



Required Supplementary Information

Heritage Assets

Department Of Defense Consolidated Heritage Assets For Fiscal Year Ended September 30, 2006					
Categories	Unit of Measure	As of 10/01/05	Additions	Deletions	As of 9/30/06
Museums	Each	241		138	103
Monuments and Memorials	Each	2,010	12		2,022
Cemeteries	Sites	565	6		571
Archeological Sites	Sites	93,906	4,005		97,911
Buildings and Structures	Each	25,311		1,867	23,444
Major Collections	Each	90	20		110

Heritage Assets are real and personal property with importance at the national level due to their significant historical, natural, cultural, educational, artistic, architectural, or, aesthetic value. Heritage Assets can include museums and/or their collections, art and other collections, archival records, cemeteries, monuments and memorials, and archeological sites.

Establishing items as having heritage significance varies among categories and type of assets. Subject matter experts, criteria such as listing on the National Register of Historic Places, and Federal laws, all play a significant role in characterizing these assets.

The fiscal year 2006 categories are defined as follows:

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

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

Cemeteries. Land on which gravesites of prominent historical figures or honored individuals are located.

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

Buildings and Structures. Includes buildings and structures that are listed on, or are eligible for listing on, the National Register of Historic Places, including Multi-Use Heritage Assets. These buildings do not include museums.

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

Section 3: Financial Information



Stewardship Land

Department Of Defense Consolidated Stewardship Land For Fiscal Year Ended September 30, 2006 (Acres In Thousands)				
Land Use	As of 10/01/05	Additions	Deletions	As of 9/30/06
Mission	16,669	--	654	16,015
Parks and Historic Sites	1	--	--	1
Total	16,700			16,016

Stewardship Land is land that is not acquired for, or in connection with, items of General Property, Plant and Equipment. All land, regardless of its use, provided to the Department from the Public Domain, or at no cost, is classified as Stewardship Land. Stewardship Land is reported in physical units (acres) rather than cost or fair value.

Deferred Maintenance of Real Property

Sustainment is the maintenance and repair activities necessary to keep the Department’s real property (buildings, structures, and utilities) in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components (usually accomplished by contract) that are expected to occur periodically throughout the life cycle of facilities. This work includes regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include environmental compliance costs, facility leases, or other tasks associated with facilities operations (such as custodial services, grounds services, waste disposal, and the provision of central utilities). The Department’s fiscal year 2006 sustainment requirements were \$7.5 billion and it received \$6.5 billion to fund these requirements leaving a deferred sustainment requirement of \$1.0 billion this year. The Department’s deferred sustainment trend for the past several years is summarized below:

Annual Deferred Sustainment Trend (\$Millions)						
Property Type	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Buildings, Structures, and Utilities	\$2,036	\$1,762	\$1,555	\$2,127	\$1,876	\$984

Restoration is returning the Department’s real property (buildings, structures, and utilities) to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization is the alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).



Beginning in fiscal year 2005, the Department began transitioning to a more consistent and verifiable methodology to assess the total restoration and modernization requirements by using a standardized Department-wide quality rating system to replace the former Military Service-defined condition ratings. Until a standardized methodology is in place, the Department is unable to report its restoration and modernization requirements. The Department Component's financial statements contain detailed information on the restoration and modernization estimates.

The United States Army Corps of Engineers reports \$1.8 million of deferred maintenance for water resources projects. This amount is not included in the table above. It is reported separately due to the nature of the projects and the different methodology used to calculate the amount reported.

Deferred Maintenance of Military Equipment

Depot maintenance requirements for military equipment are developed during the annual budget process. The depot maintenance requirements for individual items are determined by considering numerous factors. Analysis factors include: changes in the fleet size or in-use inventory; the date of last overhaul or operating hours since last overhaul; the current maintenance engineering plan expressed as a time interval or as an operational factor; and the planned operating tempo expressed in miles, flying hours, or steaming hours. The depot maintenance cost for each major program is determined using costing models. Fiscal constraints determine requirements that are funded. The deferred maintenance numbers reported in the table below reflect the difference. The Department Components' financial statements contain detailed information on each program.

