

Department of Defense
Military Retirement Fund
CONSOLIDATED BALANCE SHEET
As of June 30, 2005 and 2004

	2005 Consolidated	2004 Consolidated
	<hr/>	<hr/>
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	\$ 21,037,941.39	\$ 20,093,309.89
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	0.00	0.00
2. Investments (Note 4)	201,168,639,840.78	191,170,417,288.12
3. Accounts Receivable (Note 5)	0.00	0.00
4. Other Assets (Note 6)	0.00	0.00
5. Total Intragovernmental Assets	<hr/> \$ 201,189,677,782.17	<hr/> \$ 191,190,510,598.01
B. Cash and Other Monetary Assets (Note 7)	\$ 0.00	\$ 0.00
C. Accounts Receivable (Note 5)	28,425,139.91	23,970,418.13
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/> \$ 201,218,102,922.08	<hr/> <hr/> \$ 191,214,481,016.14
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 & Note 16)	1,032,422.57	859,232.48
4. Total Intragovernmental Liabilities	<hr/> \$ 1,032,422.57	<hr/> \$ 859,232.48
B. Accounts Payable (Note 12)	\$ 0.00	\$ 0.00
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 17)	834,582,098,074.36	736,061,600,956.47
D. Environmental Liabilities (Note 14)	0.00	0.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	3,201,406,522.77	3,096,787,149.01
4. TOTAL LIABILITIES	<hr/> \$ 837,784,537,019.70	<hr/> \$ 739,159,247,337.96
5. NET POSITION		
A. Unexpended Appropriations	\$ 0.00	\$ 0.00
B. Cumulative Results of Operations	(636,566,434,097.62)	(547,944,766,321.82)
6. TOTAL NET POSITION	<hr/> \$ (636,566,434,097.62)	<hr/> \$ (547,944,766,321.82)
7. TOTAL LIABILITIES AND NET POSITION	<hr/> <hr/> \$ 201,218,102,922.08	<hr/> <hr/> \$ 191,214,481,016.14

Department of Defense
Military Retirement Fund
CONSOLIDATED STATEMENT OF NET COST
For the periods ended June 30, 2005 and 2004

	2005 Consolidated	2004 Consolidated
1. Program Costs		
A. Intragovernmental Gross Costs	\$ 0.00	\$ 0.00
B. (Less: Intragovernmental Earned Revenue)	(42,312,309,264.11)	(36,164,724,033.82)
C. Intragovernmental Net Costs	\$ (42,312,309,264.11)	\$ (36,164,724,033.82)
D. Gross Costs With the Public	29,183,682,350.78	27,692,785,170.25
E. (Less: Earned Revenue From the Public)	0.00	0.00
F. Net Costs With the Public	\$ 29,183,682,350.78	\$ 27,692,785,170.25
G. Total Net Cost	\$ (13,128,626,913.33)	\$ (8,471,938,863.57)
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	\$ (13,128,626,913.33)	\$ (8,471,938,863.57)

Department of Defense
 Military Retirement Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 For the periods ended June 30, 2005 and 2004

	2005 Consolidated	2004 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ (649,695,061,010.95)	\$ (556,416,705,185.39)
2. Prior period adjustments (+/-)		
2.A. Prior Period Adjustments - Restated (+/-)	0.00	0.00
2.B. Beginning Balance, Restated	(649,695,061,010.95)	(556,416,705,185.39)
2.C. Prior Period Adjustments - Not Restated (+/-)	0.00	0.00
3. Beginning Balances, as adjusted	(649,695,061,010.95)	(556,416,705,185.39)
4. Budgetary Financing Sources:		
4.A. Appropriations received	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	0.00	0.00
4.E. Nonexchange revenue	0.00	0.00
4.F. Donations and forfeitures of cash and cash equivalents	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	0.00	0.00
4.H. Other budgetary financing sources (+/-)	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property	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	0.00	0.00
7. Net Cost of Operations (+/-)	(13,128,626,913.33)	(8,471,938,863.57)
8. Ending Balances	\$ (636,566,434,097.62)	\$ (547,944,766,321.82)

Department of Defense
 Military Retirement Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 For the periods ended June 30, 2005 and 2004

	2005 Consolidated	2004 Consolidated
UNEXPENDED APPROPRIATIONS		
1. Beginning Balances	\$ 0.00	\$ 0.00
2. Prior period adjustments (+/-)		
2.A. Prior Period Adjustments - Restated (+/-)	0.00	0.00
2.B. Beginning Balance, Restated	0.00	0.00
2.C. Prior Period Adjustments - Not Restated (+/-)	0.00	0.00
3. Beginning Balances, as adjusted	0.00	0.00
4. Budgetary Financing Sources:		
4.A. Appropriations received	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	0.00	0.00
4.E. Nonexchange revenue	0.00	0.00
4.F. Donations and forfeitures of cash and cash equivalents	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	0.00	0.00
4.H. Other budgetary financing sources (+/-)	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property	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	0.00	0.00
7. Net Cost of Operations (+/-)		
8. Ending Balances	\$ 0.00	\$ 0.00

Department of Defense
 Military Retirement Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended June 30, 2005 and 2004

	2005 Combined	2004 Combined
	<hr/>	<hr/>
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES		
1. Budget Authority:		
1a. Appropriations received	\$ 43,387,307,939.55	\$ 37,098,683,758.29
1b. Borrowing authority	0.00	0.00
1c. Contract authority	0.00	0.00
1d. Net transfers (+/-)	0.00	0.00
1e. Other	4,944,692,060.45	9,486,316,241.71
2. Unobligated balance:		
2a. Beginning of period	181,133,123,920.58	176,028,929,803.55
2b. Net transfers, actual (+/-)	0.00	0.00
2c. Anticipated Transfers balances	0.00	0.00
3. Spending authority from offsetting collections:		
3a. Earned	0.00	0.00
1. Collected	0.00	0.00
2. Receivable from Federal sources	0.00	0.00
3b. Change in unfilled customer orders	0.00	0.00
1. Advance received	0.00	0.00
2. Without advance from Federal sources	0.00	0.00
3c. Anticipated for the rest of year, without advances	0.00	0.00
3d. Previously unavailable	0.00	0.00
3e. Transfers from trust funds	0.00	0.00
3f. Subtotal	<hr/> 0.00	<hr/> 0.00
4. Recoveries of prior year obligations	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	<hr/> \$ 229,465,123,920.58 <hr/>	<hr/> \$ 222,613,929,803.55 <hr/>

