

***DEFENSE SECURITY
ASSISTANCE AGENCY***

***CHIEF FINANCIAL OFFICER
FY 1997
ANNUAL FINANCIAL
STATEMENT***

***AS OF
30 SEPTEMBER 1997***

FEBRUARY 27, 1998

**DEFENSE SECURITY
ASSISTANCE AGENCY**

FY 1997 ANNUAL FINANCIAL STATEMENT

RECORD OF PAGE CHANGES

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**DEFENSE SECURITY
ASSISTANCE AGENCY**

FY 1997 ANNUAL FINANCIAL STATEMENT

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**DEFENSE SECURITY
ASSISTANCE AGENCY**

**FY 1997 ANNUAL FINANCIAL
STATEMENT**

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***DEFENSE SECURITY
ASSISTANCE AGENCY***

PART I

OVERVIEW

OF THE

REPORTING ENTITY

Overview

**FY 1997 ANNUAL FINANCIAL STATEMENT
DEFENSE SECURITY ASSISTANCE AGENCY**

PART I - OVERVIEW OF THE REPORTING ENTITY

A. OVERVIEW

The Secretary of Defense designated the Defense Security Assistance Agency (DSAA) as the administrator of the security assistance program. Program responsibilities are defined and authorized by the Foreign Assistance Act (FAA), of 1961 as amended; the Arms Export Control Act (AECA), as amended, and other applicable statutes, Executive Orders, and Directives.

The security assistance program is executed by the DoD components, primarily the Army, Navy, Air Force, and DLA, based on guidance from DSAA contained in DoD 5105.38-M, (Security Assistance Management Manual). Execution is the providing of DoD articles, services and training to eligible friends and allies from internal resources and/or from contractors.

DSAA works closely with other DoD components to develop a coherent strategy with respect to conventional arms transfers. The laws, policies, regulations and procedures governing the current U.S. system of arms export controls are continually reviewed to determine changes necessary to enhance their relevance to post cold war realities. As the DoD focal point for administering the multi-billion dollar security assistance program, DSAA is uniquely qualified to advise senior DoD policy makers on security assistance matters.

DSAA provides essential leadership in maintaining the bridge between foreign national security assistance requirements and maintenance of U.S. production capability. The continued long-term operation of numerous production and rebuild lines for major items of defense equipment are heavily impacted by, or dependent on, continued international security agreements.

SECURITY ASSISTANCE DEFINED

Security assistance is comprised of a series of programs that allow friends and allies to acquire U.S. articles, services and training for legitimate self-defense and for participation in multinational security efforts. The principal components of security assistance are Foreign Military Sales (FMS), Foreign Military Financing (FMF), International Military Education and Training (IMET), and transfer of Excess Defense Articles (EDA). Presidentially directed drawdowns of defense assets may also be used to address urgent requirements for military assistance. The structure of each program provides the capability to respond to the needs of friends and allies by addressing their legitimate security concerns, while promoting U.S. foreign policy and national security interests. DSAA also has managerial and administrative responsibility for the Foreign Military Financing Program Account (FMFPA); the Foreign Military Loan Liquidating Account (FMLLA); the Foreign Military Financing Direct Loan Financing Account (FMFDLFA); the former Guaranty Reserve Fund (GRF) and the Special Defense Acquisition Fund (SDAF).

As an integral part of peacetime engagement, security assistance programs contribute to U.S. national security by enhancing deterrence, encouraging defense responsibility sharing among friends and allies, supporting U.S. readiness, and increasing interoperability among potential coalition partners. By providing visible proof of commitment to U.S. interests and support for friends and allies, security assistance is a critical element of U.S. forward presence. Transfers of U.S. defense equipment and training help security partners defend against possible aggression and strengthen their ability to fight alongside U.S. forces in coalition efforts. Security assistance raises the odds that U.S. forces will find effective coalition partners and a relatively favorable situation should a U.S. response be required.

A brief description of programs listed above follows:

INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET) (ACCOUNT 1081)

The IMET Program is a low cost grant program (\$43.475 million in FY 1997) that has provided professional military education and training to more than 5,000 foreign military and civilian personnel from over 100 countries annually. Over half a million foreign personnel have been trained through IMET sponsorship over the past three decades. By attending IMET sponsored courses and programs in the U.S., future leaders of foreign defense and related establishments are exposed to U.S. values, including regard for human rights, democratic institutions, and the role of a professional military under civilian control.

To meet the challenges posed by recent transitions to democracy in countries throughout the world, IMET has been expanded to include programs focusing on human rights, defense resource management, military justice, and civil-military relations. The IMET program remains one of DoD's highest priority military assistance programs. It is one of the least costly and most effective programs for maintaining U.S. influence and assisting countries in their transition to functioning democracies. Performance Measures are shown in Part I, Section B.

FOREIGN MILITARY FINANCING GRANTS (FMF) (ACCOUNT 1082)

FMF is the U.S. Government program for financing U.S. defense sales to selected friends and allies, generally through the FMS program. Congress appropriates funds in the International Affairs budget, OMB apportions the funds with the Department of State's approval, for eligible friends and allies, and the Department of Defense executes the program. FMF grants in FY 1997 totaled \$3.210 billion. Of the FY 1997 amount, \$3.1 billion was provided to Israel and Egypt. Of the remainder, funding was provided to support the Warsaw Initiative, finance the lease of F-16s by Jordan, promote regional security in the Caribbean, foster democratic development in Cambodia, and establish the Africa Crisis Response Initiative. Specifically, countries participating in the Partnership for Peace (PFP) received funding under the Warsaw Initiative to help them take necessary steps toward interoperability with NATO and participation in the PFP exercises. In addition to the \$3.210 billion of FY 1997 FMF grants to foreign nations, \$23 million of administrative funds were appropriated and apportioned to the FY 1997 FMF Grant account for a total budget authority of \$3.233 billion. The Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) appropriation transferred \$56 million to FMF (1082) for demining and anti-terrorism grants. With this transfer, there was \$3.289 billion of budgetary resources in the FMF (1082) Grant Account. Performance indicators are shown in Part I, Section B.

MILITARY TO MILITARY CONTACT PROGRAM (MMCP) (ACCOUNT 1084)

The Administration did not request funding for the MMCP in FY 1997. MMCP type activities will be continued in the future as part of a broader program of traditional CINC military-to-military programs, outside of security assistance channels. Since there were no funds appropriated in FY 1997, there are no performance indicators.

Overview

ASSISTANCE FOR RELOCATION OF FACILITIES IN ISRAEL (ACCOUNT 1088)

This account was established by the Foreign Assistance Act of 1961, as amended, to construct air bases in Israel for the Government of Israel in the amount not to exceed \$800 million of appropriated funds. The balance of the funding was from Israel's FMF grants. The final close-out of this project is near completion. The Army Corps of Engineers (ACOE), negotiated a favorable settlement with Management Support Associates (MSA) and the Nahal Hotel. The ACOE has advised that once MSA accepts the final contract modification, all funds remaining on the contract will be returned to the Israeli Trust Fund. We expect all remaining funds to be returned and final close-out actions to be completed in FY 1998.

UNANTICIPATED NEEDS FOR DEFENSE OF ISRAEL AGAINST TERRORISM (ACCOUNT 1089)

This account was established by Congress in 1996 and authorized \$50.0 million for defense of Israel against terrorism. Since these funds were appropriated and immediately obligated and disbursed in 1996, there are no performance measures.

SPECIAL DEFENSE ACQUISITION FUND (SDAF) (ACCOUNT 4116)

SDAF is a revolving fund established by the International Security and Development Cooperation Act of 1981 to acquire defense articles and services in anticipation of subsequent sale through FMS to national governments and international organizations. The SDAF account is replenished from the proceeds of sales of articles purchased by the account. SDAF performance measurements are presented in the overview and in the supplemental section of this report. The Administration decided to phase out the SDAF program beginning in FY 1994 and use incoming sales receipts to offset high priority requirements in foreign affairs appropriations. Due to the decapitalization of the fund, \$166 million was returned to the U.S. Treasury (Revolving Fund Capital Transfer Account, 112814) in FY 1997, compared to \$322.0 million in FY 1996. Performance measures are shown in Part I.

GUARANTY RESERVE FUND (GRF) (ACCOUNT 4121)

This account was established by Congress to provide a guaranty against country loan arrearages or defaults on the repayment of loans due to the FFB and commercial banks. The nature and purpose of this account was changed on October 1, 1991, by implementation of the Credit Reform Act. It has now been replaced by the FMLLA (Account 4121).

FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT (FMLLA) (ACCOUNT 4121)

This account was established under Credit Reform Act. Consolidated into this symbol were all assets, liabilities, and equities for loan balances previously recorded in accounts 11*1082, 11M1083, 11M1084, and 11X4121. This account disburses loan funds previously made available and accounted for under the above accounts. FMLLA performance measurements are shown in Part I.

During FY 1997, the FMLLA had reimbursements of \$239.8 million, consisting of \$198.9 million of receipts on FFB guaranteed FMF loans, and \$40.9 million of reimbursements on defaulted and rescheduled guaranteed FMF loans. The \$198.9 million was transferred to the FFB, and the \$40.9 million of reimbursements on defaulted and rescheduled loans was partially reused to offset the \$48.2 million of new defaults paid to lenders covered by DoD guarantees.

FOREIGN MILITARY FINANCING PROGRAM ACCOUNT (FMFPA) (ACCOUNT 1085)

This account is reported as part of the FMF Direct Loan Financing Account (FMFDLFA). The following narrative is provided to reflect its relationship to the FMFDLFA. The FMFPA, (Account 1085), was established by the Credit Reform Act as an appropriated fund account to provide the funding necessary to finance the subsidy element of the loan program. Expenditures from this account finance the subsidy element of direct loan disbursements and are transferred into the FMFDLFA to make the required loan disbursements for approved FMS or commercial sales. Management has taken action to establish performance indicators for this account. (See the overview and supplemental sections for FMFDLFA performance measures.)

FOREIGN MILITARY FINANCING DIRECT LOAN FINANCING ACCOUNT (FMFDLFA) (ACCOUNT 4122)

This account was established under the Credit Reform Act. The account provides the methodology for disbursing Foreign Military Loan funds for approved procurements and for subsequent collection of debt service due for the loans. The account uses permanent borrowing authority from the Treasury, combined with transfers of appropriated funds from account 1085 to make the required payments for loan recipient countries for their FMS or commercial procurements. Receipts of debt service payments from borrowers are used to repay the Treasury. FMFDLFA performance measurements are shown in the overview and in the supplemental section of this report.

Overview

MILITARY DEBT REDUCTION ACCOUNT (MDRFA) (ACCOUNT 4174)

This account was established for the debt relief of certain countries as established by Public Law 103-87. The Military Debt Reduction account buys the portfolio of loans from the Foreign Military Loan Liquidating Account (4121), thus transferring the loans from 4121 to 4174. OMB has apportioned the funds for the relief of Niger, Senegal and Haiti. In FY 1994-95, the United States signed bilateral agreements committing to 50 percent debt reduction for Niger, and to 67 percent debt reduction for Senegal and Haiti. The total funding for the three countries in the account equals \$3,837,327, which represents the net present value of expected payments (post forgiveness) as calculated by OMB and Treasury.

FOREIGN MILITARY SALES (FMS) TRUST FUND (ACCOUNT 8242)

This account was established as a means of facilitating the purchase of U.S. defense articles and services by friends and allies, as authorized in the AECA. The FMS Trust Fund provides a vehicle through which the United States Government manages national funds required for payments to U.S. contractors for new procurement, and to DoD components for sales of DoD articles and services. The performance measurements in the overview and the performance indicators in the supplemental section are indicative of the FMS business process.

Responsible arms sales further national security and foreign policy objectives by strengthening U.S. bilateral defense relations and supporting coalition building. National benefits derived from these sales include an improved balance of trade and sustainment of highly skilled jobs. DoD benefits from FMS through extension of production lines and lowering of unit costs for key weapon systems, (M1A2 tank, F-16 aircraft, AH-64 (Apache) helicopters, F/A-18 aircraft).

The role of the USG, and therefore DSAA, is to respond to requests for purchases. As such, we don't link a certain level of sales (or most other financial measurements) to the effective accomplishment of the Agency's mission.

Sales for the last five years are as follows: (Source: DSAA 1200 System)

FISCAL YEAR	SALES IN BILLIONS
1997	8.8
1996	10.5
1995	9.1
1994	12.9
1993	33.2

EXCESS DEFENSE ARTICLES (EDA)

EDA is the quantity of defense articles (other than construction equipment) that is in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock levels at the time such articles are dropped from the DoD inventory. Such articles may be sold to eligible countries and international organizations under the FMS program, or transferred on a grant basis under the provisions of Sections 516 of the FAA. EDA transfers of \$306.0 million were made during FY 1997, compared to \$885.5 million in FY 1996 and \$504.0 million in FY 1995. Australia, Jordan, Israel, Greece, and Morocco were the largest recipients of EDA during FY 1997.

EMERGENCY DRAWDOWN AUTHORITIES

Section 506, FAA authorizes the President, on a grant basis, to draw down defense articles from DoD inventories and provide defense articles to national governments and international organizations in response to military emergencies or to provide assistance for international narcotics control, international disaster relief, or refugee assistance. In FY 1997, Section 506 FAA drawdowns for narcotics control efforts totaled \$ 56 million. A drawdown of equipment and supplies totaling \$10 million was provided to support the repatriation of Kurdish refugees from Northern Iraq to the U.S. Section 552, FAA authorizes the President, on a grant basis, to draw down defense articles from DoD inventories and provide defense articles to national governments and international organizations to support Peacekeeping Operations. Under 552, a drawdown of equipment and associated support totaling \$4 million was provided for the Turcoman Cease-Fire Monitoring Force.

PEACEKEEPING

The number of situations requiring peacekeeping operations has risen dramatically in the past few years. The elements of security assistance can provide support to peacekeeping operations in a variety of ways. Defense articles and services may be provided to individual countries or international organizations participating in selected regional peacekeeping operations through security assistance sale and lease programs or grant authorities. During FY 1997, defense articles and services were provided to nations for the African Crisis Response Initiative, the Baltic Peacekeeping Battalion, the Frontline States Program, and the Nonproliferation, Anti-terrorism, Demining and Related (NADR) Program.

Overview

ACCOUNTING RESPONSIBILITIES FOR THE FUNDS

Since March 7, 1993 the Defense Finance and Accounting Service (DFAS), Denver Center, Deputate for Security Assistance (DFAS-DE/I), provides centralized accounting and related financial reporting services for DSAA.

REPORT PREPARATION

The financial statements have been prepared to report the financial position and results of operation of the reporting entity, pursuant to the requirements of the CFO Act of 1990. While the financial statements have been prepared from the books and records of the entity, as maintained by DFAS-DE/I, in accordance with the formats prescribed by OMB, the statements are different from the financial statements used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a Federal entity, that unfunded liabilities reported in the financial statements cannot be liquidated without the enactment of an appropriation, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. DSAA is included in the DoD Five Year Financial Management Plan. This report does not identify any separate funding requirements.

SUMMARY

Changes in the post Cold War international security environment continue to provide challenges for the security assistance programs. In many aspects, the security assistance mission has grown in scope and complexity with the expanded involvement of DoD in regional policy issues and coalition defense and with the growth of high visibility, “non-traditional” security assistance efforts in support of peacekeeping and demining. An effective security assistance program, supporting U.S. national security interests and foreign policy objectives will remain a key part of U.S. security strategy. Tables 1-1 through 1-6 illustrate FMS activity for FYs 1992 through 1997. Table 1-7 provides an overview of program dollar value by fiscal year.

