



APPENDICES

QUICK REFERENCE FOR ACRONYMS AND ABBREVIATIONS
USED THROUGHOUT THE REPORT, INCLUDING A GLOSSARY
TO DEFINE KEY TERMS

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Sibling-Soldiers Family Within a Family

For Army Maj. Nicholas Fiore, Maj. Elyse Pierre and Capt. Carolyn "Nina" Fiore, family ties bolster their shared commitment to duty and service.

Raised in a military family, all three siblings graduated from the U.S. Military Academy at West Point, New York, before embarking on their Army careers. They recently talked about their upbringing and what military service means to them.

[CLICK HERE FOR A LINK TO THE COMPLETE STORY](#)

APPENDIX A: DoD REPORTING ENTITIES - FISCAL YEAR 2020

This appendix provides a list of the DoD reporting entities for the purposes of the consolidated/combined financial statements.

DoD Reporting Entities Designated to Prepare and Issue Financial Statements Annually as Mandated by OMB Bulletin No. 19-03

DOD Entity	Financial Statements
Department of Air Force, General Fund	https://www.saffm.hq.af.mil/FM-Resources/Air-Force-Annual-Financial-Statement/
Department of Air Force, Working Capital Fund	https://www.saffm.hq.af.mil/FM-Resources/Air-Force-Annual-Financial-Statement/
Department of the Army, General Fund	https://www.asafm.army.mil/Audit/
Department of the Army, Working Capital Fund	https://www.asafm.army.mil/Audit/
Department of the Navy, Working Capital Fund	https://www.secnav.navy.mil/fmc/fmo/Pages/Financial-Reports.aspx
Military Retirement Fund	https://comptroller.defense.gov/Portals/45/Documents/afr/fy2020/DoD_Components/2020_AFR_MRF.pdf
U.S. Army Corps of Engineers Civil Works Program	https://www.publications.usace.army.mil/USACE-Publications/Miscellaneous/
U.S. Marine Corps, General Fund	https://www.hqmc.marines.mil/pandr
U.S. Navy, General Fund	https://www.secnav.navy.mil/fmc/fmo/Pages/Financial-Reports.aspx

DoD Reporting Entities Designated to Prepare and Issue Financial Statements Annually as Mandated by OMB Bulletin No. 19-03

DOD Entity	Financial Statements
Consolidated Defense Health Programs	https://www.health.mil/About-MHS/OASDHA
Defense Commissary Agency, General Fund	https://www.commissaries.com/our-agency/about-DeCA/annual-financial-report
Defense Commissary Agency, Working Capital Fund	https://www.commissaries.com/our-agency/about-DeCA/annual-financial-report
Defense Contract Audit Agency	https://www.dcaa.mil/About-DCAA/Audited-Financial-Statements/
Defense Finance and Accounting Service, Working Capital Fund	https://www.dfas.mil/Pressroom/aboutDFAS/
Defense Health Agency - Contract Resource Management	https://www.health.mil/About-MHS/OASDHA
Defense Information Systems Agency, General Fund	https://www.disa.mil/About/Legal-and-Regulatory/Budget-and-Performance-Reports
Defense Information Systems Agency, Working Capital Fund	https://www.disa.mil/About/Legal-and-Regulatory/Budget-and-Performance-Reports
Defense Logistics Agency National Defense Stockpile Trust Fund	https://www.dla.mil/HQ/Finance/Offers/FinancialReports/
Defense Logistics Agency, General Fund	https://www.dla.mil/HQ/Finance/Offers/FinancialReports/

DoD Reporting Entities Designated to Prepare and Issue Financial Statements Annually as Mandated by OMB Bulletin No. 19-03 (Continued)

DOD Entity	Financial Statements
Defense Logistics Agency, Working Capital Fund	https://www.dla.mil/HQ/Finance/Offers/FinancialReports/
Department of Defense Office of Inspector General	https://www.dodig.mil/reports.html/Article/2213280/fiscal-year-2020-agency-financial-report/
DoD Medicare-Eligible Retiree Health Care Fund	https://comptroller.defense.gov/Portals/45/Documents/afr/fy2020/DoD_Components/2020_AFR_MERHCF.pdf
U.S. Special Operations Command	https://www.socom.mil/Pages/pressreleases.aspx
U.S. Transportation Command	https://www.ustranscom.mil/cmd/audit.cfm

Other DoD Reporting Entities Consolidated in DoD-wide Financial Statements

Agency-Wide Component
Chemical Biological Defense Program
Defense Advanced Research Projects Agency
Defense Contract Management Agency
Defense Finance and Accounting Service, General Fund
Defense Security Cooperation Agency
Defense Technical Information Center
Defense Threat Reduction Agency
Department of Defense Education Activity
DoD Component Level Accounts
Joint Chiefs of Staff
Medicare – Eligible Retiree Health Care Fund Payment
Military Retirement Fund Payment
Missile Defense Agency
Other Defense Activities - Burden Sharing Account by Foreign Allies, Defense
Other Defense Activities - Business Transformation Agency
Other Defense Activities - Defense Acquisition University
Other Defense Activities - Defense Cooperation Account
Other Defense Activities - Defense Counter-intelligence and Security Agency, Working Capital Fund
Other Defense Activities - Defense Gift Fund

Other DoD Reporting Entities Consolidated in DoD-wide Financial Statements (Continued)

Other Defense Activities - Defense Human Resources Activity

Other Defense Activities - Defense Media Activity

Other Defense Activities - Defense Prisoner of War/Missing In Action Accounting Agency

Other Defense Activities - Defense Technology Security Administration

Other Defense Activities - Department of Defense Education Benefits Fund

Other Defense Activities - Director, Operational Test and Evaluation

Other Defense Activities - Emergency Response Fund, Defense

Other Defense Activities - Homeowners Assistance Fund

Other Defense Activities - Host Nation Support for U.S. Relocation Activities, Defense

Other Defense Activities - Military Housing Privatization Initiative

Other Defense Activities - Mutually Beneficial Activities Defense Wide

Other Defense Activities - National Security Education Trust Fund

Other Defense Activities - Office of Economic Adjustment

Other Defense Activities - Support for U.S. Relocation to Guam Activities

Other Defense Activities - Voluntary Separation Incentive Trust Fund

Other Defense Activities Working Capital Funds

Other TI-97 Funds Provided to the Air Force by the Office of the Secretary of Defense

Other TI-97 Funds Provided to the Army by the Office of the Secretary of Defense

Other TI-97 Funds Provided to the Navy by the Office of the Secretary of Defense

Washington Headquarters Services

APPENDIX B: ACRONYMS

Acronym	Definition
ACF	Alternate Care Facilities
ACWA	Assembled Chemical Weapons Alternatives
ADA	Antideficiency Act
AEAN	Aggregate Entry-Age Normal
AECA	Arms Export Control Act of 1976
AETC	Air Education and Training Command
AFB	Air Force Base
AF-IPPS	Air Force Integrated Personnel and Pay System
AFR	Agency Financial Report
APP	Annual Performance Plan
APSR	Accountable Property System of Record
ASC	Accounting Standards Codification
ASD	Assistant Secretary of Defense
ASD(S)	Assistant Secretary of Defense for Sustainment
AU	Assessable Unit
BAH	Basic Allowance for Housing
BD/DR	Building Demolition and Debris Removal
BEA	Business Enterprise Architecture
BLB	Barksdale, Langley, and (Joint Base Anacostia) Boiling
BRAC	Base Realignment and Closure
BRS	Blended Retirement System
CAP	Contractor Acquired Property
CAP	Corrective Action Plan
CAPE	Cost Assessment and Program Evaluation
CARES	Coronavirus Aid, Relief, and Economic Security
CARS	Central Accounting Reporting System
CBDP	Chemical and Biological Defense Program
CBY	Charge Back Year
CDC	Centers for Disease Control
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFIUS	Committee on Foreign Investment in the United States
CHCBP	Continued Health Care Benefits Program
CIO	Chief Information Officer
CIP	Construction in Progress
CJCS	Chairman of the Joint Chiefs of Staff
CMA	Chemical Materials Agency
CMC	Commandant of the Marine Corps
CMO	Chief Management Officer
CNGB	Chief of the National Guard Bureau

APPENDIX B: ACRONYMS

Acronym	Definition
CNO	Chief of Naval Operations
COLA	Cost of Living Adjustment
COTS	Commercial Off-The-Shelf
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CPIM	Consumer Price Index Medical
CSA	Chief of Staff of the Army
CSAF	Chief of Staff of the Air Force
CSO	Chief of Space Operations
CSRS	Civil Service Retirement System
DAF-CJIC	Department of the Air Force Criminal Justice Information Cell
DAI	Defense Agencies Initiative
DARPA	Defense Advanced Research Projects Agency
DATA Act	Digital Accountability and Transparency Act of 2014
DAU	Defense Acquisition University
DAWIA	Defense Acquisition Workforce Improvement Act
DBS	Defense Business Systems
DCHRMS	Defense Civilian Human Resource Management System
DCMA	Defense Contract Management Agency
DCSA	Defense Counterintelligence and Security Agency
DEAMS	Defense Enterprise Accounting and Management System
DeCA	Defense Commissary Agency
DERP	Defense Environmental Restoration Program
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DFC	Development Finance Corporation
DHA	Defense Health Agency
DHP	Defense Health Programs
DHRA	Defense Human Resources Activity
DHS-CRM	Defense Health Agency - Contract Resource Management
DIB	Defense Industrial Base
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DM&R	Deferred Maintenance and Repairs
DMA	Defense Media Activity
DoD	Department of Defense
DoDI	Department of Defense Issuance
DoDEA	Department of Defense Education Activity
DOL	Department of Labor

APPENDIX B: ACRONYMS

Acronym	Definition
DON	Department of the Navy
DoS	Department of State
DOTE	Director Operational Test and Evaluation
DPA	Defense Production Act
DPAA	Defense POW/MIA Accounting Agency
DSCA	Defense Security Cooperation Agency
DTIC	Defense Technical Information Center
DTRA	Defense Threat Reduction Agency
DTS	Defense Travel System
DTSA	Defense Technology Security Administration
DW	Defense-wide
E&DL	Environmental and Disposal Liability
E2E	End-to-End
EBF	Education Benefits Fund
EBS	Enterprise Business System
EL	Environmental Liabilities
ELC	Entity Level Controls
EO	Executive Order
EOP	Executive Office of the President
EOU	Excess, Obsolete, and Unserviceable
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FASTA	Federal Asset Sale and Transfer Act of 2016
FBwT	Fund Balance with Treasury
FCI	Facility Condition Index
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees' Compensation Act
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEGLI	Federal Employee Group Life Insurance
FEHB	Federal Employees Health Benefits
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
FERS	Federal Employees Retirement System
FFATA	Federal Funding Accountability and Transparency Act of 2006
FFCRA	Families First Coronavirus Response Act
FFMIA	Federal Financial Management Improvement Act of 1996
FFRDC	Federally Funded Research and Development Centers

APPENDIX B: ACRONYMS

Acronym	Definition
FHIF	Family Housing Improvement Fund
FIAR	Financial Improvement and Audit Remediation
FISCAM	Federal Information System Controls Audit Manual
FLTCIP	Federal Long Term Care Insurance Program
FM	Financial Management
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMR	Financial Management Regulation
FMS	Foreign Military Sales
FR	Federal Register
FR	Financial Report of the U.S. Government
FRDAA	Fraud Reduction and Data Analytics Act of 2015
FRM	Fraud Risk Management
FRPP MS	Federal Real Property Profile Management System
FSA	Family Separation Allowance
FUSRAP	Formerly Utilized Sites Remedial Action Program
FY	Fiscal Year
FYDP	Future Years Defense Program
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GC	General Counsel
GCSS-A	Global Combat Support System – Army
GCSS-MC	Global Combat Support System – Marine Corps
GDL	Government Direct Loan
GE	General Equipment
GF	General Fund
GFEB	General Fund Enterprise Business System
GFP	Government Furnished Property
GMRA	Government Management Reform Act of 1994
GPP&E	General Property Plant & Equipment
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization Act of 2010
GSA	General Services Administration
GT&C	General Terms and Conditions
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HR	Human Resources
I&RP	Inventory and Related Property
IBS	Integrated Battle Station
ICAM	Identity, Credential, and Access Management
ICO	Internal Control over Operations

APPENDIX B: ACRONYMS

Acronym	Definition
ICOFR	Internal Control over Financial Reporting
ICOFS	Internal Control over Financial Systems
ICU	Intensive Care Unit
IG	Inspector General
IP	Improper Payments/Improperly Paid
IPPS-A	Integrated Personnel Pay System – Army
IRP	Installation Restoration Program
IT	Information Technology
IUS	Internal Use Software
JCS	Joint Chiefs of Staff
JSF	Joint Strike Fighter
KSD	Key Supporting Documentation
LAC	Latest Acquisition Cost
LLC	Limited Liability Company
LMP	Logistics Modernization Program
LP	Limited Partnership
MAC	Moving Average Cost
MCSC	Managed Care Support Contracts
MDA	Missile Defense Agency
MERHCF	Medicare-Eligible Retiree Health Care Fund
MHPI	Military Housing Privatization Initiative
MHS	Military Health System
MILCON	Military Construction
MMRP	Military Munitions Response Program
MRE	Meal, Ready to Eat
MRF	Military Retirement Fund
MRHB	Military Retirement Health Benefits
MTF	Military Treatment Facilities
MUHIF	Military Unaccompanied Housing Improvement Fund
MWR	Morale, Welfare, and Recreation
N/A	Not Applicable
NAF	Nonappropriated Fund
NAFI	Nonappropriated Fund Instrumentality
NATO	North Atlantic Treaty Organization
NDAA	National Defense Authorization Act
NDBOP	National Defense Business Operations Plan
NDS	National Defense Strategy
NDU	National Defense University
NFR	Notice of Findings and Recommendations