Department of Defense
Military Retirement Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2005 and 2004

	<u>2005 Combined</u>	<u>2004 Combined</u>
STATUS OF BUDGETARY RESOURCES		
8. Obligations incurred:		
8a. Direct	\$ 29,186,722,995.94	\$ 27,701,829,447.41
8b. Reimbursable	0.00	0.00
8c. Subtotal	<u>29,186,722,995.94</u>	<u>27,701,829,447.41</u>
9. Unobligated balance:		
9a. Apportioned	0.00	0.00
9b. Exempt from apportionment	200,278,400,924.64	194,912,100,356.14
9c. Other available	0.00	0.00
10. Unobligated Balances Not Available	0.00	0.00
11. Total, Status of Budgetary Resources	<u>\$ 229,465,123,920.58</u>	<u>\$ 222,613,929,803.55</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
12. Obligated Balance, Net - beginning of period	\$ 3,120,239,327.98	\$ 2,963,018,881.79
13. Obligated Balance transferred, net (+/-)	0.00	0.00
14. Obligated Balance, Net - end of period:		
14a. Accounts receivable	0.00	0.00
14b. Unfilled customer order from Federal sources	0.00	0.00
14c. Undelivered orders	0.00	0.00
14d. Accounts payable	3,201,192,165.30	3,096,588,477.02
15. Outlays:		
15a. Disbursements	29,105,770,158.62	27,568,259,852.18
15b. Collections	0.00	0.00
15c. Subtotal	<u>29,105,770,158.62</u>	<u>27,568,259,852.18</u>
16. Less: Offsetting receipts	(22,897,000,000.00)	(18,189,000,000.00)
17. Net Outlays	<u>\$ 6,208,770,158.62</u>	<u>\$ 9,379,259,852.18</u>

Department of Defense
Military Retirement Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2005 and 2004

	2005 Combined	2004 Combined
	<hr/>	<hr/>
NONBUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES		
1. Budget Authority:		
1a. Appropriations received	\$ 0.00	\$ 0.00
1b. Borrowing authority	0.00	0.00
1c. Contract authority	0.00	0.00
1d. Net transfers (+/-)	0.00	0.00
1e. Other	0.00	0.00
2. Unobligated balance:		
2a. Beginning of period	0.00	0.00
2b. Net transfers, actual (+/-)	0.00	0.00
2c. Anticipated Transfers balances	0.00	0.00
3. Spending authority from offsetting collections:		
3a. Earned	0.00	0.00
1. Collected	0.00	0.00
2. Receivable from Federal sources	0.00	0.00
3b. Change in unfilled customer orders	0.00	0.00
1. Advance received	0.00	0.00
2. Without advance from Federal sources	0.00	0.00
3c. Anticipated for the rest of year, without advances	0.00	0.00
3d. Previously unavailable	0.00	0.00
3e. Transfers from trust funds	0.00	0.00
3f. Subtotal	<hr/> 0.00	<hr/> 0.00
4. Recoveries of prior year obligations	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	<hr/> <hr/> \$ 0.00	<hr/> <hr/> \$ 0.00

Department of Defense
Military Retirement Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2005 and 2004

	<u>2005 Combined</u>	<u>2004 Combined</u>
STATUS OF BUDGETARY RESOURCES		
8. Obligations incurred:		
8a. Direct	\$ 0.00	\$ 0.00
8b. Reimbursable	0.00	0.00
8c. Subtotal	<u>0.00</u>	<u>0.00</u>
9. Unobligated balance:		
9a. Apportioned	0.00	0.00
9b. Exempt from apportionment	0.00	0.00
9c. Other available	0.00	0.00
10. Unobligated Balances Not Available	0.00	0.00
11. Total, Status of Budgetary Resources	<u>\$ 0.00</u>	<u>\$ 0.00</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
12. Obligated Balance, Net - beginning of period	\$ 0.00	\$ 0.00
13. Obligated Balance transferred, net (+/-)	0.00	0.00
14. Obligated Balance, Net - end of period:		
14a. Accounts receivable	0.00	0.00
14b. Unfilled customer order from Federal sources	0.00	0.00
14c. Undelivered orders	0.00	0.00
14d. Accounts payable	0.00	0.00
15. Outlays:		
15a. Disbursements	0.00	0.00
15b. Collections	0.00	0.00
15c. Subtotal	<u>0.00</u>	<u>0.00</u>
16. Less: Offsetting receipts	0.00	0.00
17. Net Outlays	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Department of Defense
Military Retirement Fund
COMBINED STATEMENT OF FINANCING
For the periods ended June 30, 2005 and 2004

	2005 Combined	2004 Combined
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
1. Obligations incurred	\$ 29,186,722,995.94	\$ 27,701,829,447.41
2. Less: Spending authority from offsetting collections and recoveries (-)	0.00	0.00
3. Obligations net of offsetting collections and recoveries	29,186,722,995.94	27,701,829,447.41
4. Less: Offsetting receipts (-)	(22,897,000,000.00)	(18,189,000,000.00)
5. Net obligations	6,289,722,995.94	9,512,829,447.41
Other Resources		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	0.00	0.00
8. Imputed financing from costs absorbed by others	0.00	0.00
9. Other (+/-)	0.00	0.00
10. Net other resources used to finance activities	0.00	0.00
11. Total resources used to finance activities	6,289,722,995.94	9,512,829,447.41
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 (-)	0.00	0.00
12b. Unfilled Customer Orders	0.00	0.00
13. Resources that fund expenses recognized in prior periods	0.00	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	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	0.00	0.00
18. Total resources used to finance the net cost of operations	6,289,722,995.94	9,512,829,447.41

Department of Defense
Military Retirement Fund
COMBINED STATEMENT OF FINANCING
For the periods ended June 30, 2005 and 2004

	2005 Combined	2004 Combined
	<hr/>	<hr/>
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	0.00
24. Total components of Net Cost of Operations that will require or generate resources in future periods	<hr/> 0.00	<hr/> 0.00
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	0.00	0.00
26. Revaluation of assets or liabilities (+/-)	0.00	0.00
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	(19,415,309,264.11)	(17,975,724,033.82)
27b. Cost of Goods Sold	0.00	0.00
27c. Operating Material & Supplies Used	0.00	0.00
27d. Other	(3,040,645.16)	(9,044,277.16)
28. Total components of Net Cost of Operations that will not require or generate resources	<hr/> (19,418,349,909.27)	<hr/> (17,984,768,310.98)
29. Total components of net cost of operations that will not require or generate resources in the current period	<hr/> (19,418,349,909.27)	<hr/> (17,984,768,310.98)
30. Net Cost of Operations	<hr/> <hr/> (13,128,626,913.33)	<hr/> <hr/> (8,471,938,863.57)

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

The Department of Defense (DoD) Military Retirement Fund was authorized by Public Law (PL) 98-94 for the accumulation of funds to finance the liabilities of the DoD under military retirement and survivor benefit programs.