FMS TRUST FUND ACTIVITY

TABLE 1-1

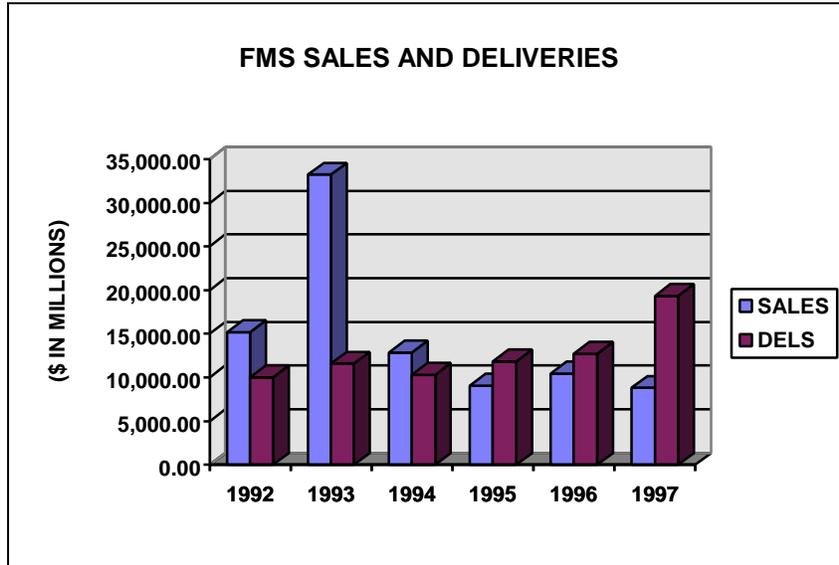


TABLE 1-2

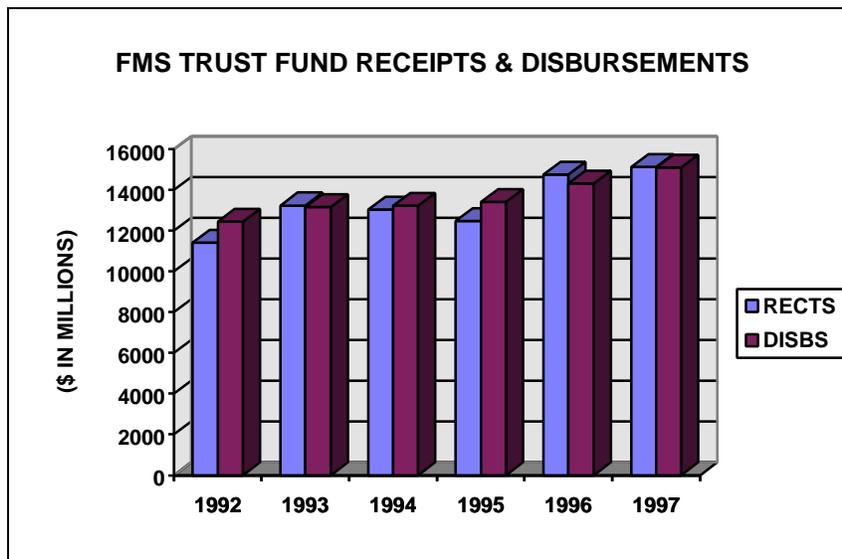


TABLE 1-3

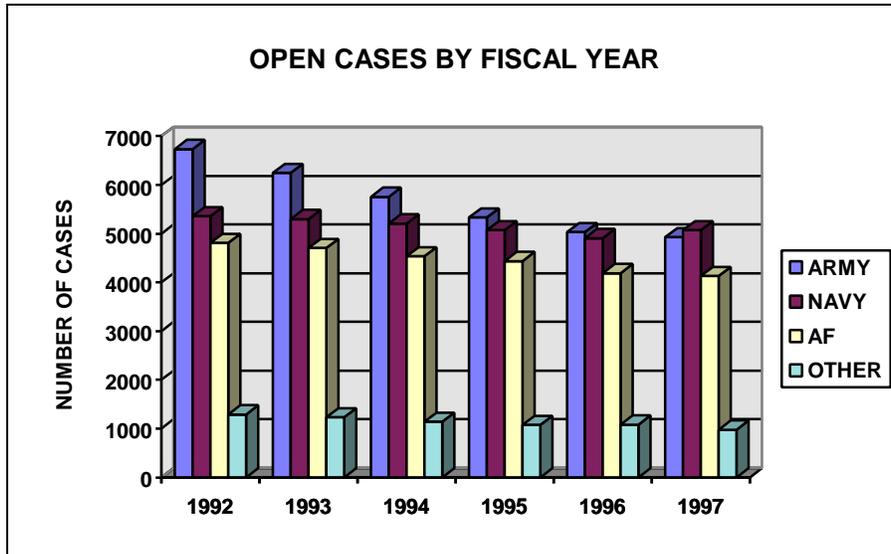


TABLE 1-4

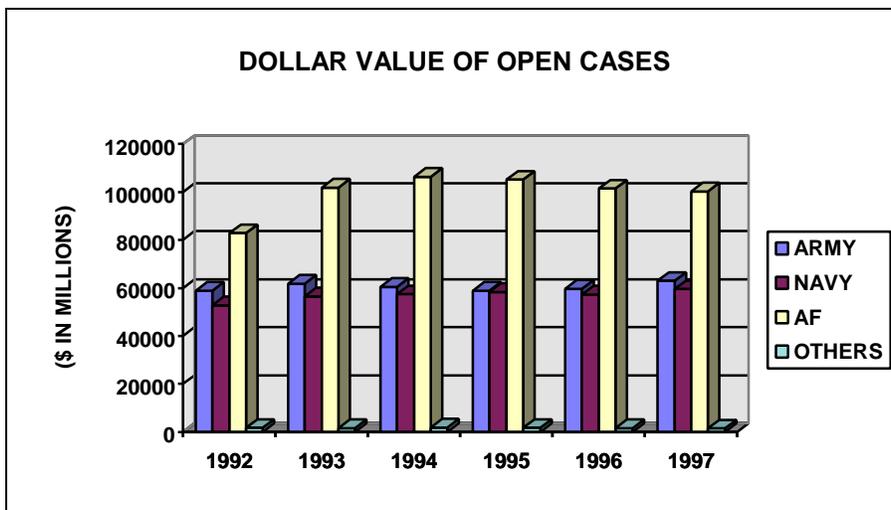


TABLE 1-5

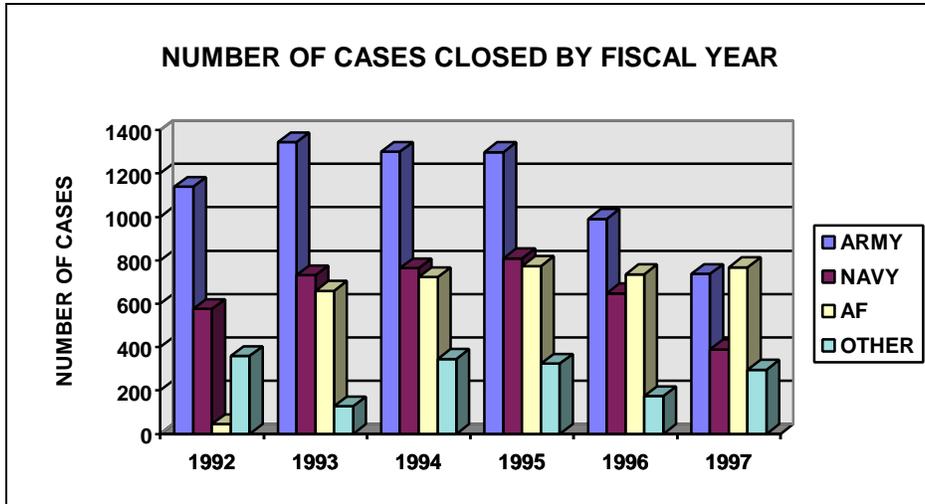
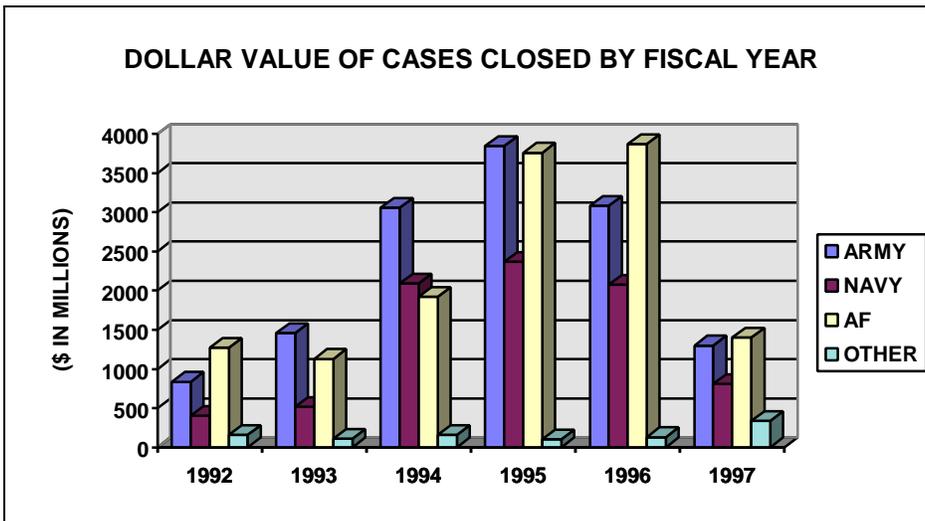