APPENDIX B: ACRONYMS

Acronym	Definition
No FEAR Act	Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002
No.	Number
NOAA	National Oceanic and Atmospheric Administration
NOC	Notice of Overcharges
NOI	Net Operating Income
NP2	Navy Personnel and Pay System
NPV	Net Present Value
NRV	Net Realizable Value
O&M	Operation and Maintenance
OACT	Office of the Actuary
OCMO	Office of the Chief Management Officer
ODCFO	Office of the Deputy Chief Financial Officer
ODNI	Office of the Director of National Intelligence
OEA	Office of Economic Adjustment
OFR	Office of the Federal Register
OHA	Overseas Housing Allowance
OIG	Office of the Inspector General
OIRA	Office of Information and Regulatory Affairs
OM&S	Operating Material and Supplies
OMB	Office of Management and Budget
OPEB	Other Post-employment Benefits
OPM	Office of Personnel Management
ORB	Other Retirement Benefits
OSD	Office of the Secretary of Defense
OUS(D)	Office of the Under Secretary of Defense (Comptroller)
P2P	Procure-to-Pay
PFAS	Per- and Polyfluoroalkyl Substances
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
PoP	Period of Performance
PP	Proper Payment / Properly Paid
PP&E	Property, Plant and Equipment
PPA	Prompt Payment Act
PPBE	Planning, Programming, Budgeting, and Execution
PPE	Personal Protective Equipment
PRA	Payment Recapture Audit
PSA	Principal Staff Assistant
PV	Present Value
RACER	Remedial Action Cost Engineering Requirements

APPENDIX B: ACRONYMS

Acronym	Definition
RCRA	Resource Conservation and Recovery Act
RDT&E	Research, Development, Test and Evaluation
RMIC	Risk Management and Internal Controls
RSI	Required Supplementary Information
S/L	Straight Line Method
SAA	Security Assistance Accounts
SAO	Senior Accountable Official
SARA	Superfund Amendments and Reauthorization Act of 1986
SBR	Statement of Budgetary Resources
SC	Security Cooperation
SCNP	Statement of Changes in Net Position
SDP	Savings Deposit Program
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
SFIS	Standard Financial Information Structure
SLOA	Standard Line of Accounting
SMC	Senior Management Council
SMS	Sustainment Management System
SNC	Statement of Net Cost
SOA	Statement of Assurance
SOC	System and Organizational Control
SSAE	Statement of Standards for Attestation Engagements
STAMIS	Standard Army Management Information Systems
TFM	Treasury Financial Manual
TI-97	The Treasury Index 97
TICMS	Theatre Integrated Combat Munitions System
TNC	Treasury Nominal Coupon
TPharm	TRICARE Pharmacy
TRR	TRICARE Retired Reserve
TRS	TRICARE Reserve Select
TSP	Thrift Savings Plan
TYA	TRICARE Young Adults
U.S.	United States
U.S.C.	United States Code
USACE	United States Army Corps of Engineers
USCYBERCOM	United States Cyber Command
USD	Under Secretary of Defense
USD(P&R)	Under Secretary of Defense (Personnel and Readiness)
USFHP	United States Family Health Plan

APPENDIX B: ACRONYMS

Acronym	Definition
USNS	United States Naval Ship
USSF	United States Space Force
USSGL	United States Standard General Ledger
USSOCOM	United States Special Operations Command
VCJCS	Vice Chairman of the Joint Chiefs of Staff
VSI	Voluntary Separation Incentive
WCF	Working Capital Fund
WHS	Washington Headquarters Services
WRSA	War Reserve Stocks for Allies

APPENDIX C: GLOSSARY OF TERMS

A **ACCRUAL BASIS** – A system of accounting in which revenues are recorded when earned and expenses are recorded when goods are received or services are performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time.

ACTUARIAL COST METHOD – A recognized actuarial technique used for establishing the amount and the incidence of employer contributions or accounting charges for pension costs under a pension plan.

AGGREGATE ENTRY-AGE NORMAL METHOD – A system of applying the entry age normal actuarial cost methodology using aggregate population models or groups instead of applying it individual by individual.

AMORTIZATION – The gradual extinguishment of any amount over a period of time through a systematic allocation of the amount over a number of consecutive accounting periods such as the retirement of a debt by serial payments to a sinking fund.

ANTIDEFICIENCY ACT – A legislation enacted by Congress to prevent the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds, to fix responsibility within an agency for the creation of any obligation or the making of any expenditure in excess of apportionment or reapportionment or in excess of other subdivisions established pursuant to 31 United States Code (U.S.C.) §§ 1341, 1342, and 1517, and to assist in bringing about the most effective and economical use of appropriations and funds.

B **BLENDED RETIREMENT SYSTEM** – A new retirement system that took effect on January 1, 2018. It combines elements of the legacy retirement system with benefits similar to those offered in many civilian 401(k) plans. The opt-in period for the majority of service members closed Dec. 31, 2018.

BUDGET AUTHORITY – The total amount of all obligation budget authority including unobligated balances carried forward, adjustments to unobligated balances carried forward, appropriated amounts, and other budgetary resources, as of the reported date.

BUDGETARY BASIS OR BUDGETARY ACCOUNTING – A system that measures and controls the use of resources according to the purposes for which budget authority was enacted and that records receipts and other collections by source. It tracks the use of each appropriation for specified purposes in separate budget accounts through the various stages of budget execution from appropriation to apportionment and allotment to obligation and eventual outlay.

BUDGETARY RESOURCES – The forms of authority given to an agency allowing it to incur obligations. Budgetary resources include the following: new budget authority, unobligated balances, direct spending authority, and obligation limitations.

APPENDIX C: GLOSSARY OF TERMS



CAPITALIZATION THRESHOLD – The dollar amount that determines the proper financial reporting of an asset. To capitalize is to record and carry forward into one or more future periods any expenditure the benefits or process from which will then be realized.

COMBATANT COMMANDS – Also referred to as DoD Components, each have a geographic or functional mission that provides command and control of military forces in peace and war. The 11 Commands are Africa, Central, Cyber, European, Indo-Pacific, Northern, Southern, Space, Special Operations, Strategic, and Transportation Command.

COMMITMENT – An administrative reservation of funds based on firm procurement requests, unaccepted customer orders, Directives, and equivalent instruments.

COMPLETENESS – Means that all equipment meeting the definition of military equipment is included in the valuation. The Acquisition community asserts for the Property, Plant & Equipment line item on the balance sheet that all programs that should be reported, have been recorded and reported.

CONTINGENCY – An existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm a gain (i.e., acquisition of an asset or reduction of a liability) or a loss (i.e., loss or impairment of an asset or the incurrence of a liability).

CONTRACTS DISPUTES ACT – An Act that ensures uniform procedures for negotiating and litigating Government contract disputes. The litigation process under the Act is transparent and definitive, ensuring fairness and predictability. The government and the contractor are encouraged to negotiate claims and other disputes in good faith at the lowest possible level.

CONTRACT HOLDBACKS – Are unreimbursed contractor costs not funded through progress payments. The amounts are held back, rather than paid as progress payments, to provide assurance that the work will be completed as required by the contract.

CUMULATIVE RESULTS OF OPERATIONS – The net difference between expenses, losses, and transfers out from the inception of an agency or activity, and financing sources (i.e., appropriations and revenue) and gains from the inception of an agency or activity (whether financed from appropriations, transfers in, revenues, reimbursements, or any combination of the four) to the reporting date (when financial statements are prepared).



DEDICATED COLLECTIONS – Are specifically identified revenues, provided to the government by nonfederal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues.

APPENDIX C: GLOSSARY OF TERMS

D **DEEMED COST** – Amount used as a surrogate for initial amounts that otherwise would be required to establish opening balances.

DEFENSE WORKING CAPITAL FUND – A revolving fund using a business-like buyer-and-seller approach with a goal of breaking even over the long term. Stabilized rates or prices are generally established each fiscal year and adjusted for sales to customers to include an amount for unfunded civilian retirement and post-retirement health benefits costs. The DWCF was established on December 11, 1996, upon the reorganization of the former Defense Business Operations Fund.

DEFINED BENEFIT PLAN – Promises a specified monthly benefit at retirement stated as an exact dollar amount, such as \$100 per month at retirement or, more commonly, a benefit calculated through a plan formula that considers such factors as salary and service - for example, 1 percent of average salary for the last 5 years of employment for every year of service with an employer. The benefits in most traditional defined benefit plans are protected, within certain limitations, by federal insurance provided through the Pension Benefit Guaranty Corporation.

DEFINED CONTRIBUTION PLAN – Does not promise a specific amount of benefits at retirement. In these plans, the employee or the employer (or both) contribute to the employee's individual account under the plan, sometimes at a set rate, such as 5 percent of earnings annually. These contributions generally are invested on the employee's behalf. The employee will ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of the account will fluctuate due to the changes in the value of the investments. Examples of defined contribution plans include 401(k) plans, 403(b) plans, employee stock ownership plans, and profit-sharing plans.

DEPARTMENT OF DEFENSE – Includes the Office of the Secretary of Defense, Joint Chiefs of Staff, DoD Office of the Inspector General, Military Departments, Defense Agencies, DoD Field Activities, and Combatant Commands, which are considered, and may be referred to as, DoD Components.

DEPRECIATION – The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life.

DISCLAIMER OF OPINION – In a disclaimer of opinion, the auditor does not express an opinion on the subject matter. A disclaimer of opinion is appropriate when the auditor has not performed an audit sufficient in scope to enable them to express an opinion. This usually occurs when the auditor is not provided with sufficient information to enable them to express an opinion.

DOD COMPONENT – Includes OSD, the Chairman, Joint Chiefs of Staff and the Joint Staff, the DoD Inspector General, the Military Departments including the Coast Guard when assigned to the Department of the Navy, the Defense Agencies, DoD Field Activities, the Combatant Commands, Washington Headquarters Services, the Uniformed Services University of the Health Sciences, and all nonappropriated fund instrumentalities.

APPENDIX C: GLOSSARY OF TERMS

E

ENVIRONMENTAL DISPOSAL LIABILITIES – An expected future outflow or expenditure of resources that exists as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events.

EUROPEAN REASSURANCE AND DETERRENCE INITIATIVES – Enables the United States to enhance the U.S. deterrence posture, increase the readiness and responsiveness of U.S. forces in Europe, support the collective defense and security of NATO allies, and bolster the security and capacity of U.S. allies and partners.

EXCHANGE REVENUE – Inflows of resources to a governmental entity that the entity has earned which arise from exchange transactions that occur when each party to the transaction sacrifices value and receives value in return.

EXISTENCE – Verifies that documentation is available at the enterprise-level to demonstrate that an item exists. The Acquisition and/or Logistics communities assert that the military equipment reported by DoD does exist and has proof to support that assertion.

F

FIDUCIARY ASSETS – Assets collected, received, held, or disposed on behalf of an individual or non-Federal entity. These assets are not recognized in the balance sheet.

FUND BALANCE WITH TREASURY – An asset account that shows the available budget spending authority of federal agencies. Collections and disbursements by agencies increase or decrease the balance in the account.

G

GENERAL PROPERTY, PLANT, AND EQUIPMENT – Any property, plant, and equipment used in providing goods or services which typically has one or more of the following characteristics: it could be used for alternative purposes (e.g., by other Federal programs, state or local governments, or non-governmental entities) but is used to produce goods or services, or to support the mission of the entity, or it is used in business-type activities, or it is used by entities in activities whose costs can be compared to those of other entities performing similar activities.

H

No entries

I

IMPROPER PAYMENT – OMB Circular No. A-123, **Appendix C** defines an “improper payment” as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments made to eligible recipients (including inappropriate denials of payment or service, any payment that

APPENDIX C: GLOSSARY OF TERMS

I does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). Additionally, when an agency's review is unable to discern whether a payment was proper as the result of insufficient or lack of documentation, the payment must be considered an improper payment.

IMPUTED FINANCING – Financing provided to the reporting entity by another Government entity covering certain costs incurred by the former. For example, part of Federal employee retirement benefits have been paid by the Government's central personnel office. A reporting entity would recognize the full accruing cost of the benefits as well as the imputed financing so provided.

INTERDICTING – Intercepting and preventing the movement of a person or commodity.

INTERNAL CONTROLS – A process, effected by an agency's management and other personnel, designed to provide reasonable assurance that the objectives of the agency are being achieved in the following categories: effectiveness and efficiency of operations including the use of the entity's resources, reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use, and compliance with applicable laws and regulations. Internal controls consist of the control environment, risk assessment, control activities, information and communication, and monitoring. A necessary implication or subset of these objectives is the safeguarding of agency assets against unauthorized acquisition, use, or disposition. Internal controls include processes, effected by an agency's management and other personnel, designed to provide reasonable assurance regarding prevention of or prompt detection of unauthorized acquisition, use, or disposition of the agency's asset.

INVENTORY – Any tangible personal property that is held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provision of services for a fee.

J No entries

K No entries

L **LAND** – Is the solid part of the surface of the earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum, renewable resources such as timber, and the outer-continental shelf resources) related to land.