These financial statements have been prepared to report the financial position and results of operations of the Military Retirement Fund, as required by the Chief Financial Officers (CFO) Act of 1990, expanded by the Government Management Reform Act (GMRA) of 1994, and other appropriate legislation. The financial statements have been prepared from the books and records of the Trust Fund Accounting Division, Accounting Directorate, Defense Finance and Accounting Service, in accordance with the requirements of the Office of Management and Budget (OMB) Bulletin No. 97-01, as amended, "Form and Content of Agency Financial Statements," and accounting principles generally accepted in the United States of America. The Military Retirement Fund financial statements are prepared by the Trust Fund Accounting Division. The financial reports required pursuant to OMB directives that are used to monitor and control the Military Retirement Fund's use of budgetary resources are also prepared by the Trust Fund Accounting Division.

A more detailed explanation of these financial statement elements are discussed in the applicable footnote.

1.B. Mission of the Reporting Entity

The mission of the DoD Military Retirement Fund is to accumulate funds in order to finance on an actuarially sound basis the liabilities of the DoD under military retirement and survivor benefit programs.

The asset accounts used to prepare the statements are categorized as either entity or nonentity assets, where applicable. Entity accounts consist of resources that the agency has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Nonentity accounts are assets that are held by an entity but are not available for use in the operations of the entity.

1.C. Appropriations and Funds

The Military Retirement Fund is a pension program established in Fiscal Year (FY) 1984 by PL 98-94, for the payment of annuities and pensions to retired military personnel and their survivors. The DoD Retirement Board of Actuaries determines the contributions made to the Military Retirement Fund. The DoD (normal cost) contribution is a percentage of basic pay. The Department of Treasury contribution is the annual unfunded liability amortization payment, as well as the normal cost for the concurrent receipt benefits enacted in the FY 2004 National Defense Authorization Act. Excess funds from the contributions are invested and accrued interest revenue is used to cover future liabilities of the Fund.

1.D. Basis of Accounting

Under the authority of the CFO Act of 1990, the Federal Accounting Standards Advisory Board (FASAB) was established to recommend Federal Accounting Standards to the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB) and the Comptroller General, co-principals of the Joint Financial Management Improvement Program (JFMIP). The Statements of Federal Financial Accounting Standards (SFFAS) have

been issued by the Director of OMB and the Comptroller General, some of which have deferred effective dates.

In April 2000, the American Institute of Certified Public Accountants (AICPA) through 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) Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations plus AICPA and Financial Accounting Standards Board (FASB) 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 (ACSEC) 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; and (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 in the circumstances. When directed by OMB, through OMB Bulletin No. 01-09, generally accepted accounting principles in the United States of America serve as authoritative guidance for Federal agencies in preparing reports that are addressed within the OMB Bulletin No. 01-09.

1.E. Revenues and Other Financing Sources

Financing sources for the Military Retirement Fund are provided primarily through monthly Military Service contributions as a percentage of base pay, an annual unfunded liability payment from the U.S. Department of Treasury, and interest earned on investments.

For financial reporting purposes, the DoD policy requires the recognition of benefit expenses in the period incurred.

1.F. Recognition of Expenses

N/A

1.G. Accounting for Intragovernmental Activities

The Military Retirement Fund purchases and redeems non-marketable market based securities issued by the U.S. Department of Treasury, Bureau of Public Debt. Non-marketable market based securities include Treasury bills, notes, bonds, and over-night certificates. Treasury bills are short-term securities with maturity of one year or less and are purchased at a discount. Treasury notes have a maturity of at least one-year, but not more than ten, and are purchased at a discount or premium. Treasury bonds are long term securities with maturity terms of ten years or more and are purchased at either a discount or premium. The Fund also invests in Treasury Inflation Indexed Securities (TIIS), aka Treasury Inflation-Protected Securities (TIPS), which are indexed for inflation. TIPS are floating-rate

instruments designed to protect against inflation and the principal amount is indexed to the consumer price index (CPI) by adjusting the current CPI to the CPI at issuance; as inflation increases, so does the principal amount and the coupon.

The Military Retirement Fund records investments at market value on the trial balance in United States Standard General Ledger Account (USSGL) 1600. Discounts and premiums are recorded on the Fund's trial balances in USSGL 1611 and 1612 respectively. The Fund calculates amortization of discounts and premiums using the effective interest method and records this amortization on the trial balance in USSGL 1613.

1.H. Transactions with Foreign Governments and International Organizations

N/A

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

The Military Retirement Fund's financial resources are maintained in U.S. Department of Treasury Accounts. The Defense Finance and Accounting Service (DFAS) Arlington processes all fund receipts and adjustments. DFAS-Arlington prepares monthly reports, which provide information to the U.S. Department of Treasury, by appropriation, on transfers, deposits, and collections received. The U.S. Department of Treasury then records this information to the appropriation Fund Balance with Treasury (FBWT) account maintained in the U.S. Department of Treasury system. Differences between the Military Retirement Fund's recorded balance in the FBWT account and the U.S. Department of Treasury FBWT are reconciled.

1.J. Foreign Currency

N/A

1.K. Accounts Receivable

As presented in the Balance Sheets, accounts receivable includes accounts, claims, and refunds receivable from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by the Fund.