<i><u>Military Equipment Type</u></i>	<i><u>Deferred Maintenance</u></i> <i><u>(Amounts in millions)</u></i>
Aircraft	\$290.9
Engines	25.8
Software	97.0
Other Major End Items	4.2
Ships	26.0
Missiles	233.5
Combat Vehicles	382.4
Other Weapon Systems	<u>533.2</u>
Total	\$1,593.0

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Statement of Disaggregated Budgetary Resources

Department of Defense
STATEMENT OF DISAGGREGATED BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(\$ in Millions)

	Military Retirement Fund	Other	Research, Development, Test & Evaluation
BUDGETARY FINANCING ACCOUNTS			
Budgetary Resources			
Unobligated balance, brought forward, October 1	\$ 97.2	\$ 9,528.1	\$ 9,924.9
Recoveries of prior year unpaid obligations	0.0	416.3	2,698.8
Budget authority			
Appropriation	83,655.0	62,205.3	69,379.9
Borrowing authority	0.0	0.0	0.0
Contract authority	0.0	372.9	0.1
Spending authority from offsetting collections			
Earned			
Collected	0.0	2,175.5	8,364.8
Change in receivables from Federal sources	0.0	28.7	(274.3)
Change in unfilled customer orders			
Advance received	0.0	14.7	(46.9)
Without advance from Federal sources	0.0	(1.3)	704.5
Subtotal	83,655.0	64,795.8	78,128.1
Nonexpenditure transfers, net, anticipated and actual	0.0	(8,405.3)	942.0
Temporarily not available pursuant to Public Law	(35,442.9)	(293.4)	0.0
Permanently not available	0.0	(404.1)	(1,404.0)
Total Budgetary Resources	\$ 48,309.3	\$ 65,637.4	\$ 90,289.8
Status of Budgetary Resources			
Obligations incurred:			
Direct	\$ 48,309.3	\$ 55,775.1	\$ 69,234.8
Reimbursable	0.0	1,381.5	8,805.2
Subtotal	48,309.3	57,156.6	78,040.0
Unobligated balance:			
Apportioned	0.0	6,066.7	11,459.1
Exempt from apportionment	0.0	724.0	0.0
Subtotal	0.0	6,790.7	11,459.1
Unobligated balance not available	0.0	1,690.1	790.7
Total Status of Budgetary Resources	\$ 48,309.3	\$ 65,637.4	\$ 90,289.8
Change in Obligated Balance			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	\$ 3,709.0	\$ 6,709.8	\$ 33,995.6
Less: Uncollected customer payments from Federal sources, brought forward, October 1	0.0	(117.0)	(5,336.3)
Total unpaid obligated balance	3,709.0	6,592.8	28,659.3
Obligations incurred net	48,309.3	57,156.6	78,040.0
Less: Gross outlays	(48,211.3)	(54,419.7)	(73,069.0)
Obligated balance transferred, net:			
Actual transfers, unpaid obligations	0.0	0.0	0.0
Actual transfers, uncollected customer payments from Federal sources	0.0	0.0	0.0
Total Unpaid obligated balance transferred, net	0.0	0.0	0.0
Less: Recoveries of prior year unpaid obligations, actual	0.0	(416.3)	(2,698.8)
Change in uncollected customer payments from Federal sources	0.0	(27.0)	(430.3)
Obligated balance, net, end of period:			
Unpaid obligations	3,807.0	9,030.4	36,267.8
Less: Uncollected customer payments from Federal sources	0.0	(144.0)	(5,766.6)
Total, unpaid obligated balance, net, end of period	3,807.0	8,886.4	30,501.2
Net Outlays:			
Gross outlays	\$ 48,211.3	\$ 54,419.7	\$ 73,069.0
Less: Offsetting collections	0.0	(2,190.2)	(8,317.9)
Less: Distributed Offsetting receipts	(57,326.7)	(2,608.3)	0.0
Net Outlays	\$ (9,115.4)	\$ 49,621.2	\$ 64,751.1



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Department of Defense
STATEMENT OF DISAGGREGATED BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(\$ in Millions)

