\$	0.00	\$	0.00	\$	0.00
--	----	------	----	------	----	------	----	------