1.L. Loans Receivable

N/A

1.M. Inventories and Related Property

N/A

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

Intra-governmental securities represent non-marketable market based securities issued by the U.S. Department of Treasury, Bureau of Public Debt. These securities are redeemable at market value exclusively through the U.S. Department of Treasury, Bureau of Public Debt. These non-marketable market based Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Investments are recorded at amortized cost on the Balance Sheets. Material disclosures are provided at Note 4.

1.O. General Property, Plant and Equipment

N/A

1.P. Advances and Prepayments

N/A

1.Q. Leases

N/A

1.R. Other Assets

N/A

1.S. Contingencies and Other Liabilities

Contingencies occur when DoD Military Retired Pay is offset by Department of Veterans Affairs (DVA) payments. DoD entitlements are payable to the exact date of death and DVA entitlements end in the month preceding death. The contingency becomes payable by DoD to cover retiree benefits not paid by DVA during the month of death.

1.T. Accrued Leave

N/A

1.U. Net Position

Changes in Net Position reflect changes in net cost of operations.

1.V. Treaties for Use of Foreign Bases

N/A

1.W. Comparative Data

FY 2004 and FY 2005 Third Quarter financial statements are presented for comparative purposes.

1.X. Unexpended Obligations

N/A

1.Y. Undistributed Disbursements and Collections

Note 2.	Nonentity Assets
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As of June 30	2005	2004
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ 0.00	\$ 0.00
B. Investments	0.00	0.00
C. Accounts Receivable	0.00	0.00
D. Other Assets	0.00	0.00
E. Total Intragovernmental Assets	\$ 0.00	\$ 0.00
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ 0.00	\$ 0.00
B. Accounts Receivable	1,032,422.57	859,232.48
C. Loans Receivable	0.00	0.00
D. Inventory & Related Property	0.00	0.00
E. General PP&E	0.00	0.00
F. Investments	0.00	0.00
G. Other Assets	0.00	0.00
H. Total Nonfederal Assets	\$ 1,032,422.57	\$ 859,232.48
3. Total Nonentity Assets	\$ 1,032,422.57	\$ 859,232.48
4. Total Entity Assets	\$ 201,217,070,499.51	\$ 191,213,621,783.66
5. Total Assets	\$ 201,218,102,922.08	\$ 191,214,481,016.14

Line 2.B, Accounts Receivable of \$1,032 thousand represents “Penalties, Fines, and Administrative Fees Receivable (USSGL 1360)”, net of the “Allowance for Loss on Penalties, Fines, and Administrative Fees (USSGL 1369)” which will be collected on behalf of the U.S. Department of Treasury. Defense Debt Management System DDMS assesses interest, penalties, and administrative charges as required by 31 U.S.C. 3717, implemented by the Federal Claims Collection Standards, 31 C. F. R., Chapter 9. The intent of interest is to compensate for the loss of the use of money over a period of time; penalty charges are intended to stimulate prompt payment of delinquent claims owed to the government by individuals (debts); and administrative charges are assessed to recover costs incurred in the processing of such debts. In compliance with 31 USC 3302(b), all monies received by an agency for the use of the United States must be deposited into the General Fund of the Treasury as miscellaneous receipts, and cannot be retained for the agency’s own use unless authorized by statute. Since there is no statute authorizing agencies to augment their appropriations by using funds received for interest, penalties, and administrative charges they must be deposited into Treasury receipt accounts. The changes in other intra-governmental liabilities and other non-federal liabilities are referenced in Note 15 and Note 11. Therefore, as the receivable amount increased from \$23,970 thousand in FY 04 to \$28,425 thousand in FY 05, so did the custodial liability.

Note 3.	Fund Balance with Treasury
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As of June 30	2005	2004
1. Fund Balances		
A. Appropriated Funds	\$ 0.00	\$ 0.00
B. Revolving Funds	0.00	0.00
C. Trust Funds	21,037,941.39	20,093,309.89
D. Special Funds	0.00	0.00
E. Other Fund Types	0.00	0.00
F. Total Fund Balances	\$ 21,037,941.39	\$ 20,093,309.89
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	\$ 21,037,941.39	\$ 20,093,309.89
B. Fund Balance per Military Retirement Fund	21,037,941.39	20,093,309.89
3. Reconciling Amount	\$ 0.00	\$ 0.00

Fund Balance with Treasury (FBWT) increased from \$20,093 thousand in FY 04 to \$21,038 thousand in FY 05. The FBWT is maintained to ensure that sufficient funds are available to cover disbursements for the last business day of the quarter.

Military Retirement Fund

Status of Fund Balance with Treasury		
As of June 30	2005	2004
1. Unobligated Balance		
A. Available	\$ 195,333,708,864.19	\$ 185,425,784,114.43
B. Unavailable	0.00	0.00
2. Obligated Balance not yet Disbursed	<u>\$ (195,312,670,922.80)</u>	<u>\$ (185,274,538,246.30)</u>
3. Total	<u>\$ 21,037,941.39</u>	<u>\$ 151,245,868.13</u>

Military Retirement Fund

Disclosures Related to Suspense/Budget Clearing Accounts

As of June 30	2003	2004	2005	(Decrease)/ Increase from FY 2004 - 2005
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 June 30	2003	2004	2005	(Decrease)/ Increase from FY 2004 - 2005
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 June 30	2005					2004
	Par Value/Cost	Amortization Method	Unamortized (Premium/Discount)	Investments, Net	Market Value Disclosure	Investments, Net
1. Intragovernmental Securities						
A. Non-Marketable, Market-Based	\$ 180,705,627,480.73		\$ 17,761,362,166.08	\$ 198,466,989,646.81	\$ 207,088,019,160.57	\$ 188,371,126,723.32
B. Accrued Interest	2,701,650,193.97			2,701,650,193.97	2,701,650,193.97	2,799,290,564.80
C. Total Intragovernmental Securities	<u>\$ 183,407,277,674.70</u>		<u>\$ 17,761,362,166.08</u>	<u>\$ 201,168,639,840.78</u>	<u>\$ 209,789,669,354.54</u>	<u>\$ 191,170,417,288.12</u>
2. Other Investments	<u>\$ 0.00</u>		<u>0.00</u>	<u>0.00</u>	<u>N/A</u>	<u>\$ 0.00</u>

3. Other Information.

Investments increased from \$191,170,417 thousand in FY 04 to \$201,168,640 thousand in FY 05 because of cumulative positive cash flow. The cumulative positive cash flow occurred due to Earned Revenue for Program Costs being greater than Benefit Outlays (Note 17). The investments listed above are also presented at Market Value as of June 30, 2005. Listed below is Par Value of the U.S. Treasury Securities referenced above.