TABLE 1-6



Overview

TABLE 1-7
SECURITY ASSISTANCE PROGRAMS BY FISCAL YEAR

PROGRAM	FY 1993 ACTUAL	FY 1994 ACTUAL	FY 1995 ACTUAL	FY 1996 ACTUAL	FY 1997 ACTUAL	FY 1998 EST.
FMS (\$ B)	33.0	12.9	9.1	10.5	8.8	8.9 ^a
FMF GRANTS (\$ B) ^h	3.27	3.15	3.15	3.29	3.23 ^e	3.34 ^a
FMF LOANS (\$M) ^g	855.0	769.5	557.7	544.0	297.5	200.0 ^a
IMET (\$M)	42.5	22.25	26.35 ^b	39.0	43.5	50.0 ^a
EDA (GRANTS (\$M) ^c	290.0	170.0	308.0	615.0	237.0	^d
EDA SALES (\$M) ^c	88.0	97.0	196.0	270.0	69.0	^d
FMF DIRECT LOAN SUBSIDY (\$M)	137.0	38.2	42.7	59.4	60.0 ^f	^d

^a Estimated

^b IMET for FY 1995 includes \$850K transferred from Voluntary Peacekeeping Account

^c EDA figures reflect current value

^d EDA transfers are not projected for future years

^e In addition to the \$3.23 billion of FMF grants, \$56.5 million of Nonproliferation, Anti-Terrorism, Demining and Related Programs grants were obligated in the FMF Grant Account

^f In addition to the \$60 million subsidy for FY97 loans, \$24.3 million of permanent indefinite authority was obligated for upward subsidy reestimates

^g The amounts listed do not include obligations for interest paid to Treasury nor downward subsidy reestimates

^h Amounts include FMF administrative costs

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**INTERNATIONAL MILITARY EDUCATION AND TRAINING,
ACCOUNT 1081:**

FINANCIAL: Financial Performance

THOUSANDS (\$ X 000)

FY 1997 END OF YEAR POSITION	<u>TOTAL</u>
Assets	38,709.0
Liabilities	<u>11,240.0</u>
Equity	27,469.0
Current Ratio (Current Assets to Current Liabilities)	3.4:1
 FY 1996 END OF YEAR POSITION	 <u>TOTAL</u>
Assets	32,464.0
Liabilities	<u>10,383.0</u>
Equity	22,081.0
Current Ratio (Current Assets to Current Liabilities)	3.1:1

NARRATIVE:

This performance measure compares assets to liabilities. For a breakout of the FY 1997 Liabilities amount see the "Statement of Financial Position" for 11X1081 in Part II and Footnote 17.B. This fund has more than enough assets to cover its liabilities. The FY 1996 amounts are presented for comparison.

SOURCE:

General Ledger.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

INTERNATIONAL MILITARY EDUCATION AND TRAINING, ACCOUNT 1081:

FINANCIAL: Operating Costs

THOUSANDS (\$ X 000)

FY 1997 End of Year Position	<u>TOTAL</u>
Net Operating Costs:	
Revenues and Reimbursements	34,672.0
Less: Total Expenses and Losses	<u>34,672.0</u>
Results of Operations (Gain)	0.0
FY 1996 End of Year Position	<u>TOTAL</u>
Net Operating Costs:	
Revenues and Reimbursements	31,028.0
Less: Total Expenses and Losses	<u>31,028.0</u>
Results of Operations (Gain)	0.0

NARRATIVE:

This performance measure presents the annual results of operation. All appropriated capital was used for grants for IMET training.

SOURCE:

Statement of Operation and Changes in Net Position.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**INTERNATIONAL MILITARY EDUCATION AND TRAINING,
ACCOUNT 1081:**

OPERATING RESULTS: Reimbursement of DoD for Articles and Services

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
COLLECTIONS	0.0
DISBURSEMENTS	33,815.0
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
COLLECTIONS	0.0
DISBURSEMENTS	30,003.6

NARRATIVE:

This performance measure presents the annual receipts and outlays for the fund. There are no collections, all funds are appropriated. Disbursements were to commercial contractors or DoD agencies, through grants to various countries. The FY 1996 amounts are presented for comparison.

SOURCE:

General Ledger and September 1997 SF 133 (Report on Budget Execution).

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

INTERNATIONAL MILITARY EDUCATION AND TRAINING, ACCOUNT 1081:

FINANCIAL: Financial Condition

	THOUSANDS (\$ X 000)	
FY 1997 YEAR END POSITION		<u>TOTAL</u>
ASSETS		
Cash/Fund Balance with Treasury		38,709
Inventory		0
Advances and Prepayments		0
Accounts Receivable, Federal		<u>0</u>
TOTAL ASSETS		38,709
LIABILITIES		
Accounts Payable, Non-Federal		11,240
Other Liabilities		0
Accounts Payable, Federal		<u>0</u>
TOTAL LIABILITIES		11,240
Current Ratio (Current Assets to Current Liabilities)		3.4:1
FY 1996 YEAR END POSITION		<u>TOTAL</u>
ASSETS		
Cash/Fund Balance with Treasury		32,418
Inventory		0
Advances and Prepayments		46
Accounts Receivable, Federal		<u>0</u>
TOTAL ASSETS		32,464
LIABILITIES		
Accounts Payable, Non-Federal		10,383
Other Liabilities		0
Accounts Payable, Federal		<u>0</u>
TOTAL LIABILITIES		10,383
Current Ratio (Current Assets to Current Liabilities)		3.1:1

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**INTERNATIONAL MILITARY EDUCATION AND TRAINING,
ACCOUNT 1081:**

FINANCIAL: Financial Condition (Continued)

NARRATIVE:

This performance measure shows the year end position of this fund. All assets and liabilities are considered "current" and there are no "long term" accounts. The Fiscal Year (FY) 1996 amounts are presented for comparison.

SOURCE:

General Ledger.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

INTERNATIONAL MILITARY EDUCATION AND TRAINING, ACCOUNT 1081:

FINANCIAL CONDITION: Assets to Liabilities Ratio

THOUSANDS (\$ X 000)		
FY 1997 END OF YEAR POSITION		<u>TOTAL</u>
Assets		38,709
Liabilities		<u>11,240</u>
Equity		27,469
Assets to Liabilities Ratio	3.40:1	
FY 1996 END OF YEAR POSITION		<u>TOTAL</u>
Assets		32,464
Liabilities		<u>10,383</u>
Equity		22,081
Assets to Liabilities Ratio	3.13:1	

NARRATIVE:

This performance measure represents the asset to liability ratio.

SOURCE:

General ledgers.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING (FMF), ACCOUNT 1082:

FINANCIAL: Financial Performance

THOUSANDS (\$ X 000)

FY 1997 END OF YEAR POSITION	<u>TOTAL</u>
Assets	2,112,046.0
Liabilities	<u>-89.0</u>
Equity	2,112,135.0
Current Ratio (Current Assets to Current Liabilities)	2,112.1:1
 FY 1996 END OF YEAR POSITION	 <u>TOTAL</u>
Assets	1,783,844.0
Liabilities	<u>479.0</u>
Equity	1,783,365.0
Current Ratio (Current Assets to Current Liabilities)	3,724.1:1

NARRATIVE:

This performance measure compares assets to liabilities. For a breakout of the FY 1997 Liabilities amount see the "Statement of Financial Position" for 11X1082 in Part II and Footnote 17.B. This fund has more than enough assets to cover its liabilities. The FY 1996 amounts are presented for comparison.

SOURCE:

General Ledger.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING (FMF), ACCOUNT 1082:

FINANCIAL: Operating Costs

THOUSANDS (\$ X 000)

FY 1997 End of Year Position	<u>TOTAL</u>
Net Operating Costs:	
Revenues and Reimbursements	2,959,972.0
Less: Total Expenses and Losses	<u>2,959,844.0</u>
Results of Operations (Gain)	128.0
FY 1996 End of Year Position	<u>TOTAL</u>
Net Operating Costs:	
Revenues and Reimbursements	2,946,737.0
Less: Total Expenses and Losses	<u>2,946,332.0</u>
Results of Operations (Gain)	405.0

NARRATIVE:

This performance measure presents the annual results of operation. The total earnings for Fiscal Year (FY) 1997 was \$127,842. The total earning for FY 1996 was \$405,407. This amount was derived from the sale of old MAP equipment. This income will be used to supplement grant moneys to be used.

SOURCE:

Statement of Operation, Costs and Changes in Net Position.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING (FMF), ACCOUNT 1082:

OPERATING RESULTS: Reimbursement of DoD for Articles and Services

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
COLLECTIONS	127.8
DISBURSEMENTS	2,960,413.0
 FY 1996 ACTIVITY, END OF YEAR POSITION	 <u>TOTAL</u>
COLLECTIONS	405.4
DISBURSEMENTS	2,946,201.7

NARRATIVE:

This performance measure presents the annual receipts and outlays for the fund. These collections were received through sale of old excess MAP equipment. Disbursements were to commercial contractors or DoD agencies through grants made to various countries. The FY 1996 amounts are presented for comparison.