APPENDIX C: GLOSSARY OF TERMS

L **LEGACY PLATFORMS** – Also called a legacy operating system, is an operating system no longer in widespread use, or that has been supplanted by an updated version of earlier technology. Many enterprises that use computers have legacy platforms, as well as legacy applications, that serve critical business needs.

LINEAR STRUCTURE – A type of organizational structure where every employee has only one superior (manager), the main bond between organizational levels is hierarchy, there is no specialization of managers, and usually formalization is low and centralization high.

M **MANDATORY APPROPRIATION** – Also called direct spending, is federal spending that goes to programs for which the authorizing legislation itself creates budget authority. It includes funding for most major entitlement programs. Some entitlements are funded in annual appropriation acts, but the amounts provided are controlled by the authorization law that established the entitlement. The authorization laws that provide direct spending are typically permanent, but some major direct spending programs, such as the Supplemental Nutrition Assistance Program, require periodic renewal.

MATERIAL WEAKNESS – A deficiency, or a combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the financial statements in a timely manner.

MATERIEL – A unique term relating to military force management, and includes items such as ships; tanks; self-propelled weapons; aircraft; and related spares, repair parts, and support equipment. Items commonly used in and available from the commercial sector are not managed in the Department's materiel management activities.

MILITARY DEPARTMENTS – Departments of the Army, Navy (Marine Corps is a component), and Air Force (Space Force is a component).

MOVING AVERAGE COST METHOD – An inventory costing method where the average cost of each inventory item in stock is re-calculated after each inventory purchase.

N **NET POSITION** – Discusses the federal government's financial position (assets minus liabilities) at the end of the current and recent fiscal years, and how the financial position changed during the current fiscal year.

NONEXCHANGE REVENUE – Inflows of resources to the Government that the Government demands or that it receives by donations. The inflows that it demands include taxes, duties, fines, and penalties.

APPENDIX C: GLOSSARY OF TERMS

N **NON-FRIABLE ASBESTOS (CATEGORY I NONFRIABLE ASBESTOS CONTAINING MATERIAL (ACM))** – Refers to any material containing more than 1 percent asbestos as determined using the method specified in appendix E, subpart E, 40 CFR part 763, section 1, Polarized Light Microscopy, that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure.

NON-STATE ACTORS – Are non-sovereign entities that exercise significant economic, political, or social power and influence at a national, and in some cases international, level. There is no consensus on the members of this category, and some definitions include trade unions, community organizations, religious institutions, ethnic groupings, and universities in addition to the players outlined above.

O **OFFSETTING COLLECTIONS** – Collections from the public that result from business-type or market oriented activities and collections from other Government accounts. These collections are deducted from gross disbursements in calculating outlays, rather than counted in governmental receipts. Some offsetting collections are credited directly to appropriation or fund accounts; others, called offsetting receipts, are credited to receipt accounts. The authority to spend offsetting collections is a form of budget authority.

P **PERMANENT INDEFINITE APPROPRIATION** – Authorizations which remain in effect until changed by the Congress.

PROPRIETARY ACCRUAL BASIS – A process that supports accrual accounting and financial reporting that attempts to show actual financial position and results of operations by accounting for assets, liabilities, net position, revenues, and expenses.

Q **QUALIFIED OPINION** – States that the subject matter is presented fairly with the established criteria in all material respects except for a certain matter. A qualified opinion states that “except for” the effects of the matter to which the qualification relates, the subject matter of the assertion complies with the established criteria.

R **REMEDIATION** – The process of improving a situation or correcting a problem.

REVOLVING FUND – A fund consisting of permanent appropriation and expenditures of collections, from both the public and other Governmental agencies and accounts, that are earmarked to finance a continuing cycle of business-type operations.

APPENDIX C: GLOSSARY OF TERMS

S

SECURITY ASSISTANCE – A group of programs, authorized under Title 22 authorities, by which the United States provides defense articles, military education and training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of national policies and objectives.

SIGNIFICANT DEFICIENCY – A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SORTIE – A deployment or dispatch of one military unit, be it an aircraft, ship, or troops, from a strongpoint.

STATEMENT OF BUDGETARY RESOURCES – Reports information on how budgetary resources were made available and their status as of and for the year ended.

STATEMENT OF STANDARDS FOR ATTESTATION ENGAGEMENT NO. 18 – A Generally Accepted Auditing Standard produced and published by the American Institute of Certified Public Accountants Auditing Standards Board.

STRAIGHT LINE METHOD – A method where the cost or other basis of the property less its estimated salvage value is deductible in equal annual amounts over the period of the estimated useful life of the property.

T

No entries

U

UNEXPENDED APPROPRIATIONS – Represent amounts of authority at the reporting date that are either unobligated and have not lapsed, rescinded, or withdrawn; or obligated, but not yet expended (e.g., undelivered orders).

UNMODIFIED AUDIT OPINION – When the auditor concludes that the subject matter of the audit (as of the specified date) is in conformity with established criteria (e.g., GAAP) and that no deficiencies exist. An unqualified opinion is sometimes referred to as a “clean opinion.”

V

No entries

APPENDIX C: GLOSSARY OF TERMS

W **WORKING CAPITAL FUNDS** – A type of intragovernmental revolving fund that operates as a self-supporting entity that conducts a regular cycle of businesslike activities. These funds function from the fees charged for the services they provide consistent with their statutory authority.

X No entries

Y No entries

Z No entries

APPENDIX D: SAA FINANCIAL STATEMENTS AND NOTES

SAA FINANCIAL STATEMENTS AND NOTES

Congress authorizes and appropriates funds for the United States Government (USG)-financed portions of Security Assistance (SA). Congress has a keen interest in the sale and transfer of defense articles and services to foreign countries and international organizations. Although several Executive Branch agencies (such as the National Security Council, the Department of the Treasury, the Department of State, and the Office of Management and Budget) have responsibilities related to SA, the Defense Security Cooperation Agency (DSCA) leads the broader U.S. security cooperation enterprise in its efforts to train, educate, advise, and equip foreign partners.

In accordance with **22 U.S.C. §2752**, the Secretary of State is responsible for continuous supervision and general direction of SA programs. The DSCA is the Department of Defense (DoD) lead agency for the execution of security assistance functions, under Executive Order 11958, "Administration of Arms Export Controls." SA programs are executed by the DoD Components on behalf of the Executive Office of the President and the Department of State.

The financial statements and explanatory notes in this appendix pertain to the following accounts, collectively referred to as the "Security Assistance Accounts" (SAA), which are granted to the Executive Office of the President (EOP) pursuant to the **Arms Export Control Act**, as amended:

- Foreign Military Sales (**FMS**) Trust Fund
- International Military Education and Training (**IMET**) Account
- Foreign Military Financing (**FMF**) Program Account
- Foreign Military Financing, Direct Loan Program Account
- Foreign Military Loan Liquidating Account
- Foreign Military Financing, Direct Loan Financing Account
- Military Debt Reduction Financing Account
- Special Defense Acquisition Fund

Though the Department of Defense (DoD) prepares the financial statements and notes for these accounts, they are not consolidated into the DoD Agency-wide financial statements. Instead, the SAA financial statements and notes are consolidated directly into the **Financial Report of the United States Government** as a separate stand-alone Significant Reporting Entity in accordance with Treasury Financial Manual Volume 1, Part 2, Chapter 4700, **Appendix 1a**.

The SAA financial statements are not currently under a financial statement audit but are undergoing various audit readiness efforts in preparation for the financial statement audit beginning in fiscal year 2022.

SECURITY ASSISTANCE ACCOUNTS CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	2020 (UNAUDITED)	2019 (UNAUDITED)
Assets (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)	\$42,697.7	\$41,158.5
3. Accounts Receivable (Note 6)	96.5	2.3
5. Total Intragovernmental Assets	<u>\$42,794.2</u>	<u>\$41,160.8</u>
B. Cash and Other Monetary Assets (Note 4)	34,094.7	37,110.4
C. Accounts Receivable, Net (Note 6)	(106.5)	6.7
D. Loans Receivable (Note 7)	2,407.1	3,140.0
E. Inventory and Related Property, Net (Note 8)	650.3	288.2
H. Other Assets (Note 10)	6,209.9	41,578.8
2. TOTAL ASSETS	<u><u>\$86,049.7</u></u>	<u><u>\$123,284.9</u></u>
Stewardship Property, Plant and Equipment (Note 9)		
Liabilities (Note 11)		
A. Intragovernmental:		
1. Accounts Payable	\$572.5	\$667.5
2. Debt (Note 12)	1,756.5	3,114.4
3. Other Liabilities (Notes 15 and 17)	683.5	1,021.1
Total Intragovernmental Liabilities	<u>\$3,012.5</u>	<u>\$4,803.0</u>
B. Accounts Payable	1,525.3	\$2,281.8
F. Other Liabilities (Notes 15 and 17)	134,755.0	103,371.2
Total Liabilities	<u>\$139,292.8</u>	<u>\$110,456.0</u>
Commitments and Contingencies (Note 17)		
Net Position (Consolidated Totals)		
Unexpended Appropriations - Other Funds	\$7,244.4	\$6,695.8
Cumulative Results of Operations - Other Funds	(60,487.5)	6,133.1
Total Net Position	<u>\$(53,243.1)</u>	<u>\$12,828.9</u>
Total Liabilities and Net Position	<u><u>\$86,049.7</u></u>	<u><u>\$123,284.9</u></u>

The accompanying notes are an integral part of these statements.

SECURITY ASSISTANCE ACCOUNTS CONSOLIDATED STATEMENT OF NET COST

FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	2020 (UNAUDITED)	2019 (UNAUDITED)
1. Program Costs		
A. Gross Costs	\$158,662.3	\$38,609.8
B. (Less: Earned Revenue)	\$(46,593.0)	\$(45.7)
	\$112,069.3	\$38,564.1
Net Cost of Operations	\$112,069.3	\$38,564.1

The accompanying notes are an integral part of these statements.

SECURITY ASSISTANCE ACCOUNTS

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	2020 (UNAUDITED)	2019 (UNAUDITED)
Unexpended Appropriations		
Beginning Balance (Note 18)	\$6,695.8	\$6,134.3
Prior Period Adjustments:		
Corrections of errors		(23.6)
Beginning Balance, as adjusted	\$6,695.8	\$6,110.7
Budgetary Financing Sources:		
Appropriations Received	6,269.8	6,302.4
Appropriations Transferred In/Out	222.6	(67.8)
Other adjustments (+/-)	(144.5)	(7.3)
Appropriations Used	(5,799.3)	(5,642.2)
Total Budgetary Financing Sources (Includes Funds from Dedicated Collections of \$0.0 in FY 2020 and \$0.0 in FY 2019) - (Note 18)	\$548.6	\$585.1
Total Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 18)	\$7,244.4	\$6,695.8
Cumulative Results of Operations		
Beginning Balance	\$6,133.1	\$6,056.5
Beginning Balance, as adjusted (Includes Funds from Dedicated Collections - See Note 18)	\$6,133.1	\$6,056.5
Budgetary Financing Sources:		
Appropriations Used	5,799.3	5,642.2
Nonexchange Revenue	38,324.9	33,031.0
Donations and Forfeitures of Cash and Cash Equivalents	281.9	
Transfers In/Out Without Reimbursement	1,297.8	(11.0)
Other Financing Sources (Nonexchange):		
Transfers-in/out without reimbursement (+/-)	(61.1)	(13.8)
Other (+/-)	(194.1)	(7.7)
Total Financing Sources (Includes Funds from Dedicated Collections - See Note 18)	\$45,448.7	\$38,640.7
Net Cost of Operations (Includes Funds from Dedicated Collections - See Note 18)	112,069.3	38,564.1
Net Change	\$(66,620.6)	\$76.6
Cumulative Results of Operations (Includes Funds from Dedicated Collections - See Note 18)	\$(60,487.5)	\$6,133.1
Net Position	\$(53,243.1)	\$12,828.9

The accompanying notes are an integral part of these statements.

SECURITY ASSISTANCE ACCOUNTS COMBINED STATEMENT OF BUDGETARY RESOURCES

FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	2020 (UNAUDITED)		2019 (UNAUDITED)	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 21)	\$182,734.4	\$-	\$2,521.7	\$15.2
Appropriations (discretionary and mandatory)	6,266.3	-	7,322.0	-
Borrowing Authority (discretionary and mandatory)	-	-	-	2.3
Contract Authority (discretionary and mandatory)	54,653.7	-	54,174.6	-
Spending Authority from offsetting collections (discretionary and mandatory)	42.3	853.2	2.4	261.1
Total Budgetary Resources	\$243,696.7	\$853.2	\$64,020.7	\$278.6
Status of Budgetary Resources:				
New obligations and upward adjustments (total)				
Unobligated balance, end of year	\$69,655.3	\$820.4	\$63,105.2	\$5.5
Apportioned, unexpired accounts	73,311.3	-	300.1	11.8
Unapportioned, unexpired accounts	100,488.2	32.8	547.3	261.3
Unexpired unobligated balance, end of year	173,799.5	32.8	847.4	273.1
Expired unobligated balance, end of year	241.9	-	68.1	-
Unobligated balance, end of year (total)	\$174,041.4	\$32.8	\$915.5	\$273.1
Total Budgetary Resources	\$243,696.7	\$853.2	\$64,020.8	\$278.6
Outlays, Net				
Outlays, net (total) (discretionary and mandatory)	\$43,520.6	\$-	\$39,863.1	\$-
Distributed offsetting receipts (-)	(38,359.6)	-	(33,007.3)	-
Agency Outlays, net (discretionary and mandatory)	\$5,161.0	\$-	\$6,855.8	\$-
Disbursements, Net:				
4220 Disbursements, net (total) (mandatory)	\$-	\$(752.0)	\$-	\$267.4

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

CLICK EACH NOTE FOR QUICK ACCESS 

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NOTE DISCLOSURES RELATED TO THE BALANCE SHEET

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

CLICK EACH NOTE FOR QUICK ACCESS 

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Security Cooperation (SC) comprises all activities undertaken by the Department of Defense (DoD) to encourage and enable international partners to work with the United States to achieve strategic objectives. It includes all DoD interactions with foreign defense and security establishments, including all DoD-administered Security Assistance (SA) programs, that build defense and security relationships; promote specific U.S. security interests, including all international armaments cooperation activities and SA activities; develop allied and friendly military capabilities for self-defense and multinational operations; and provide U.S. forces with peacetime and contingency access to host nations. It is DoD policy that SC is an important tool of national security and foreign policy and is an integral element of the DoD mission. SC activities shall be planned, programmed, budgeted, and executed with the same high degree of attention and efficiency as other integral DoD activities. SC requirements shall be combined with other DoD requirements and implemented through standard DoD systems, facilities, and procedures.