	<u>FY 2005 PAR VALUE</u>	<u>FY 2004 PAR VALUE</u>
Bills	\$ -	\$ -
Bonds	\$ 53,999,882	\$ 65,045,111
Notes	\$ 65,777,160	\$ 82,639,101
TIPS	\$ 54,812,025	\$ 12,433,320
Overnights	<u>\$ 6,116,560</u>	<u>\$ 21,057,824</u>
Total	<u>\$180,705,627</u>	<u>\$181,175,356</u>

Contributions to the Military Retirement Fund (Fund) are calculated so as to maintain the Fund on an actuarially sound basis. This means that there will be sufficient funds to make all benefit payments to eligible recipients 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, normal costs are calculated to fully fund the current year projected liability for active duty members and reservists. In addition, amortization payments are calculated to fund liabilities that were present at plan inception (initial unfunded) and any emerging actuarial gains or losses. The initial unfunded liability of the program is being amortized over a 50-year period. All subsequent gains and losses experienced by the system are amortized over a 30-year period. Methods and assumptions used to compute actuarial costs and liabilities, and to amortize the

initial unfunded liability as well as all actuarial gains and losses, must be approved by the Department of Defense Retirement Board of Actuaries, as required by Chapter 74 of Title 10, United States Code. The Board is a Federal Advisory Committee appointed by the President.

Note 5.	Accounts Receivable
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As of June 30	2005			2004
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 0.00	N/A	\$ 0.00	\$ 0.00
2. Nonfederal Receivables (From the Public)	\$ 33,589,385.16	\$ (5,164,245.25)	\$ 28,425,139.91	\$ 23,970,418.13
3. Total Accounts Receivable	\$ 33,589,385.16	\$ (5,164,245.25)	\$ 28,425,139.91	\$ 23,970,418.13

The General Reserve Method, under which a reserve is based on age of debts and bad debt experience, is used as stated in Volume 4, Chapter 3, Annex 1 (3) of the DoD Financial Management Regulation to calculate an allowance percentage.

Accounts Receivable increased from \$23,970 thousand in FY 04 to \$28,425 thousand in FY 05 because of reconciliations performed between the source reports for debt and accounts receivable and the department level accounting system (STARS). The source reports come from multiple sources (Defense Debt Management System and the Retired Pay office). Upon review of STARS, it was discovered that corrections were required to ensure the correct accounts receivable balances were posted. After the reconciliation, the Accounts Receivable for September FY 04 was \$25,257 thousand. In addition, during FY2003, consolidation of Military Retirement Trust Fund reporting occurred. The process improvements from consolidated operations standardized the reporting of accounts receivable data for both retirees and annuitants. By centralizing the reporting of the Military Retirement Trust Fund, it ensures that consistent application of source data is used in the production of the budget execution reports of all branches of service – to include items such as Accounts Receivable, Debt and Obligation Reports from external entitlement systems.

In addition, interest, penalties and fees are assessed in Defense Debt Management System on delinquent accounts receivable and included in accounts receivable. The fees relate to collection costs and may also relate to costs of separate tracking. Treasury receives all interest, penalties and fees collected so there are additional tracking requirements within that process. Previously, the A/R portion of interest, penalties and fees was only updated yearly, now it is being updated monthly. The increase in interest, penalties and fees relates to the reconciliation process described above. Within that reconciliation, additional MRF receivables and the associated interest, penalties and fees were identified.

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

As of June 30	2005	2004
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ 0.00	\$ 0.00
B. Total Intragovernmental Other Assets	\$ 0.00	\$ 0.00
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	\$ 0.00	\$ 0.00

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

As of June 30	2005	2004
1. Cash	\$ 0.00	\$ 0.00
2. Foreign Currency (non-purchased)	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
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As of June 30

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

Military Retirement Fund

Direct Loans Obligated After FY 1991

As of June 30

	2005	2004
Loan Programs		
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
Total Loans Receivable	\$ 0.00	\$ 0.00

Military Retirement Fund

Total Amount of Direct Loans Disbursed

As of June 30

	2005	2004
Direct Loan Programs		
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
Total	\$ 0.00	\$ 0.00

Subsidy Expense for Post-1991 Direct Loans

As of June 30

2005	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
2004	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
2005	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
2004	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
		2005	2004		
5. Total Direct Loan Subsidy Expense: Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00		

Military Retirement Fund

Subsidy Rate for Direct Loans

As of June 30	Interest Differential	Defaults	Fees	Other	Total
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 June 30

	2005	2004
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 Re-estimate	0.00	0.00
C. Total of the above Re-estimate Components	\$ 0.00	\$ 0.00
6. Ending Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00

Defaulted Guaranteed Loans from Post-1991 Guarantees

As of June 30

	2005	2004
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	\$ 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	\$ 0.00	\$ 0.00
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	\$ 0.00	\$ 0.00

Military Retirement Fund

Guaranteed Loans Outstanding		
As of June 30	Outstanding Principal, 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
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
2004		
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

Liability for Post-1991 Loan Guarantees, Present Value
As of June 30

	2005	2004
Loan Guarantee Program		
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-1991 Loan Guarantees

As of June 30

2005	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
2004	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
2005	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2004	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
	2005	2004			
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 Rate for Loan Guarantees

	Interest Supplements	Defaults	Fees and other Collections	Other	Total
Loan Guarantees:					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Armament Retooling & Manufacturing Support Initiative	0.00%	0.00%	0.00%	0.00%	0.00%

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

As of June 30

As of June 30	2005	2004
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 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 Re-estimate	0.00	0.00
C. Total of the above Re-estimate Components	\$ 0.00	\$ 0.00
6. Ending Balance of the Loan Guarantee Liability	\$ 0.00	\$ 0.00

Military Retirement Fund

Administrative Expense

As of June 30

	2005	2004
1. Direct Loans		
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
Total	\$ 0.00	\$ 0.00
2. Loan Guarantees		
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00
Total	\$ 0.00	\$ 0.00