SOURCE:

General Ledger and September 1997 SF 133 (Report on Budget Execution).

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING (FMF), ACCOUNT 1082:

FINANCIAL: Financial Condition

THOUSANDS (\$ X 000)

FY 1997 YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	2,112,046
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Federal	<u>0</u>
TOTAL ASSETS	2,112,046
LIABILITIES	
Accounts Payable, Non-Federal	-89
Other Liabilities	0
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	-89
Current Ratio (Current Assets to Current Liabilities)	2,112.1:1
FY 1996 YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	1,783,824
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Federal	<u>20</u>
TOTAL ASSETS	1,783,844
LIABILITIES	
Accounts Payable, Non-Federal	479
Other Liabilities	0
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	479
Current Ratio (Current Assets to Current Liabilities)	3,724.1:1

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING (FMF), ACCOUNT 1082:

FINANCIAL: Financial Condition (Continued)

NARRATIVE:

This performance measure shows the year end position of this fund. All assets and liabilities are considered "current" and there are no "long term" accounts. The Fiscal Year (FY) 1996 amounts are presented for comparison.

SOURCE:

General Ledger.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING (FMF), ACCOUNT 1082:

FINANCIAL CONDITION: Assets to Liabilities Ratio

THOUSANDS (\$ X 000)		
FY 1997 END OF YEAR POSITION		<u>TOTAL</u>
Assets		2,112,046
Liabilities		<u>-89</u>
Equity		2,112,135
Assets to Liabilities Ratio	2112.1:1	

FY 1996 END OF YEAR POSITION		<u>TOTAL</u>
Assets		1,783,844
Liabilities		<u>479</u>
Equity		1,783,365
Assets to Liabilities Ratio	3,724.1:1	

NARRATIVE:

This performance measure represents the asset to liability ratio.

SOURCE:

General ledgers.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

PROGRAM: Number of Purchase Orders Issued, New and Revised

FY 1997 ACTIVITY	<u>TOTAL</u>
TOTAL MILITARY INTERDEPARTMENTAL PURCHASE REQUESTS (MIPRs) ISSUED	115

FY 1996 ACTIVITY	<u>TOTAL</u>
TOTAL MILITARY INTERDEPARTMENTAL PURCHASE REQUESTS(MIPRs) ISSUED	96

NARRATIVE:

This performance measure reflects the number of MIPRs that were issued with current and prior year obligation authority and the number of revisions to existing MIPRs.

SOURCE:

DSAA Special Defense Acquisition Fund Management Information System.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

PROGRAM: Number of Purchase Orders Closed

FY 1997 ACTIVITY

Age in Years	<u>TOTAL</u>
0-3	1
4-6	51
7-9	77
10+	<u>59</u>
TOTAL	188

FY 1996 ACTIVITY

Age in Years	<u>TOTAL</u>
0-3	2
4-6	25
7-9	27
10+	<u>37</u>
TOTAL	91

NARRATIVE:

This performance measure shows the number of purchase orders that were closed and their relative age.

SOURCE:

DSAA Special Defense Acquisition Fund Management Information System.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

FINANCIAL: Gain or Loss Returned to U.S. Government Treasury on Cases Closed

(Whole Dollars)

FY 1997 ACTIVITY TOTAL

Net Gain Returned to U.S. Government Treasury 0.0

FY 1996 ACTIVITY TOTAL

Net Gain Returned to U.S. Government Treasury 0.0

NARRATIVE:

This performance measure reflects the dollar amounts returned to the U.S. Treasury. There were no funds returned to Treasury in Fiscal Year (FY) 1997. Due to the decapitalization of the fund, a FY 1997 gain of \$1,437,011.93 was used to write-off unsalable equipment. An additional gain of \$49,143,801.44 will be returned to the Treasury by the DSAA SDAF Program Manager after the remaining capitalization of the fund is returned.

SOURCE:

Financial Statements.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

FINANCIAL: Financial Performance

THOUSANDS (\$ X 000)

FY 1997 END OF YEAR POSITION	<u>TOTAL</u>
Assets	209,873.0
Liabilities	<u>99,109.0</u>
Equity	110,764.0
Current Ratio (Current Assets to Current Liabilities)	2.1:1
FY 1996 END OF YEAR POSITION	<u>TOTAL</u>
Assets	353,326.0
Liabilities	<u>125,706.0</u>
Equity	227,620.0
Current Ratio (Current Assets to Current Liabilities)	2.8:1

NARRATIVE:

This performance measure compares assets to liabilities. For a breakout of the FY 1997 Liabilities amount see the "Statement of Financial Position" for 11X4116 in Part II and Footnote 17.B. Of the total "Liabilities amount of \$99,109.0 for FY 1997, \$95,150.0 applies to "Other non-Federal Liabilities." This amount (\$95,150.0) was computed by using "Advances to Others" (GLAC 1410) and "Advances from Others" (GLAC 2310) in accordance with the "Completed Contract Method" of accounting. This fund has more than enough assets to cover its liabilities. The FY 1996 amounts are presented for comparison.

SOURCE:

SDAF General Ledger.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

FINANCIAL: Operating Costs

THOUSANDS (\$ X 000)

FY 1997 End of Year Position	<u>TOTAL</u>
Net Operating Costs	
Revenues and Reimbursements	569,579.0
Less: Total Expenses and Losses	<u>520,435.0</u>
Results of Operations (Gain)	49,144.0
FY 1996 End of Year Position	<u>TOTAL</u>
Net Operating Costs	
Revenues and Reimbursements	352,072.0
Less: Total Expenses and Losses	<u>324,452.0</u>
Results of Operations (Gain)	27,620.0

NARRATIVE:

This performance measure presents the annual results of operation. The total earnings for Fiscal Year (FY) 1997 was \$569,579,353.70. During FY 1996 and before the September 30, 1996 accounting position was determined, \$26,921,782.83 of gain was used to write-off unsalable equipment. During FY 1997 and before the September 30, 1997 accounting position was determined, \$1,437,011.93 of gain was used to write-off unsalable equipment. An additional \$49,143,801.44 of gain will be returned to the Treasury by the DSAA SDAF Program Manager after the remaining capitalization of the fund is returned.

SOURCE:

Statement of Operation, Costs and Changes in Net Position.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

OPERATING RESULTS: Reimbursement of DoD for Articles and Services

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
COLLECTIONS	89,132.0
DISBURSEMENTS	13,844.0
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
COLLECTIONS	172,758.6
DISBURSEMENTS	35,805.5

NARRATIVE:

This performance measure presents the annual receipts and outlays for the fund. These collections were received through the Foreign Military Sales Trust Fund from foreign customers and from DoD agencies for articles and services sold from the fund. Disbursements were to commercial contractors or DoD agencies. The FY 1996 amounts are presented for comparison.

SOURCE:

SDAF General Ledger and September 1997 SF 133 (Report on Budget Execution).

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

FINANCIAL: Financial Condition

THOUSANDS (\$ X 000)

FY 1997 YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	178,229
Inventory	10,179
Advances and Prepayments	0
Accounts Receivable, Federal	<u>21,465</u>
TOTAL ASSETS	209,873
LIABILITIES	
Accounts Payable, Non-Federal	199
Other Liabilities	95,150
Accounts Payable, Federal	<u>3,760</u>
TOTAL LIABILITIES	99,109
Current Ratio (Current Assets to Current Liabilities)	2.1:1
FY 1996 YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	268,941
Inventory	50,384
Advances and Prepayments	0
Accounts Receivable, Federal	<u>34,001</u>
TOTAL ASSETS	353,326
LIABILITIES	
Accounts Payable, Non-Federal	821
Other Liabilities	123,745
Accounts Payable, Federal	<u>1,140</u>
TOTAL LIABILITIES	125,706
Current Ratio (Current Assets to Current Liabilities)	2.8:1

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

FINANCIAL: Financial Condition (Continued)

NARRATIVE:

This performance measure shows the year end position of this fund. All assets and liabilities are considered "current" and there are no "long term" accounts. The Fiscal Year (FY) 1996 amounts are presented for comparison.

SOURCE:

SDAF General Ledger.