SA is a group of programs, authorized under Title 22 authorities, by which the United States provides defense articles, military education and training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of national policies and objectives. All SA programs are subject to the continuous supervision and general direction of the Secretary of State to best serve U.S. foreign policy interests; however, programs are variously administered by DoD or Department of State (DoS). Those SA programs that are administered by DoD are a subset of SC.

B. BASIS OF PRESENTATION

These financial statements have been prepared to report the financial position and results of operations of the Security Assistance Accounts (SAA), which include analysis of the Foreign Military Sales (FMS) Trust Fund and several other accounts that are, identified in the President's Budget Request, appropriated through the Department of State (DOS), Foreign Operations, and Related Programs Appropriations Act. These accounts include those that contain U.S. government funds appropriated for Title 10 security assistance and funds deposited by foreign countries and international organizations, or by other entities for the use of

foreign countries and international organizations. See paragraph 1.C, Appropriations and Funds, for a list of these accounts. The FMS Trust Fund and other accounts for funds appropriated for security assistance are managed by DSCA on behalf of the Department of Defense (DoD), in accordance with the authority delegated from the Executive Office of the President (EOP), the requirements of the Chief Financial Officers Act of 1990 (CFO Act), as expanded by the Government Management Reform Act of 1994, and other applicable laws and regulations. The FMS Trust Fund and the accounts for funds appropriated for security assistance hereafter will be referred to as the DSCA Security Assistance Accounts.

The financial statements were prepared from accounting records that are maintained by the Implementing Agencies (IA), consisting of the Military Departments (MILDEPs), Other Defense Organizations (ODO), and the Defense Finance and Accounting Service (DFAS) in accordance with, and to the extent possible, U.S. generally accepted accounting principles (U.S. GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB); the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements; and the DoD Financial Management Regulation (FMR).

The accompanying financial statement information encompasses all SAA unless otherwise noted. Information relating to classified assets, programs, and operations is excluded from the statements or otherwise aggregated and reported in such a manner that it is not discernible.

The DoD accounting processes used to compile SAA financial data are unable to fully implement all elements of U.S. GAAP and OMB Circular No. A-136 due to limitations of financial management processes, financial systems, and nonfinancial systems and processes that support the financial statements. Many of the accounts derive their reported values and other information for major asset and liability categories largely from nonfinancial systems, such as the SAA's case management systems. Such legacy systems were designed to support reporting requirements for maintaining asset accountability and reporting the status of federal appropriations rather than preparing financial statements consistent with U.S. GAAP. There are ongoing efforts to implement process and system improvements addressing these limitations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MISSION OF THE REPORTING ENTITY (CONTINUED)

Many of the SAA's material weaknesses are due to several of the DoD's 25 auditor-identified material weaknesses: (1) Financial Management Systems, (2) Intergovernmental Eliminations, (3) Fund Balance with Treasury, (4) Statement of Net Cost, (5) Other Accounting Entries, (6) Reconciliation of Net Cost to Net Outlays, (7) Accounts Payable, and (8) Accounts Receivable. The SAA rely heavily on the DoD infrastructure, therefore, the success of the SAA is dependent on the DoD's ability to mitigate these material weaknesses.

C. MISSION OF THE REPORTING ENTITY

The SAA mission is to lead, direct and manage security cooperation programs and resources to support the U.S. national security objectives. Such programs build relationships with foreign countries and international organizations that promote the U.S. interests, develop allied and partner capacities for self-defense and coalition participation in overseas contingency operations, and promote peacetime and contingency access for U.S. forces. The SAA accomplishes its responsibilities for security cooperation in concert with the Department of State (DOS), MILDEPs, other U.S. Government organizations, U.S. industry, and non-governmental organizations. Together the SC provide financial and technical assistance, Foreign Military Financing (FMF) for defense articles and services, including training, provided through the FMS program, as well as training provided and funded under International Military Education and Training (IMET) authorities.

D. APPROPRIATIONS AND FUNDS

The FMS Trust Fund is a U.S. Treasury account (Treasury Account Symbol (TAS) 8242) which contains deposits from FMS foreign country and international organization customers, as well as funds transferred into the account from U.S. Government appropriations, for use in carrying out specific programs in accordance with the Arms Export Control Act (AECA), as amended (22 U.S.C. § 2751 et seq.), the Foreign Assistance Act (FAA) of 1961, as amended, (22 U.S.C. § 2151 et seq.), and other legal authorities. The monies in the FMS Trust Fund are subject to U.S. Treasury account system controls from the date of receipt

to the date of expenditure or refund. At the country or customer level there are distinct subsidiary accounts used by DoD through DSCA and DFAS to separately and individually account for each FMS customer's deposits, other collections or deposits, payments of bills, refunds, and adjustments. At the U.S. Treasury level, the corpus of the FMS Trust Fund represents the total aggregations of balances (receipts minus disbursements) for all activities and programs.

The SAA uses separate U.S. Treasury Accounts for the General Fund Foreign Operations (International Affairs) appropriations. These accounts are:

- International Military Education and Training (TAS 1081)
- Foreign Military Financing Program Account (TAS 1082)
- Foreign Military Financing, Direct Loan Program Account (TAS 1085)
- Foreign Military Loan Liquidating Account (TAS 4121)
- Foreign Military Financing, Direct Loan Financing Account (TAS 4122)
- Military Debt Reduction Financing Account (TAS 4174)
- Special Defense Acquisition Fund (TAS 4116)

The SAA designates funds as general, special, and trust funds. The DSCA uses these appropriations and funds to execute its missions and subsequently reports on resource usage.

General and special appropriations transferred into the FMS Trust Fund are used for financial transactions, including personnel, operations and maintenance of security assistance functions, and financing of FMS, which may include sales of defense articles and services from stock or through procurement, and the sale of foreign military construction.

The FMS Trust Fund accounts for receipts and expenditures of funds held in trust by the U.S. government for use in carrying out specific purposes or programs in accordance with applicable laws, regulations, and agreements.

The SAA is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one entity of its authority to obligate budget authority and outlay funds to another entity. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. APPROPRIATIONS AND FUNDS (CONTINUED)

allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations and budget apportionments are derived. Exceptions to this general rule affecting the SAA include all U.S. Treasury-Managed Trust Funds, EOP, and all other funds specifically designated by OMB. The DSCA's T22 appropriations related to security assistance are allocation transfers from the EOP qualifying as the OMB exception mentioned above and all related activity is reported separately from the consolidated DoD financial statements.

E. BASIS OF ACCOUNTING

The legacy financial management systems utilized by IAs to execute SAA activities are not fully compliant with full accrual accounting requirements. Many of the IA's financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of U.S. GAAP guidance. These legacy systems were not designed to collect and record financial information on a full accrual accounting basis as required by U.S. GAAP. Most of DSCA, MILDEP, and ODO financial and nonfinancial legacy systems were designed to record information on a budgetary basis.

The SAA's financial statements and supporting trial balances are compiled from the underlying financial data and trial balances of the IAs. The underlying data is largely derived from budgetary transactions (obligations, disbursements, and collections), from nonfinancial feeder systems, and accruals made for major items such as payroll expenses, and accounts payable. Some of the sub-entity level trial balances may reflect known abnormal balances resulting largely from business and system processes. At the consolidated SAA level these abnormal balances may not be evident. Disclosures of abnormal balances are made in the applicable footnotes, but only to the extent that the abnormal balances are evident at the consolidated level.

The SAA, with the IAs, is continuing the actions required to bring its financial and nonfinancial feeder systems and processes

into compliance with U.S. GAAP. One such action is the current revision of accounting systems to record transactions based on the U.S. Standard General Ledger (USSGL). Until all IA systems and related processes are able to collect and report financial information as required by U.S. GAAP, there will be instances when the reported financial data is based on budgetary transactions data from nonfinancial feeder systems.

F. REVENUES AND OTHER FINANCING SOURCES

As authorized by The Foreign Assistance Act (FAA) of 1961, as amended and The Arms Export Control Act (AECA) of 1976, as amended, payments for the sales of defense articles and services are deposited into the FMS Trust Fund. Appropriations provided on an annual or multiyear basis for security assistance are a financing source and are transferred into the FMS Trust Fund, or deposited into the accounts for funds appropriated for security assistance. Pricing for defense articles and services, including training, is established to recover costs as required by the AECA, the FAA, and OMB Circular A-25, User Charges. The SAA recognize revenue when earned within the constraints of current system capabilities.

The SAA does not include nonmonetary support provided by friendly foreign countries and international organizations in amounts reported in the Statement of Net Cost and Note 24, Reconciliation of Net Cost to Net Outlays.

The SAA participates in assistance in-kind agreements in its overseas presence. The assistance in kind provided in support of security cooperation programs includes the use of facilities and personnel (guards and drivers) at a small number of Security Cooperation Offices worldwide.

The SAA collects payments from foreign customers in advance of delivery of goods or services and records unearned revenue accordingly. All FMS Trust Fund revenue is reclassified as nonexchange once customers confirm the receipt of goods and services, since the FMS Trust Fund does not provide any of the goods or services directly, but serves as an intermediary.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. RECOGNITION OF EXPENSES

SAA policy requires the recognition of operating expenses in the period incurred. Current financial and nonfinancial feeder systems utilized by SAA were not designed to collect and record transactions on an accrual accounting basis. Estimates are made for major items such as payroll expenses, accounts payable, and unbilled revenue. The SAA continues to implement process and system improvements to address these limitations.

H. ACCOUNTING FOR INTRAGOVERNMENTAL ACTIVITIES

Accounting standards require an entity to eliminate intra-entity activity and balances from consolidated financial statements to prevent overstatement for business with itself. However, SAA cannot accurately identify most of its intragovernmental transactions because IA systems do not track buyer and seller data needed to match related transactions. The DoD is enhancing systems and a standard financial information structure incorporating the necessary elements to enable DoD to correctly report, reconcile, and eliminate intragovernmental balances.

The Treasury Financial Manual Part 2- Chapter 4700, "Federal Entity Reporting Requirements for the Financial Report of the United States Government," provides guidance for reporting and reconciling intragovernmental balances. The funds within the SAA are unable to fully reconcile intragovernmental transactions with all federal agencies; however, the SAA are able to reconcile balances pertaining to borrowing from the U.S. Treasury and the Federal Financing Bank, Federal Employees' Compensation Act (FECA) transactions with the Department of Labor, and benefit program transactions with the Office of Personnel Management.

Imputed financing represents the costs paid on behalf of the FMS Trust Fund by the Office of Personnel Management for employee pension, post-retirement health, and life insurance benefits; and the Department of Labor for post-employment benefits for terminated and inactive employees to include unemployment and workers compensation under the Federal Employees' Compensation Act.

The DoD's proportionate share of public debt and related expenses to the Federal Government is not included. The Federal Government does not apportion debt and its related costs to federal agencies. The DoD's financial statements do not

report any public debt, interest, or source of public financing whether from issuance of debt or tax revenues.

I. TRANSACTIONS WITH FOREIGN GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS

Each year, SAA sells defense articles and services to foreign governments and international organizations under the provisions of the AECA. Under the provisions of the Act, DoD has authority to sell defense articles and services to foreign countries and international organizations generally at no profit or loss to the Federal Government. Payment in U.S. dollars is required in advance of vendor payment and delivery of goods and services to the foreign partner.

J. FUNDS WITH THE U.S. TREASURY

The SAA monies are held in U.S. Treasury accounts and the Federal Reserve Bank in individual accounts established by the U.S. for foreign countries. Funds held in the Federal Reserve Bank are transferred to the FMS Trust Fund account to be disbursed for FMS purposes.

For monetary financial resources maintained in U.S. Treasury accounts, the disbursing offices of DFAS, the Military Departments, the U.S. Army Corps of Engineers (USACE), and the DOS's financial service centers process the majority of SAA cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports that provide information to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

In addition, DFAS and the USACE Finance Center submit reports to the U.S. Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records this information to the applicable Fund Balance with Treasury (FBWT) account. On a monthly basis the FBWT for the SAA is reviewed and adjusted as required to agree with the U.S. Treasury accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. CASH AND OTHER MONETARY ASSETS

Cash is the total of cash resources under the control of DoD including coin, paper currency, negotiable instruments, which are held for deposit in banks or other financial institutions and is classified as “nonentity” and is restricted.