	Civil Works	Operation and Maintenance	Procurement
BUDGETARY FINANCING ACCOUNTS			
Budgetary Resources			
Unobligated balance, brought forward, October 1	\$ 5,003.2	\$ 7,788.4	25,206.4
Recoveries of prior year unpaid obligations	0.0	16,383.9	3,937.2
Budget authority			
Appropriation	12,439.7	211,473.2	103,401.6
Borrowing authority	0.0	0.0	0.0
Contract authority	0.0	(0.1)	0.0
Spending authority from offsetting collections			
Earned			
Collected	9,407.1	26,302.8	2,796.7
Change in receivables from Federal sources	1,690.7	(641.7)	(92.4)
Change in unfilled customer orders			
Advance received	22.7	47.2	33.6
Without advance from Federal sources	(719.5)	(6.3)	31.1
Subtotal	22,840.7	237,175.1	106,170.6
Nonexpenditure transfers, net, anticipated and actual	(8.1)	3,205.7	3,299.4
Temporarily not available pursuant to Public Law	(10.0)	0.0	0.0
Permanently not available	(54.5)	(3,944.1)	(2,704.6)
Total Budgetary Resources	\$ 27,771.3	\$ 260,609.0	\$ 135,909.0
Status of Budgetary Resources			
Obligations incurred:			
Direct	\$ 6,902.3	\$ 225,864.2	100,135.7
Reimbursable	11,500.7	25,193.7	2,951.8
Subtotal	18,403.0	251,057.9	103,087.5
Unobligated balance:			
Apportioned	8,621.4	3,817.1	31,779.6
Exempt from apportionment	746.8	0.0	0.0
Subtotal	9,368.2	3,817.1	31,779.6
Unobligated balance not available	0.1	5,734.0	1,041.9
Total Status of Budgetary Resources	\$ 27,771.3	\$ 260,609.0	\$ 135,909.0
Change in Obligated Balance			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	\$ 3,945.4	\$ 86,482.8	97,411.4
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(5,450.0)	(11,294.6)	(2,664.1)
Total unpaid obligated balance	(1,504.6)	75,188.2	94,747.3
Obligations incurred net	18,403.0	251,057.9	103,087.5
Less: Gross outlays	(16,870.3)	(229,372.1)	(92,351.7)
Obligated balance transferred, net:			
Actual transfers, unpaid obligations	0.0	0.0	0.0
Actual transfers, uncollected customer payments from Federal sources	0.0	0.0	0.0
Total Unpaid obligated balance transferred, net	0.0	0.0	0.0
Less: Recoveries of prior year unpaid obligations, actual	0.0	(16,383.9)	(3,937.2)
Change in uncollected customer payments from Federal sources	(971.2)	648.0	61.3
Obligated balance, net, end of period:			
Unpaid obligations	5,478.1	91,784.7	104,210.0
Less: Uncollected customer payments from Federal sources	(6,421.2)	(10,646.6)	(2,602.8)
Total, unpaid obligated balance, net, end of period	(943.1)	81,138.1	101,607.2
Net Outlays:			
Gross outlays	\$ 16,870.3	\$ 229,372.1	92,351.7
Less: Offsetting collections	(9,429.8)	(26,350.0)	(2,830.4)
Less: Distributed Offsetting receipts	(1,906.6)	(136.6)	0.0
Net Outlays	\$ 5,533.9	\$ 202,885.5	\$ 89,521.3



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**Department of Defense
STATEMENT OF DISAGGREGATED BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(\$ in Millions)**