PART I: OVERVIEW OF THE REPORTING ENTITY

**B. PERFORMANCE MEASURES FOR PART I
FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT,
ACCOUNT 4121:**

FINANCIAL PERFORMANCE: Reimbursement of DoD Articles and Services

THOUSANDS (\$ X 000)		
FY 1997 ACTIVITY, END OF YEAR POSITION		<u>TOTAL</u>
11X4121	Principal and interest collections on defaulted Federal Financing Bank and Commercial Guaranteed Loans and principal collections on the Guaranteed portion of rescheduled loans	40,904
112968	Principal collections on Direct Loans and the direct portion of rescheduled loans	653,293
111468	Interest and Late Charges on direct and rescheduled loans and late charges on defaulted Federal Financing Bank and Commercial Guaranteed Loans	207,611
11X4121	Principal on Federal Financing Bank loans - transferred to 20X4521.097	198,902
11X4121	Interest on Federal Financing Bank loans transferred to 20X4521	<u>277,042</u>
TOTAL COLLECTIONS		1,377,752
FY 1996 ACTIVITY, END OF YEAR POSITION		<u>TOTAL</u>
11X4121	Principal and interest collections on defaulted Federal Financing Bank and Commercial Guaranteed Loans and principal collections on the Guaranteed portion of rescheduled loans	42,839
112968	Principal collections on Direct Loans and the direct portion of rescheduled loans	660,588
111468	Interest and Late Charges on direct and rescheduled loans and late charges on defaulted Federal Financing Bank and Commercial Guaranteed Loans	244,575
11X4121	Principal on Federal Financing Bank loans - transferred to 20X4521.097	245,833
11X4121	Interest on Federal Financing Bank loans transferred to 20X4521	<u>298,143</u>
TOTAL COLLECTIONS		1,491,978

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT, ACCOUNT 4121:

FINANCIAL PERFORMANCE: Reimbursement of DoD Articles and Services (continued)

NARRATIVE:

This performance measure compares the collections made to various accounts for several types of loans. The collections are made for: (a) repayments of guaranty disbursements made by DSAA for defaults or rescheduling and collected back into 11X4121 for new default disbursements; (b) repayments for direct loans and deposited into Treasury's miscellaneous receipt accounts 2968 and 1468; (c) and repayments for Federal Finance Bank (FFB) loans and returned to FFB for borrowings from FFB. Collections of miscellaneous receipts (2968 and 1468) have increased over the past two years due to increased principal collections for direct loans. Collections into 11X4121 have decreased the past two years due to rescheduling of certain countries which were primarily in arrears.

SOURCE:

General ledgers, Undisbursed Appropriation Account Report (TFS 6653), and Undisbursed Appropriation Accounts - Trial Balance (TFS 6654).

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT,
ACCOUNT 4121:**

FINANCIAL CONDITION: Assets to Liabilities Ratio

MILLIONS (\$ X 000,000)		<u>TOTAL</u>
FY 1997 END OF YEAR POSITION		
Assets		6,883
Liabilities		<u>6,274</u>
Equity		609
Assets to Liabilities Ratio	1.09:1	

FY 1996 END OF YEAR POSITION		<u>TOTAL</u>
Assets		7,676
Liabilities		<u>7,065</u>
Equity		611
Assets to Liabilities Ratio	1.08:1	

NARRATIVE:

This performance measure represents the asset to liability ratio. Included in the asset balance are receivables for Federal Financing Bank (FFB) loans which equal the total liabilities which are borrowings from FFB.

SOURCE:

General ledgers.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT, ACCOUNT 4121:

Operating Costs

THOUSANDS (\$ X 000)	
FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Interest Expense on Federal Finance Bank Borrowings	<u>(273,885)</u>
Total Operating Expenses	<u>(273,885)</u>
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Interest Expense on Federal Finance Bank Borrowings	<u>(293,490)</u>
Total Operating Expenses	<u>(293,490)</u>

NARRATIVE:

This performance measure represents the costs associated with the liquidating account. The only cost was interest expense paid to the Federal Financing Bank (FFB) for borrowings on FFB loans administered by DSAA. The drop in interest expense is due to the decrease in loan principal as FFB loans are paid off by the customers. There are no new FFB loan receivables to increase the principal balance thus increasing the interest expenses.

SOURCE:

General ledgers.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT,
ACCOUNT 4121:**

Operating Results

	THOUSANDS (\$ X 000)	
FY 1997 ACTIVITY		<u>TOTAL</u>
Revenues less Funds Returned to Treasury		322,119
Less: Expenses		<u>330,824</u>
Operating Results		(8,705)
FY 1996 ACTIVITY		<u>TOTAL</u>
Revenues less Funds Returned to Treasury		282,387
Less: Expenses		<u>293,490</u>
Operating Results		(11,103)

NARRATIVE:

This performance measure represents the difference between revenues and expenses in the account. The revenue is offset by the amount of collections that was returned to the Treasury which includes principal and interest.

SOURCE:

General ledgers.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT, ACCOUNT 4121:

FINANCIAL CONDITION: Asset and Liability Account Balances and Ratio

MILLIONS (\$ X 000,000)

FY 1997 YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	0
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Non-Federal	729
Loans Receivable	<u>6,154</u>
TOTAL ASSETS	6,883
LIABILITIES	
Accounts Payable, Non-Federal	0
Other Liabilities	6,274
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	6,274
Assets to Liabilities Ratio	1.09:1
FY 1996 YEAR END POSITION	
<u>TOTAL</u>	
ASSETS	
Cash/Fund Balance with Treasury	0
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Non-Federal	655
Loans Receivable	<u>7,021</u>
TOTAL ASSETS	7,676
LIABILITIES	
Accounts Payable, Non-Federal	0
Other Liabilities	7,065
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	7,065
Assets to Liabilities Ratio	1.08:1

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT,
ACCOUNT 4121:**

**FINANCIAL CONDITION: Asset and Liability Account Balances and Ratio
(Continued)**

NARRATIVE:

This performance measure shows the make up of the assets and liabilities of the account. The loan receivables are lower due to the increase in principal collections in FY 1997.

SOURCE:

General ledgers.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING DIRECT LOAN FINANCING ACCOUNT, ACCOUNT 4122:

FINANCIAL PERFORMANCE: Reimbursement for Articles and Services

THOUSANDS (\$ X 000)	
FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	182,409
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	140,096

NARRATIVE:

This account was established in FY 1992.

SOURCE:

General ledgers, Undisbursed Appropriation Account Report (TFS 6653), and Undisbursed Appropriation Accounts - Trial Balance (TFS 6654).

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY FINANCING DIRECT LOAN
FINANCING ACCOUNT, ACCOUNT 4122:**

FINANCIAL CONDITION: Assets to Liabilities Ratio

THOUSANDS (\$ X 000)	
FY 1997 END OF YEAR POSITION	<u>TOTAL</u>
Assets	3,171,824
Liabilities	<u>3,171,806</u>
Equity	18
Asset to Liabilities Ratio	1:1
FY 1996 END OF YEAR POSITION	<u>TOTAL</u>
Assets	2,946,635
Liabilities	<u>2,946,571</u>
Equity	64
Asset to Liabilities Ratio	1:1

NARRATIVE:

This performance measure represents the difference between assets and liabilities. The ratio remains constant from FY 1996 to FY 1997. The dollars increased by the new loan agreements signed in FY 1997. Equity consists of unobligated appropriated funds.

SOURCE:

General ledgers.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING DIRECT LOAN FINANCING ACCOUNT, ACCOUNT 4122:

Operating Costs

THOUSANDS (\$ X 000)	
FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Subsidy Expense	71,662
Administrative Expenses	<u>0</u>
Total Operating Expenses	71,662
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Subsidy Expense	59,382
Administrative Expenses	<u>0</u>
Total Operating Expenses	59,382

NARRATIVE:

This performance measures shows the operating expenses for the account.

SOURCE:

General ledgers.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY FINANCING DIRECT LOAN
FINANCING ACCOUNT, ACCOUNT 4122:**

Operating Results

THOUSANDS (\$ X 000)	
FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	170,903
Less Operating Expenses	<u>170,903</u>
Operating Results	0
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	136,310
Less Operating Expenses	<u>136,310</u>
Operating Results	0

NARRATIVE:

This performance measures shows the operating results of the account. Net results from operations must equal zero for credit reform loans.