Note 9.	Inventory and Related Property
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As of June 30	2005	2004
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

Military Retirement Fund

Inventory, Net

As of June 30

	2005			2004		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
 holding gains and losses
 SP = Standard Price
 AC = Actual Cost

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

Military Retirement Fund

Operating Materials and Supplies, Net

As of June 30

	2005			2004		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 June 30

	2005			2004		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	0.00	

Legend for Valuation Methods:

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

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

Note 10. General PP&E, Net

As of June 30	2005					2004
	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
2. 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

Military Retirement Fund

Assets Under Capital Lease

As of June 30

	2005		2004	
1. Entity as Lessee, Assets Under Capital Lease				
A. Land and Buildings	\$	0.00	\$	0.00
B. Equipment		0.00		0.00
C. Other		0.00		0.00
D. Accumulated Amortization		0.00		0.00
E. Total Capital Leases	\$	0.00	\$	0.00

Note 11. Liabilities Not Covered by Budgetary Resources

As of June 30	2005	2004
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	0.00	0.00
C. Other	1,032,422.57	859,232.48
D. Total Intragovernmental Liabilities	\$ 1,032,422.57	\$ 859,232.48
2. Nonfederal Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	634,303,697,149.72	541,149,500,600.33
C. Environmental Liabilities	0.00	0.00
D. Loan Guarantee Liability	0.00	0.00
E. Other Liabilities	214,357.47	198,671.99
F. Total Nonfederal Liabilities	\$ 634,303,911,507.19	\$ 541,149,699,272.32
3. Total Liabilities Not Covered by Budgetary Resources	\$ 634,304,943,929.76	\$ 541,150,558,504.80
4. Total Liabilities Covered by Budgetary Resources	\$ 203,479,593,089.94	\$ 198,008,688,833.16
5. Total Liabilities	\$ 837,784,537,019.70	\$ 739,159,247,337.96

For FY 2005 and FY 2004, Line 1.C. Other Intra-governmental Liabilities of \$1,032 thousand and \$859 thousand, respectively, represents a custodial liability. This liability is an obligation to transfer the non-entity assets presented in Note 2 to the U.S. Department of Treasury. Any collections on these receivables are collected on behalf of the U.S. Department of Treasury. DDMS assesses interest, penalties, and administrative charges as required by 31 U.S.C. 3717, implemented by the Federal Claims Collection Standards, 31 C. F. R., Chapter 9. The intent of interest is to compensate for the loss of the use of money over a period of time; penalty charges are intended to stimulate prompt payment of delinquent claims owed to the government by individuals (debts); and administrative charges are assessed to recover costs incurred in the processing of such debts. In compliance with 31 USC 3302(b), all monies received by an agency for the use of the United States must be deposited into the General Fund of the Treasury as miscellaneous receipts, and cannot be retained for the agency's own use unless authorized by statute. Since there is no statute authorizing agencies to augment their appropriations by using funds received for interest, penalties, and administrative charges they must be deposited into Treasury receipt accounts. The non-entity assets replace the budgetary resources to cover the liability. The changes in other intra-governmental liabilities and other non-federal liabilities are referenced in Note 15.

Death Payment Contingencies of \$214 thousand for FY 2005 and \$199 thousand for FY 2004 result from the DoD responsibility to pay entitlements to exact date of death, while Department of Veterans Affairs (DVA) entitlements end in the month preceding death. The contingency amount becomes payable by DoD to cover the retiree benefits not paid by DVA during the month of death.

For additional detail on line 2.B., Military Retirement Benefits and Other Employment-Related Actuarial Liabilities, see Note 17.

Note 12.	Accounts Payable
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As of June 30	2005			2004
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 0.00	\$ N/A	\$ 0.00	\$ 0.00
2. Non-Federal Payables (to the Public)	0.00	0.00	0.00	0.00
3. Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Note 13.	Debt
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As of June 30	2005			2004
	Beginning Balance	Net Borrowings	Ending Balance	Ending Balance
1. Agency Debt				
A. Debt to the Treasury	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00
C. Total Agency Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Total Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Note 14.	Environmental Liabilities and Disposal Liabilities
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As of June 30	2005			2004
	Current Liability	Noncurrent Liability	Total	Total
1. Environmental Liabilities – Non Federal				
A. Accrued Environmental Restoration (DERP funded) Costs:				
1. Active Installations-- Environmental Restoration (ER)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Active Installations--ER for Closed Ranges	0.00	0.00	0.00	0.00
3. Formerly Used Defense Sites (FUDS) -- ER	0.00	0.00	0.00	0.00
4. FUDS--ER for Transferred Ranges	0.00	0.00	0.00	0.00
B. Other Accrued Environmental Costs (Non-DERP funds)				
1. Active Installations-- Environmental Corrective Action	0.00	0.00	0.00	0.00
2. Active Installations-- Environmental Closure Requirements	0.00	0.00	0.00	0.00
3. Active Installations-- Environ.Response at Active 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. BRAC Installations-- Environmental Restoration (ER)	0.00	0.00	0.00	0.00
2. BRAC Installations--ER for Transferring Ranges	0.00	0.00	0.00	0.00
3. BRAC Installations-- Environmental Corrective Action	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

Note 15.	Other Liabilities
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As of June 30	2005			2004
	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	1,032,422.57	1,032,422.57	859,232.48
G. Total Intragovernmental Other Liabilities	\$ 0.00	\$ 1,032,422.57	\$ 1,032,422.57	\$ 859,232.48
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	\$ 3,201,192,165.30	\$ 0.00	\$ 3,201,192,165.30	\$ 3,096,588,477.02
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) National Defense PP&E (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
(4) Other	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	214,357.47	0.00	214,357.47	198,671.99
J. Total Nonfederal Other Liabilities	\$ 3,201,406,522.77	\$ 0.00	\$ 3,201,406,522.77	\$ 3,096,787,149.01
3. Total Other Liabilities	\$ 3,201,406,522.77	\$ 1,032,422.57	\$ 3,202,438,945.34	\$ 3,097,646,381.49

For FY 05 and FY 04, Line 1.F. Other Liabilities of \$1,032 thousand and \$859 thousand, respectively, represent a custodial liability for interest, penalties and fees attributable to delinquent accounts receivable. This liability is an obligation to transfer the non-entity asset presented in Note 2 to the U.S. Department of Treasury.