The FMS Trust Fund only accepts U.S. dollars for payment of defense articles and services per DSCA 5015.38-M Security Assistance Management Manual; Chapter 9; Financial Policies and Procedures

L. ACCOUNTS RECEIVABLE

The SAA accounts receivable from other federal entities or the public include: accounts receivable, claims receivable, and refunds receivable. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. Gross receivables must be reduced to net realizable value by an allowance for doubtful accounts in accordance with SFFAS 1 and Technical Bulletin 2020-1, Loss Allowance for Intragovernmental Receivables.

M. DIRECT LOANS AND LOAN GUARANTEES

The SAA administers the FMF program on behalf of the EOP. Direct loans and loan guarantees are authorized by sections 23 and 24 of the AECA, Public Law (P.L.) 90-269, as amended; section 503(a) of the FAA; and other specific legislation. These loans and guarantees assist friendly foreign countries and international organizations in purchasing U.S. defense articles and services.

N. INVENTORIES AND RELATED PROPERTY

The SAA maintain inventories in the Special Defense Acquisition Fund until it is placed on an FMS case. For FMS Trust Fund, the defense articles are provided to FMS customers from the U.S. Government or the contractor pursuant to a contract with the U.S. Government. Defense articles sold from the DoD or the U.S. Coast Guard are assets of the providing component until title is transferred to foreign customer.

O. INVESTMENTS IN U.S. TREASURY SECURITIES

Not applicable

P. GENERAL PROPERTY, PLANT AND EQUIPMENT

Not applicable

Q. ADVANCES AND PREPAYMENTS

When advances are permitted by law, legislative action, or presidential authorization, the DoD's policy is to record advances and prepayments in accordance with U.S. GAAP. As such, payments made in advance of the receipt of goods and services are reported as an asset on the Balance Sheet. The DoD's policy is to expense and/or properly classify assets when the related goods and services are received. Not all implementing agencies executing on behalf of the SAA have implemented this policy primarily due to system limitations.

R. LEASES

The SAA do not have capital leases and currently is not able to reliably estimate the value of operating leases.

S. OTHER ASSETS

Other assets include civil service employee pay advances, travel advances, and certain contract financing payments not reported elsewhere on the SAA Balance Sheet.

The SAA conduct business with commercial contractors using two primary types of contracts: fixed price and cost reimbursable. Contract financing payments are defined in the Federal Acquisition Regulations, Part 32, as authorized disbursements to a contractor prior to acceptance of supplies or services by the Government. These payments are designed to alleviate the potential financial burden on contractors performing on certain long-term contracts and facilitate competition for defense contracts. Contract financing payment clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advance and interim payments, progress payments based on cost, and

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

interim payments under certain cost-reimbursement contracts. It is DoD policy to record certain contract financing payments as other assets.

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

T. CONTINGENCIES AND OTHER LIABILITIES

The Statement of Federal Financial Accounting Standard (SFFAS) No. 5, "Accounting for Liabilities of the Federal Government", as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The SAA recognize 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. The SAA risk of loss due to contingencies arise as a result of pending or threatened litigation or claims and assessments due to events such as aircraft, ship, and vehicle accidents; medical malpractice; property or environmental damages; and contract disputes.

U. ACCRUED LEAVE

For personnel compensation and benefits the issue is usually the "timing" of the obligation and not the "amount" of the obligation. The amount is prescribed by laws that cover the civil service and the uniformed service and determined by well-established personnel procedures. As for the timing of the obligation, the amounts generally are recorded as obligations as the amounts

are earned during the reporting pay period, with the following exceptions:

Annual leave at the time it becomes due and payable as terminal leave or taken in lieu of a lump sum payment because normally, annual leave is unfunded.

The balance of the liabilities for annual leave and other leave (compensatory time and credit hours), including fringe benefit costs associated with the leave, must be assessed and, as needed, adjusted to reflect all pay increases and unused leave balances at least quarterly for financial statement purposes. For General funds, unused annual leave is typically unfunded until the leave is used.

The FMS Trust Fund reports liabilities for accrued compensatory and annual leave for civilians. Sick leave for civilians is expensed as taken. The liabilities are based on current pay rates.

V. NET POSITION

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amounts of budget authority that are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred. Cumulative results of operations represent the net difference between expenses and losses and financing sources (including appropriations, revenue, and gains) since inception. The cumulative results of operations also include donations and transfer in and out of assets that were not reimbursed.

W. TREATIES FOR USE OF FOREIGN BASES

Not applicable

X. UNDISTRIBUTED DISBURSEMENTS AND COLLECTIONS

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to specific obligations, payables, or receivables in the source systems and those reported by the U.S. Treasury. Supported disbursements and collections may be evidenced by the availability of corroborating documentation

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. UNDISTRIBUTED DISBURSEMENTS AND COLLECTIONS (CONTINUED)

generally support the summary level adjustment made to accounts payable and receivable. Unsupported disbursements and collections do not have supporting documentation for the transactions and most likely would not meet audit scrutiny. However, both supported and unsupported adjustments may have been made to the SAA accounts payable and receivable trial balances prior to validating underlying transactions. As a result, misstatements of reported Accounts Payable and Receivable are likely included in the SAA financial statements

Due to noted material weaknesses in current accounting and financial feeder systems, the DoD is generally unable to determine whether undistributed disbursements and collections should be applied to federal or nonfederal accounts payables/receivable at the time accounting reports are prepared. Accordingly, the SAA on this DoD policy and the DoD infrastructure, to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of distributed federal and nonfederal accounts payable and accounts receivable. Unsupported undistributed disbursements and collections are also applied to reduce accounts payable and receivable accordingly.

Y. FIDUCIARY ACTIVITIES

Not applicable

Z. MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

Not applicable

AA. SIGNIFICANT EVENTS

Not applicable

NOTE 2: NON-ENTITY ASSETS

TABLE 2. NON-ENTITY ASSETS

As of September 30 (\$ in millions)	2020	2019
Intragovernmental Assets		
Fund Balance with Treasury	\$(2.2)	\$24,275.2
Total Intragovernmental Assets	(2.2)	24,275.2
Non-Federal Assets		
Cash and Other Monetary Assets	34,094.7	37,110.4
Accounts Receivable	683.5	678.5
Other Assets	-	41,570.8
Total Non-Federal Assets	34,778.2	79,359.7
Total Non-Entity Assets	34,776.0	103,634.9
Total Entity Assets	51,273.7	19,650.0
Total Assets	\$86,049.7	\$123,284.9

INTRAGOVERNMENTAL ASSETS

Nonentity Assets are assets for which the SAA maintain stewardship accountability and reporting responsibility but are not available for the agency's operations.

Fund Balance with Treasury and Cash and Other Monetary Assets consist of advance deposits from friendly countries and international organizations to facilitate the purchase of U.S. defense articles and services based on future requirement forecasts.

Accounts Receivable consist of amounts for interest, fines, and penalties due on debt from loans and nonfederal funds owed to the FMS Trust Fund country accounts in litigation at the Department of Justice or collection status at the Defense Finance and Accounting Service (DFAS). Some portion of these uncollected funds may be payable to the FMS Administrative Surcharge account but are not discernible prior to collection.

NON-FEDERAL ASSETS

Nonfederal other Assets consist primarily of advances paid for undelivered defense articles and services intended for future delivery to the FMS customer.

NOTE 3: FUND BALANCE WITH TREASURY

TABLE 3: STATUS OF FUND BALANCE WITH TREASURY

As of September 30 (\$ in millions)	2020	2019
Unobligated Balance		
Available	\$73,311.3	\$311.8
Unavailable	\$106,453.2	\$6,092.5
Total Unobligated Balance	<u>\$179,764.5</u>	<u>\$6,404.3</u>
Obligated Balance Not Yet Disbursed	\$56,296.6	\$212,569.6
Non-FBWT Budgetary Accounts		
Contract Authority	\$(193,363.4)	\$(177,815.4)
Total Non-FBWT Budgetary Accounts	<u>\$(193,363.4)</u>	<u>\$(177,815.4)</u>
Total FBWT	<u><u>\$42,697.7</u></u>	<u><u>\$41,158.5</u></u>

The Status of FBWT, as presented in Table 3, reflects the reconciliation between the budgetary resources supporting FBWT (largely consisting of Unobligated Balance and Obligated Balance Not Yet Disbursed) and those resources provided by other means. The Total FBWT reported on the Balance Sheet reflects the budgetary authority remaining for disbursements against current or future obligations. Unobligated Balance is classified as available or unavailable and represents the cumulative amount of budgetary authority set aside to cover future obligations. The available balance consists primarily of the unexpired, unobligated balance that has been apportioned and available for new obligations. The unavailable balance consists primarily of funds invested in Treasury securities and are temporarily precluded from obligation by law. Certain unobligated balances are restricted for future use and are not apportioned for current use. Unobligated balances for trust fund accounts are restricted for use by public laws establishing the funds.

Obligated Balance Not Yet Disbursed represents funds obligated for goods and services but not paid.

Contract Authority and Spending Authority from Anticipated Collections does not increase the FBWT when initially posted, but does provide budgetary resources. FBWT increases only after the customer payments for services or goods rendered have been collected. Conversely, appropriations received increase FBWT upon receipt of the budget authority.

Unfilled Customer Orders without Advance and Reimbursements and Other Income Earned - Receivable provide budgetary resources when recorded. FBWT is only increased when reimbursements are collected, not when orders are accepted or have been earned.

The FBWT reported in the financial statements has been adjusted to reflect the Department's balance as reported by Treasury. The difference between FBWT in the Department's general ledgers and FBWT reflected in the Treasury accounts is attributable to transactions that have not been posted to the individual detailed accounts in the DoD Components' general ledgers as a result of timing differences or the inability to obtain valid accounting information prior to the issuance of the financial statements. When research is completed, these transactions will be recorded in the appropriate individual detailed accounts in the IA's general ledger accounts and up the SAA financial statements.

NOTE 4: CASH AND OTHER MONETARY ASSETS

TABLE 4: CASH AND OTHER MONETARY ASSETS

As of September 30 (\$ in millions)	2020	2019
Cash	\$34,094.7	\$37,110.4
Total Cash and Other Monetary Assets	<u>\$34,094.7</u>	<u>\$37,110.4</u>

Cash balance as of September 30, 2020 includes advance deposits from foreign nations in the Federal Reserve Bank which have not been transferred to the Foreign Military Sales Trust Fund and are not available for agency use (nonentity cash).

NOTE 5: INVESTMENTS AND RELATED INTEREST

The SAA has no Investments or Related Interest

NOTE 6: ACCOUNTS RECEIVABLE

TABLE 6: ACCOUNTS RECEIVABLE

As of September 30 (\$ in millions)	2020		
	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	\$96.5	\$-	\$96.5
Non-Federal Receivables (From the Public)	\$(106.4)	\$(0.1)	\$(106.5)
Total Accounts Receivable	\$(9.9)	\$(0.1)	\$(10.0)
	2019		
	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	\$2.3	N/A	\$2.3
Non-Federal Receivables (From the Public)	\$6.7	(0.0)	\$6.7
Total Accounts Receivable	\$9.0	\$(0.0)	\$9.0

Accounts Receivable represent the Foreign Military Sales (FMS) Trust Fund claim for payment from other entities. In FY 2019, the FMS Trust Fund only recognized an allowance for uncollectible amounts from the public. Claims with other federal agencies were resolved in accordance with the Intragovernmental Business Rules. Starting FY 2020, the SAA recognizes an allowance for uncollectible amounts from the public and from other federal agencies. Allowances for uncollectible accounts are based on an estimation methodology using three years of historical collection data and is calculated on consolidated receivable balances.

The 106.5 million abnormal balance in Non-Federal Accounts Receivable is related to main account 8242 (the FMS Trust Fund) and is due to improper reporting from feeder accounting systems. The SAA is researching the root cause of this abnormal balance to be corrected in future reporting periods.

NOTE 7: DIRECT LOAN AND LOAN GUARANTEE, NON-FEDERAL BORROWERS

The SAA operates the following direct loans and/or loan guarantee programs:

The Arms Export Control Act, as amended, authorizes funds to be appropriated to the President for financing the sales of defense articles and defense services to eligible foreign countries. Each loan is reviewed in the light of the purchasing country's financial condition, its need for credit, U.S. economic or military assistance programs in the country and region, and other proposed arms purchases by the country. The President delegates to the Secretary of Defense the authority to issue and guaranty loans through the designated administering agency, SAA. The loans are issued to friendly, less economically developed countries. Pursuant to the authority contained in the Act, SAA operates the four funds, known as:

Foreign Military Loan Liquidating Account (FMLLA)), for pre-1992 loans

Foreign Military Financing Direct Loan Program Account (FMFDLPA), for post-1991 loans

Foreign Military Financing Direct Loan Financing Accounts (FMFDLFA), for post-1991 loans

Military Debt Reduction Financing Account (MDRFA) for reducing loan receivables for eligible countries.

The FMLLA is a liquidating account including all assets, liabilities, and equities for loan balances recorded prior to FY 1992. No new loan disbursements are made from this account. Certain collections made into this account are made available for default claim payments. The Federal Credit Reform Act of 1990 (FCRA) provides permanent indefinite authority to cover obligations for default payments in the event the funds in the liquidating account are otherwise insufficient.

The FMFDLPA is a program account established pursuant to the FCRA to provide the funds necessary for the subsidy element of loans. Expenditures from this account finance the subsidy element of direct loan disbursements and are transferred into the FMFDLFA to make required loan disbursements for approved Foreign Military Sales or commercial sales.