	Military Personnel	Military Construction/Family Housing	Working Capital Funds
BUDGETARY FINANCING ACCOUNTS			
Budgetary Resources			
Unobligated balance, brought forward, October 1	\$ 899.9	\$ 5,705.6	\$ 4,435.8
Recoveries of prior year unpaid obligations	4,045.7	779.6	1,980.7
Budget authority			
Appropriation	124,884.7	10,046.8	4,196.5
Borrowing authority	0.0	0.0	0.0
Contract authority	0.0	0.0	59,078.8
Spending authority from offsetting collections			
Earned			
Collected	1,012.6	4,625.6	110,032.4
Change in receivables from Federal sources	(209.0)	(78.1)	225.1
Change in unfilled customer orders			
Advance received	0.0	321.1	(78.5)
Without advance from Federal sources	(6.1)	664.9	(488.2)
Subtotal	125,682.2	15,580.3	172,966.1
Nonexpenditure transfers, net, anticipated and actual	2,804.3	(433.6)	(1,586.6)
Temporarily not available pursuant to Public Law	0.0	0.0	0.0
Permanently not available	(1,393.4)	(533.3)	(61,416.5)
Total Budgetary Resources	\$ 132,038.7	\$ 21,098.6	\$ 116,379.5
Status of Budgetary Resources			
Obligations incurred:			
Direct	\$ 130,216.5	\$ 8,802.3	\$ 1,191.8
Reimbursable	922.1	5,288.4	109,477.9
Subtotal	131,138.6	14,090.7	110,669.7
Unobligated balance:			
Apportioned	206.7	6,881.7	5,790.0
Exempt from apportionment	0.0	0.0	(250.4)
Subtotal	206.7	6,881.7	5,539.6
Unobligated balance not available	693.4	126.2	170.2
Total Status of Budgetary Resources	\$ 132,038.7	\$ 21,098.6	\$ 116,379.5
Change in Obligated Balance			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	\$ 2,745.5	\$ 13,080.9	\$ 52,365.1
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(192.1)	(5,009.8)	(24,523.0)
Total unpaid obligated balance	2,553.4	8,071.1	27,842.1
Obligations incurred net	131,138.6	14,090.7	110,669.7
Less: Gross outlays	(126,210.3)	(11,345.3)	(111,777.7)
Obligated balance transferred, net:			
Actual transfers, unpaid obligations	0.0	0.0	0.0
Actual transfers, uncollected customer payments from Federal sources	0.0	0.0	0.0
Total Unpaid obligated balance transferred, net	0.0	0.0	0.0
Less: Recoveries of prior year unpaid obligations, actual	(4,045.7)	(779.6)	(1,980.7)
Change in uncollected customer payments from Federal sources	215.1	(586.8)	263.1
Obligated balance, net, end of period:			
Unpaid obligations	3,628.1	15,046.7	49,276.4
Less: Uncollected customer payments from Federal sources	23.0	(5,596.6)	(24,259.9)
Total, unpaid obligated balance, net, end of period	3,651.0	9,450.1	25,016.4
Net Outlays:			
Gross outlays	\$ 126,210.3	\$ 11,345.3	\$ 111,777.7
Less: Offsetting collections	(1,012.6)	(4,946.7)	(109,953.9)
Less: Distributed Offsetting receipts	0.0	0.0	0.0
Net Outlays	\$ 125,197.7	\$ 6,398.6	\$ 1,823.8



Department of Defense
STATEMENT OF DISAGGREGATED BUDGETARY RESOURCES
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(\$ in Millions)

	2006 Combined	2005 Combined
BUDGETARY FINANCING ACCOUNTS		
Budgetary Resources		
Unobligated balance, brought forward, October 1	\$ 68,589.5	\$ 73,282.9
Recoveries of prior year unpaid obligations	30,242.2	36,376.7
Budget authority		
Appropriation	681,682.7	604,969.5
Borrowing authority	0.0	0.0
Contract authority	59,451.7	56,753.1
Spending authority from offsetting collections		
Earned		
Collected	164,717.5	158,928.0
Change in receivables from Federal sources	649.0	(18.2)
Change in unfilled customer orders		
Advance received	313.9	642.0
Without advance from Federal sources	179.1	5,065.9
Subtotal	906,993.9	826,340.3
Nonexpenditure transfers, net, anticipated and actual	(182.2)	264.5
Temporarily not available pursuant to Public Law	(35,746.3)	(31,875.4)
Permanently not available	(71,854.5)	(58,299.7)
Total Budgetary Resources	\$ 898,042.6	\$ 846,089.3
Status of Budgetary Resources		
Obligations incurred:		
Direct	\$ 646,432.0	\$ 601,516.8
Reimbursable	165,521.3	175,983.1
Subtotal	811,953.3	777,499.9
Unobligated balance:		
Apportioned	74,622.3	59,206.9
Exempt from apportionment	1,220.4	725.9
Subtotal	75,842.7	59,932.8
Unobligated balance not available	10,246.6	8,656.6
Total Status of Budgetary Resources	\$ 898,042.6	\$ 846,089.3
Change in Obligated Balance		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 300,445.5	\$ 282,772.9
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(54,586.9)	(49,538.8)
Total unpaid obligated balance	245,858.6	233,234.1
Obligations incurred net	811,953.3	777,499.9
Less: Gross outlays	(763,627.4)	(723,450.6)
Obligated balance transferred, net:		
Actual transfers, unpaid obligations	0.0	0.0
Actual transfers, uncollected customer payments from Federal sources	0.0	0.0
Total Unpaid obligated balance transferred, net	0.0	0.0
Less: Recoveries of prior year unpaid obligations, actual	(30,242.2)	(36,376.7)
Change in uncollected customer payments from Federal sources	(827.8)	(5,048.0)
Obligated balance, net, end of period:		
Unpaid obligations	318,529.2	300,445.5
Less: Uncollected customer payments from Federal sources	(55,414.7)	(54,586.9)
Total, unpaid obligated balance, net, end of period	263,114.5	245,858.6
Net Outlays:		
Gross outlays	\$ 763,627.4	\$ 723,450.6
Less: Offsetting collections	(165,031.5)	(159,570.1)
Less: Distributed Offsetting receipts	(61,978.2)	(55,072.9)
Net Outlays	\$ 536,617.7	\$ 508,807.6