As a result of the process improvement with regard to Accounts Receivable, "Penalties, Fines, and Administrative Fees Receivable" increased from \$859 thousand in FY 04 to \$1,032 thousand in FY 05. As referenced above, the "Penalties, Fines, and Administrative

Fees Receivable” are collected on behalf of the U.S. Department of the Treasury, therefore, as the receivable amount increases so does the custodial liability.

Interest, penalties and fees are assessed in Defense Debt Management System on delinquent accounts receivable and included in accounts receivable. The fees relate to collection costs and may also relate to costs of separate tracking. Treasury receives all interest, penalties and fees collected so there are additional tracking requirements within that process. Previously, the Accounts Receivable portion of interest, penalties and fees was only updated yearly, now this amount is updated monthly. The increase in interest, penalties and fees relates to the reconciliation process described in Note 5. Within that reconciliation, additional MRF receivables and the associated interest, penalties and fees were identified.

Capital Lease Liability

As of June 30

	2005				2004	
	Asset Category					
	Land and Buildings	Equipment	Other	Total	Total	
1. Future Payments Due						
A. 2005	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00
B. 2006	0.00	0.00	0.00	0.00	0.00	0.00
C. 2007	0.00	0.00	0.00	0.00	0.00	0.00
D. 2008	0.00	0.00	0.00	0.00	0.00	0.00
E. 2009	0.00	0.00	0.00	0.00	0.00	0.00
F. After 5 Years	0.00	0.00	0.00	0.00	0.00	0.00
G. Total Future Lease Payments Due	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00
H. Less: Imputed Interest Executory Costs	0.00	0.00	0.00	0.00	0.00	0.00
I. 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
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1. Other Liabilities Covered by Budgetary Resources:

(dollars in thousands)

	FY 2005	FY 2004
With the Public:	\$3,201,192	\$3,096,588
Total:	\$3,201,192	\$3,096,588

2. Other Liabilities Not Covered by Budgetary Resources:

(dollars in thousands)

With the Public:

Death Payment Contingencies:	\$214	\$199
Total:	\$214	\$199

Other Information:

Other Liabilities of \$3,201,192 thousand for FY 05 and \$3,096,588 thousand for FY 04 represent accrued entitlement benefits for military retirees and survivors.

Death Payment Contingencies of \$214 thousand for FY 05 and \$199 thousand for FY 04 results from the DoD responsibility to pay entitlements to exact date of death, while Department of Veterans Affairs (DVA) entitlements end in the month preceding death. The contingency amount becomes payable by DoD to cover the retiree benefits not paid by DVA during the month of death.

Note 17.	Military Retirement Benefits and Other Employment Related Actuarial Liabilities
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As of June 30	2005				2004
	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	\$ 834,582,098,074.36	6.25	\$ (200,278,400,924.64)	\$ 634,303,697,149.72	\$ 541,149,500,600.33
B. Military Retirement Health Benefits	0.00		0.00	0.00	0.00
C. Medicare-Eligible Retiree Benefits	0.00		0.00	0.00	0.00
D. Total Pension and Health Benefits	\$ 834,582,098,074.36		\$ (200,278,400,924.64)	\$ 634,303,697,149.72	\$ 541,149,500,600.33
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. DoD Education Benefits Fund	0.00		0.00	0.00	0.00
D. <u>[Enter Program Name]</u>	0.00		0.00	0.00	0.00
E. Total Other	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities:	<u>\$ 834,582,098,074.36</u>		<u>\$ (200,278,400,924.64)</u>	<u>\$ 634,303,697,149.72</u>	<u>\$ 541,149,500,600.33</u>

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities: \$209,789,669,354.54

The reported Actuarial (or Accrued) Liability (AL) is only changed once a year, at September 30. For this reason, there is no change in any quarterly AL from the previous year-end AL. For the same reason, the change in any quarterly AL from the prior year to the current year is the same as the change reported in the previous year-end statements, i.e., from September 30 of the year prior to the previous year-end to September 30 of the previous year-end. This change in the AL reported in the previous year-end statements is illustrated in the table below.

(\$ In Thousands)	FY 2004
A. Beginning of Year Accrued Liability	\$736,061,601
B. Normal Cost Liability	12,857,181
C. Plan Amendment Liability	81,062,746
D. Assumption Change Liability	(32,540)
E. Benefit Outlays	(36,623,518)
F. Interest on Pension Liability	45,272,408
G. Actuarial Loss (Gain)	(4,015,780)
H. End-of-Year Accrued Liability (A+B+C+D+E+F+G)	<u>\$834,582,098</u>
I. Net Change in Actuarial Liabilities (B+C+D+E+F+G)	<u>\$98,520,497</u>

Other Information:

Each year the Accrued Liability is expected to increase with the normal cost, decrease with benefit outlays, and increase with the interest cost. In the absence of (1) actuarial gains and losses, (2) plan benefit changes, and (3) assumption changes, an increase of \$21,506,071 thousand in the Accrued Liability was expected during FY 2004.

The September 30, 2004, reported Accrued Liability includes changes due to (1) assumptions, (2) benefit changes, and (3) experience. The new assumptions include an updated set of retiree offset factors and updated assumptions pertaining to members' choice of the Redux Career Status Bonus, the net effect of which is a decrease in the September 30, 2004, Accrued Liability of \$32,540 thousand, shown on Line D. The change in retirement benefits for FY 2004 includes the new concurrent receipt benefits and the reform of basic pay rates in the 2004 National Defense Authorization Act. The combined effect of these benefit changes is an increase in the September 30, 2004, Accrued Liability of \$81,062,746 thousand shown on Line C. The decrease in Accrued Liability due to the net experience gain of \$4,015,780 thousand, shown on line G, reflects the new population on which the liability estimate is based, as well as other economic and non-economic experience being different than assumed.