SOURCE:

General ledgers.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY FINANCING DIRECT LOAN FINANCING ACCOUNT (FMFDLFA), ACCOUNT 4122:

FINANCIAL CONDITION: Assets and Liabilities Account Balances and Ratio

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION TOTAL

ASSETS

Fund Balance with Treasury	332,528
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Federal-Intra-government	1,561,769
Non-Federal Accounts Receivable	15,788
Credit Program Receivables	<u>1,261,739</u>
Total Assets	3,171,824

LIABILITIES

Accounts Payable, Non-Federal	0
Debt	1,407,544
Other Liabilities	0
Accounts Payable, Federal	<u>1,764,262</u>
Total Liabilities	3,171,806

Assets to Liabilities Ratio 1:1

FY 1996 ACTIVITY, END OF YEAR POSITION TOTAL

ASSETS

Fund Balance with Treasury	343,744
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Federal-Intra-government	1,628,851
Non-Federal Accounts Receivable	12,255
Credit Program Receivables	<u>961,785</u>
Total Assets	2,946,635

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY FINANCING DIRECT LOAN
FINANCING ACCOUNT (FMFDLFA), ACCOUNT 4122:**

FINANCIAL CONDITION: Assets and Liabilities Account Balances and Ratio (Continued)

LIABILITIES

Accounts Payable, Non-Federal	0
Debt	1,133,783
Other Liabilities	0
Accounts Payable, Federal	<u>1,812,788</u>
Total Liabilities	2,946,571

Assets to Liabilities Ratio 1:1

NARRATIVE:

This performance measure compares the makeup of the assets and liabilities in the account. The dollar figures increased from FY 1996 to FY 1997 due to the new loan agreements signed in FY 1997.

SOURCE:

General ledgers.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

MILITARY DEBT REDUCTION FINANCING , ACCOUNT 4174:

FINANCIAL PERFORMANCE: Reimbursement for Articles and Services

THOUSANDS (\$ X 000)	
FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	893
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	0

NARRATIVE:

This account was established in FY 1997.

SOURCE:

General ledgers, Undisbursed Appropriation Account Report (TFS 6653), and Undisbursed Appropriation Accounts - Trial Balance (TFS 6654).

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

MILITARY DEBT REDUCTION FINANCING, ACCOUNT 4174:

FINANCIAL CONDITION: Assets to Liabilities Ratio

THOUSANDS (\$ X 000)	
FY 1997 END OF YEAR POSITION	<u>TOTAL</u>
Assets	13,175
Liabilities	<u>3,183</u>
Equity	9,992
Asset to Liabilities Ratio	4.13:1
FY 1996 END OF YEAR POSITION	<u>TOTAL</u>
Assets	0
Liabilities	<u>0</u>
Equity	0
Asset to Liabilities Ratio	0:0

NARRATIVE:

This performance measure represents the difference between assets and liabilities. Equity consists of the gain of assets from the acquisition of loans.

SOURCE:

General ledgers.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

MILITARY DEBT REDUCTION FINANCING, ACCOUNT 4174:

Operating Results

THOUSANDS (\$ X 000)	
FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	12,599
Less: Operating Expenses	<u>2,607</u>
Operating Results	9,992
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	0
Less: Operating Expenses	<u>0</u>
Operating Results	0

NARRATIVE:

This performance measures shows the operating results of the account. Net results from operations should equal zero for credit reform loans. The reason this credit reform account shows Operating Results other than zero, is the account had a gain from the aquisition of the loans.

SOURCE:

General ledgers.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

MILITARY DEBT REDUCTION FINANCING, ACCOUNT 4174:

FINANCIAL CONDITION: Assets and Liabilities Account Balances and Ratio

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION **TOTAL**

ASSETS

Fund Balance with Treasury	0
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Federal-Intra-government	0
Non-Federal Accounts Receivable	2,746
Credit Program Receivables	<u>10,429</u>
Total Assets	13,175

LIABILITIES

Accounts Payable, Non-Federal	0
Debt	3,183
Other Liabilities	0
Accounts Payable, Federal	<u>0</u>
Total Liabilities	3,183

Assets to Liabilities Ratio 4.13:1

FY 1996 ACTIVITY, END OF YEAR POSITION **TOTAL**

ASSETS

Fund Balance with Treasury	0
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Federal-Intra-government	0
Non-Federal Accounts Receivable	0
Credit Program Receivables	<u>0</u>
Total Assets	0

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

MILITARY DEBT REDUCTION FINANCING, ACCOUNT 4174:

FINANCIAL CONDITION: Assets and Liabilities Account Balances and Ratio (Continued)

LIABILITIES

Accounts Payable, Non-Federal	0
Debt	0
Other Liabilities	0
Accounts Payable, Federal	<u>0</u>
Total Liabilities	0

Assets to Liabilities Ratio 0:0

NARRATIVE:

This performance measure compares the makeup of the assets and liabilities in the account.

SOURCE:

General ledgers.

PART I: OVERVIEW OF THE REPORTING ENTITY

**B. PERFORMANCE MEASURES FOR PART I
FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

PROGRAM: New Sales Cases Accepted and Amendments Processed

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NEW FY 1997 SALES CASES	632	529	495	183	1839
CASE AMENDMENTS-ALL YEARS	<u>211</u>	<u>162</u>	<u>179</u>	<u>14</u>	<u>566</u>
TOTAL	843	691	674	197	2405

FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NEW FY 1996 SALES CASES	744	513	579	192	2028
CASE AMENDMENTS-ALL YEARS	<u>241</u>	<u>128</u>	<u>177</u>	<u>7</u>	<u>553</u>
TOTAL	985	641	756	199	2581

NARRATIVE:

This performance measure shows the number of new sales cases implemented and the number of case amendments processed to existing cases during each fiscal year. While amendments are identified to the original case, they are not identified to the fiscal year of the original case/sale. Several amendments during the multiple-year life of any case is considered reasonable.

SOURCE:

DSAA 1200 System.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

PROGRAM: Sales Cases Closed

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
CASES CLOSED FOR ALL YEARS	738	390	566	296	1,990

FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
CASES CLOSED FOR ALL YEARS	991	648	768	174	2,581

NARRATIVE:

This measure demonstrates the number of sales cases "closed" during the fiscal year. The "closure" of a sales case, like the completion of a legal contract, occurs when all the terms have been met. Sales cases must be legally, logistically, and financially "complete" prior to closure.

SOURCE:

DSAA 1200 System.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

PROGRAM: Ordered Value of New & Amended Sales Cases By Major Category

THOUSANDS (\$ X 000)

<u>FY 1997</u>	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Aircraft	316,338	429,845	1,295,450	1	2,041,634
Missiles	483,330	910,037	56,526	0	1,449,893
Ships	388	181,424	0	133	181,945
Veh & Wpns	294,985	528,682	661	0	824,328
Ammunition	166,448	94,519	43,232	0	304,199
Training	145,852	145,423	229,262	719	521,256
Misc/Other	<u>1,098,738</u>	<u>936,214</u>	<u>1,401,723</u>	<u>48,620</u>	<u>3,485,295</u>
TOTAL	2,506,079	3,226,144	3,026,854	49,473	8,808,550

<u>FY 1996</u>	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Aircraft	209,467	518,330	2,411,449	0	3,139,246
Missiles	892,268	386,450	335,090	7,566	1,621,374
Ships	515	192,612	0	1,320	194,447
Veh & Wpns	433,952	68,879	5,941	1,333	510,105
Ammunition	124,475	41,357	91,960	419	258,211
Training	137,620	109,585	181,212	1,129	429,546
Misc/Other	<u>2,095,118</u>	<u>851,156</u>	<u>1,309,449</u>	<u>60,748</u>	<u>4,316,471</u>
TOTAL	3,893,415	2,168,369	4,335,101	72,515	10,469,400

NARRATIVE:

This measure classifies the various kinds of execution activities and shows the distribution of major weapons sales cases among the implementing agencies.

SOURCE:

DSAA 1200 System.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

PROGRAM: Aged Number of Sales Cases Closed

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	343	98	149	176	766
AGE: 6-10 Years	299	194	307	79	879
AGE: 11-15 Years	71	78	83	40	272
AGE: 16-20 Years	19	18	22	1	60
AGE: 20+ Years	<u>6</u>	<u>2</u>	<u>5</u>	<u>0</u>	<u>13</u>
TOTAL	738	390	566	296	1,990

FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	347	148	186	132	813
AGE: 6-10 Years	426	308	355	38	1,127
AGE: 11-15 Years	156	152	179	3	490
AGE: 16-20 Years	56	39	41	1	137
AGE: 20+ Years	<u>6</u>	<u>1</u>	<u>7</u>	<u>0</u>	<u>14</u>
TOTAL	991	648	768	174	2,581

NARRATIVE:

This performance measure reveals the age or "life cycle" of the sales cases closed. The average 6+ year life of a case is directly attributable to its complexity. Major weapon systems procurements, such as aircraft and construction cases, require more time to execute and complete financial close-out than does logistics and training cases.