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**Department of Defense
STATEMENT OF DISAGGREGATED BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(\$ in Millions)**

	Other	2006 Combined	2005 Combined
NONBUDGETARY FINANCING ACCOUNTS			
Budgetary Resources			
Unobligated balance, brought forward, October 1	\$ 35.0	\$ 35.0	\$ 24.6
Recoveries of prior year unpaid obligations	0.0	0.0	0.0
Budget authority			
Appropriation	0.0	0.0	0.0
Borrowing authority	93.8	93.8	170.3
Contract authority	0.0	0.0	0.0
Spending authority from offsetting collections			
Earned			
Collected	58.5	58.5	16.9
Change in receivables from Federal sources	0.0	0.0	0.0
Change in unfilled customer orders			
Advance received	0.0	0.0	0.0
Without advance from Federal sources	(46.8)	(46.8)	40.6
Subtotal	105.5	105.5	227.8
Nonexpenditure transfers, net, anticipated and actual	0.0	0.0	0.0
Temporarily not available pursuant to Public Law	0.0	0.0	0.0
Permanently not available	(0.1)	(0.1)	(2.2)
Total Budgetary Resources	\$ 140.4	\$ 140.4	\$ 250.2
Status of Budgetary Resources			
Obligations incurred:			
Direct	\$ 108.9	\$ 108.9	\$ 215.2
Reimbursable	0.0	0.0	0.0
Subtotal	108.9	108.9	215.2
Unobligated balance:			
Apportioned	0.5	0.5	1.5
Exempt from apportionment	0.0	0.0	0.0
Subtotal	0.5	0.5	1.5
Unobligated balance not available	31.0	31.0	33.5
Total Status of Budgetary Resources	\$ 140.4	\$ 140.4	\$ 250.2
Change in Obligated Balance			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	\$ 446.3	\$ 446.3	\$ 238.8
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(123.7)	(123.7)	(83.1)
Total unpaid obligated balance	322.6	322.6	155.7
Obligations incurred net	108.9	108.9	215.2
Less: Gross outlays	(176.8)	(176.8)	(7.7)
Obligated balance transferred, net:			
Actual transfers, unpaid obligations	0.0	0.0	0.0
Actual transfers, uncollected customer payments from Federal sources	0.0	0.0	0.0
Total Unpaid obligated balance transferred, net	0.0	0.0	0.0
Less: Recoveries of prior year unpaid obligations, actual	0.0	0.0	0.0
Change in uncollected customer payments from Federal sources	46.8	46.8	(40.6)
Obligated balance, net, end of period:			
Unpaid obligations	378.5	378.5	446.3
Less: Uncollected customer payments from Federal sources	(76.9)	(76.9)	(123.7)
Total, unpaid obligated balance, net, end of period	301.6	301.6	322.6
Net Outlays:			
Gross outlays	\$ 176.8	\$ 176.8	\$ 7.7
Less: Offsetting collections	(58.5)	(58.5)	(16.9)
Less: Distributed Offsetting receipts	0.0	0.0	0.0
Net Outlays	\$ 118.3	\$ 118.3	\$ (9.2)