The FMFDLFA is a financing account used to make disbursements of Foreign Military Loan funds for approved procurements and for subsequent collections for the loans after September 30, 1991. The account uses permanent borrowing authority from the U.S. Treasury combined with transfers of appropriated funds from FMFDLPA to make the required disbursements to loan recipient country borrowers for approved procurements. Receipts of debt service collections from borrowers are used to repay borrowings from U.S. Treasury.

The MDRFA is a financing account established for the debt relief of certain countries as established by Public Law 103-87. The MDRFA buys the portfolio of loans from the FMLLA, thus transferring the loans from the FMLLA account to the MDRFA account. The Paris Club negotiates the debt forgiveness with Highly Indebted Poor Countries (HIPC). The Paris Club has twenty-two member countries that negotiate rescheduling or refinancing of debt for HIPC. The Paris Club provides debt reduction initially on payments coming due over a specific period corresponding to the length of an International Monetary Fund (IMF) supported economic reform program. Reduction then is staged, with each successive stage contingent upon debtor country compliance with its IMF-support program. Under Naples Terms, stock of debt reduction is provided after three years of good performance with respect to IMF reform programs and payments to Paris Club creditors. The United States incurs the budget cost of the eventual stock of debt reduction when it agrees to the initial "maturities" reduction of payments coming due, since bilateral agreements commit us to stock reduction once the Paris Club agrees to provide them.

The FCRA governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees.

The SAA loans are reported at the present value basis for post-credit reform loans and under the allowance-for-loss method for pre-credit reform of the following projected cash flows: (1) loan disbursements, (2) repayments of principal, and (3) payments of interest and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

NOTE 7: DIRECT LOAN AND LOAN GUARANTEE, NON-FEDERAL BORROWERS (CONTINUED)

TABLE 7A: SUMMARY OF DIRECT LOANS AND LOAN GAURANTEES

As of September 30 (\$ in millions)	2020	2019
Direct Loans:		
Foreign Military Loan Liquidating Account	\$683.4	\$671.7
Foreign Military Financing Account	1,723.7	2,432.1
Military Debt Reduction Financing Account	-	36.2
Total Direct Loans	<u>\$2,407.1</u>	<u>\$3,140.0</u>
Total Defaulted Loan Guarantees	\$-	\$-
Total Loans Receivable	<u>\$2,407.1</u>	<u>\$3,140.0</u>

LOANS RECEIVABLE

Direct loans are reported at the present value basis for post-credit reform loans and under the allowance-for-loss method for pre-credit reform of the following projected cash flows:

- Loan disbursements;
- Repayments of principal; and
- Payments of interest and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries

NOTE 7: DIRECT LOAN AND LOAN GUARANTEE, NON-FEDERAL BORROWERS (CONTINUED)

TABLE 7B: DIRECT LOANS OBLIGATED

As of September 30 (\$ in millions)	2020	2019
Foreign Military Loan Liquidating Account		
Loans Receivable Gross	\$311.4	\$316.9
Interest Receivable	2,353.2	2,266.6
Allowance for Subsidy Cost (Present Value)	(1,981.2)	(1,911.8)
Value of Assets Related to Direct Loans, Net	<u>\$683.4</u>	<u>\$671.7</u>
Foreign Military Financing Account		
Loans Receivable Gross	\$2,581.1	\$3,201.0
Allowance for Subsidy Cost (Present Value)	(857.4)	(768.9)
Value of Assets Related to Direct Loans, Net	<u>\$1,723.7</u>	<u>\$2,432.1</u>
Military Debt Reduction Financing Account		
Allowance for Subsidy Cost (Present Value)	\$-	\$36.2
Value of Assets Related to Direct Loans, Net	<u>\$-</u>	<u>\$36.2</u>
Total Direct Loans Receivable		
Loans Receivable Gross	\$2,892.5	\$3,517.9
Interest Receivable	\$2,353.2	\$2,266.6
Allowance for Subsidy Cost (Present Value)	\$(2,838.6)	\$(2,644.5)
Total Direct Loans Receivable	<u>\$2,407.1</u>	<u>\$3,140.0</u>

OTHER DISCLOSURES

The SAA bills the countries semiannually for loan repayments. Applying terms of the loans with the countries, accrued interest receivable is calculated using the simple interest method. Interest accrued on unpaid balances use the same interest rate plus 4 percent for loans owed to the Federal Financing Bank.

The allowance for credit subsidy account for the FMFDLFA account is calculated taking into consideration three transactions: (1) transfers of subsidy from the program account to the financing account; (the subsidy is the difference between the expected cash outlays from the U.S. Government and the present value of the expected collections); (2) interest payments from the U.S. Treasury to the financing fund; and (3) upward adjustments due to re-estimates as U.S. Treasury borrowing rates change over time from the loan repayment rate and an increase in estimated defaults on the loan.

NOTE 7: DIRECT LOAN AND LOAN GUARANTEE, NON-FEDERAL BORROWERS (CONTINUED)

TABLE 7F. SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES FOR POST-FY 1991 DIRECT LOANS

As of September 30 (\$ in millions)	2020	2019
Beginning Balance of the Subsidy Cost Allowance	\$732.8	\$505.9
Adjustments:		
Subsidy Allowance Amortization	\$124.6	\$226.9
Ending Balance of the Subsidy Cost Allowance Before Reestimates	\$857.4	\$732.8
Ending Balance of the Subsidy Cost Allowance	\$857.4	\$732.8

TABLE 7G: DEFAULTED GUARANTEED LOANS

The SAA does not report Loan Guarantees.

TABLE 7H: GUARANTEED LOANS OUTSTANDING

The SAA does not report Loan Guarantees.

TABLE 7I: LIABILITY FOR LOAN GUARANTEES

The SAA does not report Loan Guarantees.

TABLE 7J: SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM

The SAA does not report Loan Guarantees.

TABLE 7K: BUDGET SUBSIDY RATES FOR LOAN GUARANTEES FOR THE CURRENT YEAR

The SAA does not report Loan Guarantees.

NOTE 7: DIRECT LOAN AND LOAN GUARANTEE, NON-FEDERAL BORROWERS (CONTINUED)

TABLE 7L: SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES

The SAA does not report Loan Guarantees.

ADMINISTRATION EXPENSES

Administrative expenses for loans are not funded in the loan program account. The Office of Management and Budget made the decision to fund administration of loans in the Foreign Military Financing Grant account (11*1082) since the dollar amount was so low.

NOTE 8: INVENTORY AND RELATED PROPERTY

TABLE 8A: INVENTORY AND RELATED PROPERTY

As of September 30 (\$ in millions)	2020	2019
Inventory, Net	\$650.3	\$-
Operating Materials & Supplies, Net		288.2
Total Inventory and Related Property, Net	\$650.3	\$288.2

The SAA began reporting Inventory and Related property in the 4th Quarter of FY 2019 for articles procured through the Special Defense Acquisition Fund (SDAF). Management is continuing ongoing efforts to determine if there any additional inventory that should be reported in the financial statements and related footnotes. As Management continues to assess the data, reporting and accounting treatment may change in future periods.

TABLE 8B: INVENTORY CATEGORIES

As of September 30 (\$ in millions)	2020			
	Inventory, Gross Value	Reevaluation Allowance	Inventory, Net	Validation Method
Held for Sale	\$635.1		\$635.1	LAC, MAC
Work-in-Process	15.2	-	15.2	LAC, MAC
Total	\$650.3	\$-	\$650.3	

Legend for Validation Methods:

NRV = Net Realizable Value, LAC = Latest Acquisition Cost, adjusted for holding gains and losses, MAC = Moving Average Cost

GENERAL COMPOSITION OF INVENTORY

Inventory is tangible personal property such as raw materials to be consumed in the production of goods for sale or in the provision of service for a fee, the value of inventory used in the production process, finished goods held for sale, and goods held for repair and eventual sale. Inventory includes spare and repair parts, clothing and textiles, and fuels held for sale. The Department assigns inventory items to a category based on asset type and condition.

INVENTORY RESTRICTIONS

There are no known restrictions on inventory.

OTHER DISCLOSURES

During FY 2020, the SAA determined the proper classification of Special Defense Acquisition Fund articles should be Inventory under SFFAS 3.

NOTE 8: INVENTORY AND RELATED PROPERTY (CONTINUED)

TABLE 8C: OM&S CATEGORIES

As of September 30 (\$ in millions)	2019			
	OM&S, Gross Value	Reevaluation Allowance	OM&S, Net	Validation Method
Held in Reserve for Future Use	288.2	-	288.2	Note 1
Total	<u>\$288.2</u>	<u>\$-</u>	<u>\$288.2</u>	

*Note 1: Moving Average Cost, Direct Method, Historical Cost, Replacement Price and Standard Price,
NRV = Net Realizable Value*

GENERAL COMPOSITION OF OM&S

OM&S includes inventory not held for sale. During FY 2020, the SAA determined the proper classification of Special Defense Acquisition Fund articles should be Inventory under SFFAS 3 as these articles are held until being placed on an FMS case.

OM&S RESTRICTIONS

There are no known restrictions on OM&S.

TABLE 8D: STOCKPILE MATERIAL CATEGORIES

The SAA does not report Stockpile Material.

NOTE 9: GENERAL PP&E, NET

The SAA has no general property, plant, and equipment. Management is continuing ongoing efforts to determine if there any PP&E that should be reported in the financial statements and related footnotes. As Management continues to assess the data, reporting and accounting treatment may change in future periods.

NOTE 10: OTHER ASSETS

TABLE 10: OTHER ASSETS

As of September 30 (\$ in millions)	2020	2019
Non-Federal Other Assets		
Outstanding Contract Financing Payments	\$6,191.2	\$3,196.6
Advances and Prepayments	18.7	38,382.2
Total Non-Federal Other Assets	<u>6,209.9</u>	<u>41,578.8</u>
Total Other Assets	<u><u>\$6,209.9</u></u>	<u><u>\$41,578.8</u></u>

NON-FEDERAL OTHER ASSETS

Contract terms and conditions for certain types of contract financing payments convey certain rights to the Foreign Military Sales (FMS) Trust Fund that protect the contract work from state or local taxation, liens or attachment by the contractor's creditors, transfer of property, or disposition in bankruptcy. However, these rights should not be misconstrued to mean that ownership of the contractor's work has transferred to the Government. The Government does not have the right to take the work, except as provided in contract clauses related to termination or acceptance, and the FMS Trust Fund is not obligated to make payment to the contractor until delivery and acceptance of a satisfactory product.

The balance of Outstanding Contract Financing Payments includes \$1.9 billion in contract financing payments and an additional \$4.3 billion in estimated future payments to contractors upon delivery and government acceptance of a satisfactory product. (See additional discussion in Note 15, *Other Liabilities*).

NOTE 11: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

TABLE 11: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30 (\$ in millions)	2020	2019
Intragovernmental Liabilities		
Other	683.5	671.7
Total Intragovernmental Liabilities	683.5	671.7
Non-Federal Liabilities		
Accounts Payable	(3.5)	(3.5)
Other Liabilities	34,095.6	-
Total Non-Federal Liabilities	34,092.1	(3.5)
Total Liabilities Not Covered by Budgetary Resources	34,775.6	668.2
Total Liabilities Covered by Budgetary Resources	104,517.2	109,787.8
Total Liabilities	139,292.8	110,456.0

INTRAGOVERNMENTAL LIABILITIES

Other Liabilities consists primarily of pre-credit reform loan receivables that will be due to Treasury upon collection of funds. The SAA currently reports this as a Liability for Non-Entity Assets not reported on the Statement of Custodial Activity, however, there are ongoing efforts to determine proper classification and accounting treatment for balances related to pre-credit reform loans. As such, the SAA's reporting for Pre-credit reform loans may change in future periods.

NON-FEDERAL LIABILITIES

Accounts Payable primarily represents liabilities in canceled appropriations, which if paid, will be disbursed using current year funds.

Other Liabilities consists primarily of the liability to offset the other cash.

TOTAL LIABILITIES

Budgetary resources include (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections, and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Additionally, liabilities are covered by budgetary resources if they are to be funded by permanent indefinite appropriations, provided that the resources may be apportioned by OMB without further action by Congress and without contingency having to be met first.

Liabilities Not Covered by Budgetary Resources require congressional action before budgetary resources can be provided. Liabilities Not Requiring Budgetary Resources have not in the past and will not in the future require the use of budgetary resources.

NOTE 12: DEBT

TABLE 12: DEBT

As of September 30 (\$ in millions)	2020		
	Beginning Balance	Net Borrowing	Ending Balance
Agency Debt (Intragovernmental)			
Debt to the Treasury	\$3,114.4	\$(1,357.9)	\$1,756.5
Total Debt	<u>\$3,114.4</u>	<u>\$(1,357.9)</u>	<u>\$1,756.5</u>
	2019		
	Beginning Balance	Net Borrowing	Ending Balance
Agency Debt (Intragovernmental)			
Debt to the Treasury	\$3,112.1	\$2.3	\$3,114.4
Total Debt	<u>\$3,112.1</u>	<u>\$2.3</u>	<u>\$3,114.4</u>

The Federal Credit Reform Act (FCRA) of 1990 provides financing accounts with indefinite authority to borrow from the U.S. Treasury to fund disbursements of loans made to sovereign nations for security assistance. This debt to the U.S. Treasury is reflected in the Foreign Military Financing Direct Loan Financing Account and the Military Debt Reduction Account.