The October 1 contribution from the Treasury is determined in accordance with methodology set by the Board of Actuaries, and increased from \$18,189,000 thousand in FY 2004 to \$22,897,000 thousand in FY 2005. Reasons for the change include the expected increase of \$637,000 thousand inherent in the Board's unfunded liability amortization methodology, but the primary reason relates to the concurrent receipt provisions of the FY 2004 National Defense Authorization Act (NDAA 04). The NDAA 04 led to an actuarial loss that increased the benefit change amortization component of the contribution (the expected October 1, 2004 benefit change portion of the contribution was \$1,011,000 thousand; the actual was \$4,627,000 thousand); and the NDAA 04 also requires that the Treasury contribution include, in addition to the unfunded liability contribution, the normal cost for the new concurrent receipt benefits, beginning October 1, 2004. This new normal cost component of the October 1, 2004 Treasury contribution was \$1,539,000 thousand. There were other assumption changes and experience gains that had offsetting effects of lowering the contribution, but the net increase was from \$18,189,000 thousand to \$22,897,000 thousand.

The contributions from the Services are the product of basic pay and Normal Cost Percentages (NCPs) determined in accordance with methodology set by the Board of Actuaries. Basic pay generally increases each year, and on January 1, 2004 there was a 3.7% across-the-board basic pay increase as well as additional targeted pay increases. The NCPs for FY 2004 were set by the Board of Actuaries in their September 2002 public meeting: 27.1% (full-time) and 16.0% (part-time). The NCPs for FY 2005 were set by the Board in their September 2003 public meeting: 27.5% (full-time) and 16.7% (part-time). In the September 2003 meeting, the Board adopted a new long-term salary increase assumption (of 3.75%) that increased the NCPs, as well as other new assumptions that offset the increase somewhat.

Note 18.	Disclosures Related to the Statement of Net Cost
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Earned Revenues for Program Costs:
(\$ in thousands)

	FY 2005	FY 2004
1. Service Contributions as a Percentage of Base Pay	\$11,043,017	\$10,505,073
2. Annual Treasury Unfunded Liability Payment	21,358,000	18,189,000
3. Annual Treasury Normal Cost Payment	1,539,000	N/A
4. Interest on Investments	8,372,292	7,470,651
Total	<u>\$42,312,309</u>	<u>\$36,164,724</u>

Interest on investments increased from \$7,470,651 thousand in FY 04 to \$8,372,292 thousand in FY 05 principally due to the increase in the Annual Treasury Payment. Beginning with FY 05, the Annual Treasury Payment includes, in addition to the Unfunded Liability payment, the normal cost for the concurrent receipt benefits enacted in the FY 04 National Defense Authorization Act. More information on the increase in the Treasury payment is found in Note 17.

Gross Costs with the Public increased from \$27,692,785 thousand in FY 04 to \$29,183,682 thousand in FY 05 principally due to the increase in the benefit expense that was \$27,701,829 thousand in FY 04 and \$29,186,723 thousand in FY 05. Due to this increase in the benefit expense, the Net Cost of operations also increased respectively.

Gross Cost and Earned Revenue by Budget Functional Classification

As of June 30

	2005			2004
	Gross Cost	(Less: Earned Revenue)	Net Cost	Net Cost
Budget Functional Classification				
1. Department of Defense Military (051)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Water Resources by U.S. Army Corps of Engineers (301)	0.00	0.00	0.00	0.00
3. Pollution Control and Abatement by US. Army Corps of Engineers (304)	0.00	0.00	0.00	0.00
4. Federal Employees Retirement and Disability, Department of Defense Military Retirement Fund (602)	0.00	0.00	0.00	0.00
5. Veterans Education, Training, and Rehabilitation by Department of Defense Education Benefits Trust Fund (702)	0.00	0.00	0.00	0.00
6. Medicare Eligible Retiree Health Care Fund (551)	0.00	0.00	0.00	0.00
7. Total	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Military Retirement Fund

Gross Cost to Generate Intragovernmental Revenue and Earned Revenue (Transactions with Other Federal—Non-DoD—Entities) by Budget Functional Classification

As of June 30

	2005			2004
	Gross Cost to Generate Intragovernmental Revenue	(Less: Earned Revenue)	Net Cost	Net Cost
1. Department of Defense Military (051)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Water Resources by U.S. Army Corps of Engineers (301)	0.00	0.00	0.00	0.00
3. Pollution Control and Abatement by US. Army Corps of Engineers (304)	0.00	0.00	0.00	0.00
4. Federal Employees Retirement and Disability Department of Defense Military Retirement Trust Fund (602)	0.00	0.00	0.00	0.00
5. Veterans Education, Training, and Rehabilitation by Department of Defense Education Benefits Trust Fund (702)	0.00	0.00	0.00	0.00
6. Medicare Eligible Retiree Health Care Fund (551)	0.00	0.00	0.00	0.00
7. Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Note 19.	Disclosures Related to the Statement of Changes in Net Position
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	2005		2004	
As of June 30	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Prior Period Adjustments Increases (Decreases) to Net Position				
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. Other Prior Period Adjustments	0.00	0.00	0.00	0.00
D. 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. Intra-Entity	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
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As of June 30	2005	2004
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

Office of Management and Budget Bulletin No. 01-09, 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 lines 8A and 8B in the SBR. Category A direct obligation total is \$29,186,722.9 thousand. There were no category B or exempt obligations.

Undelivered Orders

N/A

Spending Authority from Offsetting Collections

Adjustments in funds that are temporarily not available pursuant to Public Law, and those that are permanently not available (included in the "Adjustments" line on the SBR), are not included in the "Spending Authority from Offsetting Collections and Adjustments" line on the SBR or the "Spending Authority from Offsetting Collections and Adjustments" line on the Statement of Financing.

Note 21.	Disclosures Related to the Statement of Financing
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Other Components Not Requiring or Generating Resources of \$3,041 thousand for FY 05 represents the change in the Accounts Receivable, from over-payment of benefits made to military retirees and survivors, from the end of prior year. The comparable amount of \$9,044 thousand for FY 04 represent a \$(8,520 thousand) change in Accounts Receivable and change in Allowance for Estimated Uncollectibles of \$(524 thousand). The calculation for the allowance for estimated uncollectibles is disclosed in Note 5.

Note 22.	Disclosures Related to the Statement of Custodial Activity
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Note 23.	Other Disclosures
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As of June 30

2005

1. ENTITY AS LESSEE-

Operating Leases

Future Payments Due Fiscal Year	<u>Land and Buildings</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2005	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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
After 5 Years	0.00	0.00	0.00	0.00
<hr/>				
Total Future Lease Payments Due	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00