The majority of the debt represents direct to foreign countries for pre 1992 and post 1991 loans. The FCRA governs all direct loan obligations and loan guarantee commitments made after FY 1991. Before 1992, funds were borrowed from the FFB to either directly loan the funds to foreign countries or to reimburse guaranteed loans defaulted. Beginning in 1992, based on the FCRA, the security assistance program began borrowing the funds from the U.S. Treasury.

NOTE 13: MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

The DSCA does not report any Military Retirement and Other Federal Employment Benefits. The balance of \$127 thousand is due to the DSCA ingesting all feeder system data into the trial balances and financial statements. As the DSCA continues to assess data, reporting and accounting treatment of Military Retirement and Other Federal Employment Benefits may change in future periods.

NOTE 14: ENVIRONMENTAL AND DISPOSAL LIABILITIES

The SAA has no Environmental and Disposal Liabilities

NOTE 15: OTHER LIABILITIES

TABLE 15: OTHER LIABILITIES

As of September 30 (\$ in millions)	2020		
	Current Liability	Non-Current Liability	Total
Intragovernmental			
Custodial Liabilities	\$-	\$683.5	\$683.5
Total Intragovernmental Other Liabilities	\$-	\$683.5	\$683.5
Non-Federal			
Accrued Funded Payroll and Benefits	\$41.6	\$-	\$41.6
Advances from Others	61,019.4	-	61,019.4
Deferred Credits	39,580.3	-	39,580.3
Accrued Unfunded Annual Leave	1.0	-	1.0
Employer Contribution and Payroll Taxes Payable	18.0	-	18.0
Other Liabilities	-	34,094.7	34,094.7
Total Non-Federal Other Liabilities	\$100,660.3	\$34,094.7	\$134,755.0
Total Other Liabilities	\$100,660.3	\$34,778.2	\$135,438.5
	2019		
	Current Liability	Non-Current Liability	Total
Intragovernmental			
Advances from Others	\$349.3	\$-	\$349.3
Custodial Liabilities	-	671.8	671.8
Total Intragovernmental Other Liabilities	\$349.3	\$671.8	\$1,021.1
Non-Federal			
Accrued Funded Payroll and Benefits	\$1.2	\$-	\$1.2
Advances from Others	99,427.3	3,188.7	102,616.0
Accrued Unfunded Annual Leave	0.2	-	0.2
Contract Holdbacks	753.5	-	753.5
Employer Contribution and Payroll Taxes Payable	0.3	-	0.3
Total Non-Federal Other Liabilities	\$100,182.5	\$3,188.7	\$103,371.2
Total Other Liabilities	\$100,531.8	\$3,860.5	\$104,392.3

NOTE 15: OTHER LIABILITIES (CONTINUED)

INTRAGOVERNMENTAL OTHER LIABILITIES

Advances from Others represent liabilities for collections received to cover future expenses or acquisition of assets.

Custodial Liabilities represents liabilities for collections reported as non-exchange revenues where the Department is acting on behalf of another Federal entity.

NON-FEDERAL OTHER LIABILITIES

Nonfederal Advances from Others, Noncurrent includes \$61.0 billion for FY 2020 and \$99.4 billion in FY 2019 related to contracts authorizing progress payments based on cost as defined in the Federal Acquisition Regulation (FAR). In accordance with contract terms, specific rights to the contractors' work vest with the Federal Government when a specific type of contract financing payment is made. This action protects taxpayer funds in the event of contract nonperformance. These rights should not be misconstrued as rights of ownership. The Department is under no obligation to pay contractors for amounts greater than the amounts authorized in contracts until delivery and government acceptance. Due to the probability the contractors will complete their efforts and deliver satisfactory products, and because the amount of potential future payments are estimable, the Department has recognized a contingent liability for estimated future payments which are conditional pending delivery and government acceptance.

Contract Holdbacks are amounts earned by contractors or suppliers during the production period but not yet paid to the contractor/supplier to ensure future performance.

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

NOTE 16: LEASES

CAPITAL LEASES

The SAA has no Capital Leases. Management is continuing ongoing efforts to determine if there are any leases that should be reported in the financial statements and related footnotes. As Management continues to assess the data, reporting and accounting treatment may change in future periods.

OPERATING LEASES

The SAA has no Operating Leases. Management is continuing ongoing efforts to determine if there are any leases that should be reported in the financial statements and related footnotes. As Management continues to assess the data, reporting and accounting treatment may change in future periods.

NOTE 17: COMMITMENTS AND CONTINGENCIES

LEGAL CONTINGENCIES

The U.S. Government may be a party in various administrative proceedings or court litigations, but it is highly unlikely any will implicate the FMS Trust Fund. DSCA has not recorded any contingent liabilities for litigations for FY 2020 or FY 2019 within the Security Assistant Accounts. The U.S. funds appropriated for security assistance generally are not legally available for paying claims.

NOTE 18: FUNDS FROM DEDICATED COLLECTIONS

The SAA has no Funds from Dedicated Collections. Management is continuing ongoing efforts to determine if there any Funds from Dedicated Collections that should be reported in the financial statements and related footnotes. As Management continues to assess the data, reporting and accounting treatment may change in future periods.

NOTE 19: DISCLOSURES RELATED TO THE STATEMENT OF NET COST

TABLE 19: COSTS AND EXCHANGE REVENUE BY MAJOR PROGRAM

As of September 30 (\$ in millions)	2020	2019
Operations, Readiness & Support		
Gross Cost	\$158,662.3	\$38,609.9
Less: Earned Revenue	(46,593.0)	(45.7)
Net Program Costs	<u>112,069.3</u>	<u>38,564.1</u>
Consolidated		
Gross Cost	158,662.3	38,609.9
Less: Earned Revenue	(46,593.0)	(45.7)
Total Net Cost	<u><u>\$112,069.3</u></u>	<u><u>\$38,564.1</u></u>

OTHER DISCLOSURES

The Statement of Net Cost (SNC) represents the net cost of programs and organizations of the Department supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. Intragovernmental costs and revenue represent transactions between two reporting entities within the Federal Government. Public costs and exchange revenues are transactions made between the reporting entity and a nonfederal entity.

The Department's current processes and systems capture costs based on appropriation groups as presented in the schedule above. The lower level costs for major programs are not presented as required by the Government Performance and Results Act of 1993 (GPRA). The Department is in the process of reviewing available data and developing a cost reporting methodology required by SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government as amended by SFFAS No. 55, "Amending Inter-Entity Cost Provisions."

The systems utilized by the SAA do not fully meet accounting standards. Information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items, such as payroll expenses and accounts payable. The Department's 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 of 1993 (GPRA). The Department is in the process of reviewing available data and developing a cost reporting methodology as required by the Statement of Federal Financial Accounting Standards (SFFAS) 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," as amended by SFFAS 30, "Inter-entity Cost Implementation."

Additionally, these systems do not track intragovernmental transactions by a customer at the transaction level. The FMS Trust Fund adjusts expenses by reclassifying amounts between federal and nonfederal expenses and accruing additional payables and expenses. Intradepartmental revenues and expenses are then eliminated.

NOTE 20: DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

RECONCILIATION DIFFERENCES

STATEMENT OF BUDGETARY RESOURCES TO THE STATEMENT OF CHANGES IN NET POSITION

The Appropriations on the SBR does not agree with the Appropriations Received on the Statement of Changes in Net Position. The difference of \$3.57 million is attributed to temporary reductions in the Foreign Military Sales Trust Fund as well as the transfers for International Military Education & Training and the Foreign Military Financing Grant account.

TABLE 20A: RECONCILIATION OF APPROPRIATIONS ON THE STATEMENT OF BUDGETARY RESOURCES TO APPROPRIATIONS RECEIVED ON THE STATEMENT OF CHANGES IN NET POSITION

As of September 30 (\$ in billions)	2020	2019
Appropriations, Statement of Budgetary Resources	\$6,266.3	\$7,322.0
Permanent and Temporary Reductions	(415.0)	(542.7)
Contract Authority	474.6	1,552.4
Transfers	(63.2)	21.0
OMB Rescission	-	(11.0)
Total Reconciling Difference	(3.6)	1,019.6
Appropriations Received, Statement of Changes in Net Position	<u>\$6,269.8</u>	<u>\$6,302.4</u>

NOTE 21: DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

There were no material adjustments during FY 2019 to the budgetary resources available at the beginning of the year.

TERMS OF BORROWING AUTHORITY USED

The Department utilizes borrowing authority for the Foreign Military Financing (FMF) Initiatives. Borrowing authority is used in compliance with OMB Circular No. A-129. See Note 7, *Direct Loans and Loan Guarantees, Non-Federal Borrower*, for additional information related to FMF.

TABLE 21A: AVAILABLE BORROWING/CONTRACT AUTHORITY

As of September 30 (\$ in millions)	2020	2019
Available Borrowing and Contract Authority at End of the Period	\$-	\$-

TABLE 21B. BUDGETARY RESOURCES OBLIGATED FOR UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30 (\$ in millions)	2020	2019
Intragovernmental		
Unpaid		
Prepaid / Advanced		
Total Intragovernmental	\$ -	\$ -
Non-Federal		
Unpaid	\$55,335.9	\$183,956.2
Prepaid / Advanced	\$101.9	\$38,390.0
Total Non-Federal	\$55,437.7	\$222,346.2
Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$55,437.7	\$222,346.2

LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES

A portion of the SAA's unobligated balances represent trust fund receipts collected in the current fiscal year exceeding the amount needed to pay benefits or other valid obligations. These receipts are temporarily precluded from obligation by law due to a benefit formula or other limitation. The receipts, however, are assets of the funds and are available for obligation in the future. The SAA operates within the constraints of fiscal law and has no additional legal arrangements affecting the use of unobligated balances.

NOTE 21: DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES (CONTINUED)

EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

Differences between the SBR and the Budget of the U.S. Government is attributed to Appropriated Receipts in the Foreign Military Sales Trust Fund as well as the transfers for International Military Education & Training and the Foreign Military Financing Grant account. In addition, SAA began ingesting all feeder system data into the trial balances and financial statements. As the SAA continues to assess data, reporting and accounting treatment of various Security Assistance transactions may change in future periods.

CONTRIBUTED CAPITAL

There was no infusion of capital received in FY 2020

NOTE 22: DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

The SAA has no disclosure related to Incidental Custodial Collections.

NOTE 23: FIDUCIARY ACTIVITIES

The SAA has no Fiduciary Activities

NOTE 24: RECONCILIATION OF NET COST TO NET OUTLAYS

TABLE 24: RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

As of September 30 (\$ in millions)	2020		
	Intragovernmental	With the Public	Total
Net Cost of Operations (SNC)	\$(454.0)	\$112,523.3	\$112,069.3
Components of Net Cost That are Not Part of Net Outlays			
Year-end credit reform subsidy re-estimates	\$-	\$61.1	\$61.1
Other	\$-	\$2.0	\$2.0
Increase/(decrease) in assets			
Accounts Receivable	\$99.8	\$(182.6)	\$(82.8)
Loans Receivable	\$-	\$2,537.6	\$2,537.6
Other Assets	\$-	\$(38,384.6)	\$(38,384.6)
Increase/(decrease) in liabilities			
Accounts Payable	\$438.7	\$43,106.6	\$43,545.3
Salaries and benefits	\$-	\$(58.2)	\$(58.2)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	\$(11.7)	\$(73,675.7)	\$(73,687.5)
Other Financing sources			
Federal employee retirement benefit costs paid by OPM and Imputed to the agency	-	-	-
Transfers out (in) without reimbursement	(1,244.1)	-	(1,244.1)
Total Components of Net Cost That Are Not Part of Net Outlays	(717.4)	(66,593.8)	(67,311.2)
Components of Net Outlays That Are Not Part of Net Cost			
Acquisition of inventory	-	635.0	635.0
Other	-	(38,222.2)	(38,222.2)
Total Components of Net Outlays That Are Not Part of Net Cost	-	(37,587.2)	(37,587.2)
Other Temporary Timing Differences	-	-	-
Net Outlays	(1,171.4)	8,342.4	7,171.0
Agencies Outlays, Net, Statement of Budgetary Resources			5,161.0
Reconciling Differences			2,010.0

NOTE 24: RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)

TABLE 24: RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS (CONTINUED)

As of September 30 (\$ in millions)	2019		
	Intragovernmental	With the Public	Total
Net Cost of Operations (SNC)	\$3,126.1	\$35,438.0	\$38,564.1
Components of Net Cost That are Not Part of Net Outlays			
Other	\$-	\$7.5	\$7.5
Increase/(decrease) in assets			
Accounts Receivable	\$-	\$0.0	\$0.0
Loans Receivable	\$-	\$358.0	\$358.0
Other Assets	\$-	\$15,632.8	\$15,632.8
Increase/(decrease) in liabilities			
Accounts Payable	\$19.9	\$(14,671.2)	\$(14,651.3)
Salaries and benefits	\$-	\$(0.3)	\$(0.3)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	\$(7.7)	\$54.4	\$46.7
Other Financing sources	\$-		
Transfers out (in) without reimbursement	\$24.7		\$24.7
Total Components of Net Cost That Are Not Part of Net Outlays	\$36.9	\$1,381.3	\$1,418.2
Components of Net Outlays That Are Not Part of Net Cost			
Acquisition of inventory	\$-	\$288.2	\$288.2
Other	\$(7.7)	\$(33,007.3)	\$(33,015.0)
Total Components of Net Outlays That Are Not Part of Net Cost	\$(7.7)	\$(32,719.1)	\$(32,726.8)
Other Temporary Timing Differences	\$-	\$-	\$-
Net Outlays	\$3,155.3	\$4,100.2	\$7,255.5
Agencies Outlays, Net, Statement of Budgetary Resources			\$6,855.8
Reconciling Differences			\$399.7

NOTE 24: RECONCILIATION OF NET COST TO NET OUTLAYS

(CONTINUED)

The Reconciliation of Net Cost to Net Outlays demonstrates the relationship between the Department's Net Cost of Operations, reported on an accrual basis on the Statement of Net Cost, and Net Outlays, reported on a budgetary basis on the Statement of Budgetary Resources. While budgetary and financial accounting are complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period. The accrual basis of financial accounting is intended to provide a picture of the Department's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by the Department. Outlays are payments to liquidate an obligation, other than the repayment to the Treasury of debt principal.

The Reconciling Difference is due to timing differences between the recognition of expenses/revenues and disbursements/collections on the Statement of Net Cost and Statement of Budgetary Resources. Additionally, the Department's diverse business events may be recorded using different, but equally valid, transaction scenarios. Research is on-going to resolve the remaining difference.

Per OMB Circular A-136, in the initial year of implementation, the disclosure requirements that were applicable in prior reporting periods are not required for comparative presentations.

NOTE 25: PUBLIC-PRIVATE PARTNERSHIPS

The SAA has no Public-Private Partnerships. Management is continuing ongoing efforts to determine if there any P3s that should be reported in the financial statements and related footnotes. As Management continues to assess the data, reporting and accounting treatment may change in future periods.

NOTE 26: DISCLOSURE ENTITIES AND RELATED PARTIES

The SAA has no disclosure entities or related parties. Management is continuing ongoing efforts to determine if there any should be reported in the financial statements and related footnotes. As Management continues to assess the data, reporting and accounting treatment may change in future periods.

NOTE 27: SECURITY ASSISTANCE ACCOUNTS

Note 27 is not applicable for the Security Assistance Accounts.

NOTE 28: RESTATEMENTS

The SAA has no restatements to report.

NOTE 29: COVID-19 ACTIVITY

The SAA has no COVID-19 Activity.

NOTE 30: SUBSEQUENT EVENTS

The SAA has no Subsequent Events to report.

NOTE 31: RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR COMPILATION IN THE U.S. GOVERNMENT-WIDE FINANCIAL REPORT

Agency financial statements, including the Department's, are included in the Financial Report of the U.S. Government (FR). The FY 2020 FR will be published by The Bureau of Fiscal Service upon its release.

To prepare the FR, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements.

The following tables display the relationship between each of the Department's financial statements (on the right side) and the Department's corresponding reclassified statements (on the left side) prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items.

"Non-Federal" transactions are with individuals, businesses, non-profit entities, and state, local, and foreign governments.

TABLE 31A: RECLASSIFICATION OF BALANCE SHEETAs of September 30
(\$ in millions)

Line Items Used to Prepare FY 2020 Government-wide BS			FY 2020 SAA Balance Sheet		
Line No.	Line Title	Adjusted Balance	Line Description	Amount	Difference
1	<u>Assets</u>				
2	<u>Non-Federal</u>				
2.1	Cash and Other Monetary Assets	\$34,094.7	Cash and other monetary assets (Note 4) Total	\$34,094.7 \$34,094.7	\$-
2.2	Accounts and Taxes Receivable, Net	\$(106.5)	Accounts receivable, net (Note 6) Total	\$(106.5) \$(106.5)	\$-
2.3	Loans Receivable, Net	\$2,407.1	Direct loan and loan guarantees receivable, net (Note 8) Total	\$2,407.1 \$2,407.1	\$-
2.4	Inventories and Related Property, Net	\$650.3	Inventory and related property, net (Note 9) Total	\$650.3 \$650.3	\$-
2.8	Other Assets	\$6,209.9	Other assets (Note 12) Total	\$6,209.9 \$6,209.9	\$-
2.9	Total Non-Federal Assets	\$43,255.5	Total Non-Federal Assets	\$43,255.5	
3	Federal				
3.1	Fund Balance With Treasury (RC 40)/1	\$42,697.7	Fund Balance with Treasury (Note 3) Total	\$42,697.7 \$42,697.7	\$-
3.4	Accounts Receivable, Capital Transfers (RC 12)/1	\$96.5	Accounts receivable, net (Note 6) Assets for Agency Custodial and Non-Entity Liabilities other than the General Fund of the U.S. Government Total	\$94.1 \$2.4 \$96.5	\$-
3.14	Total Federal Assets	\$42,794.2	Total Federal Assets	\$42,794.2	
4	Total Assets	\$86,049.7	Total Assets	\$86,049.7	
5	<u>Liabilities:</u>				
6	<u>Non-Federal</u>				

TABLE 31A: RECLASSIFICATION OF BALANCE SHEET (CONTINUED)

Line Items Used to Prepare FY 2020 Government-wide BS			FY 2020 SAA Balance Sheet		
Line No.	Line Title	Adjusted Balance	Line Description	Amount	Difference
6.1	Accounts Payable	\$1,525.3	Accounts payable Total	\$1,525.3 \$1,525.3	\$- \$-
6.3	Federal Employee and Veteran Benefits Payable	\$19.0	Federal employee and veteran benefits payable (Note 15) Total	\$19.0 \$19.0	\$- \$-
6.9	Other Liabilities	\$134,736.0	Other liabilities (Notes 17, 18, and 19) Total	\$134,736.0 \$134,736.0	\$- \$-
6.10	Total Non-Federal Liabilities	\$136,280.3	Total Non-Federal Liabilities	\$136,280.3	
7	Federal				
7.1	Accounts Payable (RC 22)/1	\$572.3	Accounts payable Total	\$572.5 \$572.5	\$(0.2) \$(0.2)
7.6	Loans Payable (RC 17)/1	\$1,756.5	Debt associated with loans (Note 14) Total	\$1,756.5 \$1,756.5	\$- \$-
			Total Must Tie to Adjusted Balance		
7.13	Other Liabilities (RC 30)/1	\$683.5	Liability to the General Fund of the U.S. Government for custodial and Total	\$683.5 \$683.5	\$- \$-
7.14	Total Federal Liabilities	\$3,012.3	Total Federal Liabilities	\$3,012.5	
8	Total Liabilities	\$139,292.6	Total Liabilities	\$139,292.8	
9	Net Position:				
9.2	Net Position - Funds Other Than Those From Dedicated Collections	\$(53,463.0)	Unexpended appropriations - Funds other than those from Dedicated Collections Cumulative results of operations - Funds other than those from Dedicated Collections Total	\$7,244.4 \$(60,487.5) \$(53,243.1)	\$(219.9)
10	Total Net Position	\$(53,463.0)	Total Net Position	\$(53,243.1)	
11	Total Liabilities and Net Position	\$85,829.6	Total Liabilities and Net Position	\$86,049.7	

For Federal Accounts Payables, SAA elimination transactions were incorrectly reported in GTAS causing a \$200 thousand variance due to improper reporting from feeder accounting systems.

Refer to table 31C for more information regarding variances identified for Cumulative Results of Operations - Funds other than those from Dedicated Collections.

TABLE 31B: RECLASSIFICATION OF STATEMENT OF NET COST

As of September 30 (\$ in millions)				
Line Items Used to Prepare FY 2020 Government-wide SNC			FY 2020 SAA Statement of Net Costs	
Line No.	Line Title	Adjusted Balance	Line Description	Amount
1	Gross Costs			
				\$155,332.6
2	Non-Federal Gross Cost	\$155,332.6	Total	\$155,332.6
6	Total Non-Federal Gross Cost	\$155,332.6	Total Non-Federal Gross Cost	\$155,332.6
7	Federal Gross Cost			
			Buy/sell cost (RC24) /2	\$3,282.2
7.3	Buy/Sell Cost (RC24)/2	\$3,245.0	Total	\$3,282.2
			Borrowing and Other Interest Expense (RC 05)	\$47.5
7.6	Borrowing and other interest expense (RC05) / 2	\$47.5	Total	\$47.5
8	Total Federal Gross Cost	\$3,292.5	Total Federal Gross Cost	\$3,329.7
9	Department Total Gross Cost	\$158,625.1	Department Total Gross Cost	\$158,662.3
10	Earned Revenue			
			Non-Federal Earned Revenue	\$42,809.3
11	Non-federal earned revenue	\$42,809.3	Total	\$42,809.3
12	Federal Earned Revenue			
			Buy/Sell Revenue (exchange) (RC 24)	\$3,775.7
12.2	Buy/Sell Revenue (exchange) (RC24) /2	\$3,775.3	Total	\$3,775.7
			Borrowing and other interest revenue (exchange) (RC 05) /2	\$8.0
12.5	Borrowing and other interest revenue (exchange) (RC 05) / 2	\$8.0	Total	\$8.0
13	Total Federal Earned Revenue	\$3,783.3	Total Federal Earned Revenue	\$3,783.70
14	Department Total Earned Revenue	\$46,592.6	Department Total Earned Revenue	\$46,593.00
15	Net Cost of Operations	\$112,032.5	Net Cost of Operations	\$112,069.28

For Federal Gross Costs and Federal Earned Revenue, SAA elimination transactions were incorrectly reported in GTAS causing a \$36.75 million variance due to improper reporting from feeder accounting systems.

TABLE 31C: RECLASSIFICATION OF STATEMENT OF CHANGES IN NET POSITION

As of September 30
(\$ in millions)

Line Items Used to Prepare FY 2020 Government-wide SCNP			FY 2020 SAA Statement of Changes in Net Position		
Line No.	Line Title	Adjusted Balance	Line Description	Amount	Difference
1	Net position, beginning of period	\$12,829.9	Total	\$12,829.9	-
4	Net position, beginning of period - adjusted	\$12,829.9	Net position, beginning of period - adjusted	\$12,829.9	
5	Non-Federal Nonexchange Revenue:				
5.7	Other Taxes and Receipts	\$38,343.1	Other Taxes and Receipts	\$38,343.1	
			Total	\$38,343.1	\$-
5.9	Total Non-Federal Nonexchange Revenue	\$38,343.1	Total Non-Federal Nonexchange Revenue	\$38,343.1	
6	Federal Nonexchange Revenue:				
6.2	Borrowings and Other Interest Revenue (Non-exchange) (RC 05) /1	\$61.1	Borrowings and Other Interest Revenue (Non-exchange) (RC 05)	\$61.1	
			Total	\$61.1	-
6.8	Borrowings and Other Interest Revenue (Non-exchange) (RC 05)	\$8.5	6.8 Accruals for the Entity Amounts to be Collected in a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)	\$8.5	
			Total	\$8.5	-
6.5	Total Federal Nonexchange Revenue	\$69.6	Total Federal Nonexchange Revenue	\$69.6	
7	Budgetary Financing Sources:				
7.1	Appropriations Received As Adjusted (Rescissions and Other Adjustments) (RC 41) /1	\$6,125.3	Appropriations Received As Adjusted (Rescissions and Other Adjustments) (RC 41) /1	\$6,125.3	
			Total	\$6,125.3	\$-
7.2	Appropriations Used (RC 39)	\$5,799.3	Appropriations Used (RC 39)	\$5,799.3	
			Total	\$5,799.3	-
7.3	Appropriations expended (RC 38) /1	\$5,799.3	Appropriations expended (RC 38) /1	\$5,799.3	
			Total	\$5,799.3	\$-

TABLE 31C: RECLASSIFICATION OF STATEMENT OF CHANGES IN NET POSITION (CONTINUED)

Line Items Used to Prepare FY 2020 Government-wide SCNP			FY 2020 SAA Statement of Changes in Net Position		
Line No.	Line Title	Adjusted Balance	Line Description	Amount	Difference
7.6	Non-expenditure Transfers-In of Unexpended Appropriations and Financing Sources (RC 08) /1	\$-	Non-expenditure Transfers-In of Unexpended Appropriations and Financing Sources (RC 08) /1 Total	\$7,895.9	(7,895.9)
7.7	Non-expenditure transfers-Out of unexpended appropriations and financing sources (RC 08) /1	\$-	Non-expenditure transfers-Out of unexpended appropriations and financing sources (RC 08) /1 Total	\$7,673.3	(7,673.3)
7.8	Expenditure transfers-in of financing sources (RC 09) / 1	\$1,263.0	Expenditure transfers-in of financing sources (RC 09) /1 Total	\$1,305.3	(42.3)
7.11	Non-expenditure transfers-out of financing sources - capital transfers (RC 11)	\$-	Non-expenditure transfers-out of financing sources - capital transfers (RC 11) Total	\$7.5	\$(8)
7.20	Total budgetary financing sources	\$7,388.3	Total budgetary financing sources	\$7,645.7	
8	Other Financing Sources:				
8.2	Transfers-Out Without Reimbursement (RC 18) /1	\$61.1	Transfers-out without reimbursement (RC 18) /1 Total	\$61.1	\$-
8.11	Total Other Financing Sources	\$(61.1)	Total Other Financing Sources	\$(61.1)	
9	Net Cost of Operations (+/-)	\$112,032.0	Net Cost of Operations (+/-)	\$112,069.3	
10	Ending Net Position Balance	\$(53,462.2)	Ending Net Position Balance	\$(53,242.1)	

Elimination entries for Non-expenditure Transfers in and out of Unexpended Appropriations and Financing Sources were incorrectly reported in GTAS, causing a net variance of \$222.6 million due to improper reporting from feeder accounting systems.

Elimination entries for Expenditure and Non-Expenditure transfers of Financing Sources were incorrectly reported in GTAS, causing a net variance of \$1,297.8 million due to improper reporting from feeder accounting systems.