SOURCE:

DSAA 1200 System.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:

PROGRAM: Number of Open Cases as of Fiscal Year End

SEPTEMBER 30, 1997 POSITION	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NUMBER OF CASES OPEN (BASIC)	4,929	5,070	4,129	974	15,102

SEPTEMBER 30, 1996 POSITION	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NUMBER OF CASES OPEN (BASIC)	5,029	4,909	4,188	1,083	15,209

NARRATIVE:

This performance measure shows the number of active FMS sales cases at the end of each fiscal year.

SOURCE:

DSAA 1200 System.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

FINANCIAL PERFORMANCE: Assets to Liabilities Ratio

THOUSANDS (\$ X 000)

FY 1997 END OF YEAR POSITION	<u>TOTAL</u>
Assets	15,483,479
Liabilities	<u>15,483,479</u>
Equity	0
Assets to Liabilities Ratio	1:1

FY 1996 END OF YEAR POSITION	<u>TOTAL</u>
Assets	18,974,209
Liabilities	<u>18,974,209</u>
Equity	0
Assets to Liabilities Ratio	1:1

NARRATIVE:

This performance measure reflects the relationship between assets and liabilities.

SOURCE:

FMS Trust Fund General Ledger.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

FINANCIAL: Operating Costs

	MILLIONS (\$ X 000)
FY 1997 End of Year Position	<u>TOTAL</u>
Net Operating Costs	
Revenues and Reimbursements	559,995
Less: Total Expenses and Losses	<u>558,529</u>
Cost of Operating a Program	1,466

NARRATIVE:

This performance measure reflects the revenues and expenses of the cost clearing accounts. Per OUSD(C) direction, revenues are recorded when disbursements are made. The exception is the attrition cost clearing account. Those revenues are posted as they occur. Therefore, the balance reflects the balance of the attrition cost clearing account.

SOURCE:

FMS Trust Fund General Ledger.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

FINANCIAL: Operating Results

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY	<u>TOTAL</u>
Funds Appropriated: Total Revenues and Financing Sources	559,995
Less: Net Operating Costs: Total Expenses	<u>558,529</u>
Operating Results: Net Position, Ending Balance	1,466
FY 1996 ACTIVITY	<u>TOTAL</u>
Funds Appropriated: Total Revenues and Financing Sources	536,615
Less: Net Operating Costs: Total Expenses	<u>535,442</u>
Operating Results: Net Position, Ending Balance	1,173

NARRATIVE:

This performance measure shows the operating results for the current fiscal year. FY 97 is the first year that 8242 has produced a "Statement of Operations". FY 96 was restated to provide a comparison.

SOURCE:

FMS Trust Fund General Ledger.

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

**FINANCIAL CONDITION: Financial Solvency Condition - Trust Fund and
Interest Bearing Account Balances**

MILLIONS (\$ X 000,000)

BALANCES AS OF SEPTEMBER 30, 1997	<u>TOTAL</u>
Treasury Cash Balance for Account 8242	5,918.8
Cash and Other Monetary Assets	7,694.7
Non-Federal Accounts Receivable	1,870.0
Accounts Payable	<u>-1,638.8</u>
TOTAL	13,844.7

BALANCES AS OF SEPTEMBER 30, 1996	<u>TOTAL</u>
Treasury Cash Balance for Account 8242	5,887.0
Interest Bearing Accounts	8,605.3
Accounts Receivable	4,482.3
Accounts Payable	<u>-1,077.0</u>
TOTAL	17,897.6

NARRATIVE:

Foreign Military Sales (FMS) Trust Fund Accounting is managed by the Defense Finance and Accounting Service (DFAS), Denver Center to ensure sufficient customer funds are on hand to meet the daily cash requirements of the military departments.

During FY 1997, approximately \$15,096.2 million was disbursed to implement customers' orders. This requirement, compared to the cash and interest bearing account balances, yields a "quick cash ratio" of 1.01:1 for the fund (cash to requirements). The liquidity ratio was 1.21:1 and was calculated as total cash available, plus receivables, minus payables, compared to FY 1997 cash disbursements requirements. The increase in accounts payable is attributable to the normal operation of the trust fund.

SOURCE:

FMS Trust Fund General Ledger.

Overview

PART I: OVERVIEW OF THE REPORTING ENTITY

B. PERFORMANCE MEASURES FOR PART I

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

FINANCIAL PERFORMANCE: Reimbursement of DoD Articles and Services

	MILLIONS (\$ X 000,000)	
FY 1997 ACTIVITY		<u>TOTAL</u>
COLLECTIONS IN U.S. DOLLARS		15,128.3
FY 1996 ACTIVITY		<u>TOTAL</u>
COLLECTIONS IN U.S. DOLLARS		14,474.2

NARRATIVE:

This measure shows the dollar value of all collections into the FMS Trust Fund during the fiscal year. Collections into the Fund for FY 1997 were more than anticipated due to underestimating the amount of financial activity for the FMS open cases which equals \$220 billion. However, since disbursements were \$15,096 million, cash flow was nearly equal with no significant impact in FMS or the U.S. Treasury. Arrearages for FY 1997 were \$529,639 and arrearages for FY 1996 were \$626,059.

SOURCE:

FMS Trust Fund General Ledger.

***DEFENSE SECURITY
ASSISTANCE AGENCY***

PART II

PRINCIPAL STATEMENTS

AND

RELATED NOTES

Overview

***DEFENSE SECURITY
ASSISTANCE AGENCY***

PART II

A.

PRINCIPAL STATEMENTS

Overview

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (Combined)
 Statement of Financial Position
 As of September 30, 1997
 (Thousands)**

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$2,714,792	\$2,432,725
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	21,465	34,001
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	1,561,769	1,628,851
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	5	667,268
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	7,426,464	7,982,943
(4) Interest Receivable, Net	747,684	0
(5) Advances and Prepayments	0	135
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	10,179	50,384
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$12,482,358	\$12,796,307
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$5,869,310	\$5,886,631
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (Combined)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$1,870,041	\$4,482,308
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	7,694,679	8,605,325
d. Other Non-Entity Assets	<u>0</u>	<u>0</u>
e. Total Non-Entity Assets	<u>\$15,434,030</u>	<u>\$18,974,264</u>
3. Total Assets	<u><u>\$27,916,388</u></u>	<u><u>\$31,770,571</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$146,412	\$40,669
(2) Interest Payable	48,171	0
(3) Debt (Note 16)	4,459,020	4,380,977
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	1,764,262	1,864,117
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	1,508,190	1,050,156
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	<u>17,067,205</u>	<u>21,787,703</u>
c. Total Liabilities Covered by Budgetary Resources:	<u>\$24,993,260</u>	<u>\$29,123,622</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (Combined)
 Statement of Financial Position
 As of September 30, 1997
 (Thousands)**

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$24,993,260</u>	<u>\$29,123,622</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$2,142,640	\$1,807,872
b. Invested Capital	110,764	811,052
c. Cumulative Results of Operations	669,724	28,025
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$2,923,128</u>	<u>\$2,646,949</u>
8. Total Liabilities and Net Position	<u>\$27,916,388</u>	<u>\$31,770,571</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (Combined)
 Statement of Operations and Changes in Net Position
 For the Period Ended September 30, 1997
 (Thousands)**

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$3,115,628	\$3,076,657
2. Revenues from Sales of Goods and Services		
a. To the Public	1,129,574	352,072
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	617,428	653,410
4. Interest, Federal	25,140	28,545
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	607,926	594,032
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	<u>(864,641)</u>	<u>(905,164)</u>
8. Total Revenues and Financing Sources	<u>\$4,631,055</u>	<u>\$3,799,552</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$3,670,502	\$3,087,760
10. Cost of Goods Sold (Note 24)		
a. To the Public	518,998	297,530
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	3,806	26,922
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	373,364	370,418
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	<u>12,360</u>	<u>0</u>
15. Total Expenses	<u>\$4,579,030</u>	<u>\$3,782,630</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$52,025	\$16,922
17. Plus (Minus) Extraordinary Items (Note 26)	<u>0</u>	<u>0</u>
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$52,025</u>	<u>\$16,922</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (Combined)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$2,646,949	\$2,599,591
20. Adjustments (Note 27)	48,460	<u>(12,928)</u>
21. Net Position, Beginning Balance, as Restated	<u>\$2,695,409</u>	<u>\$2,586,663</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	52,025	16,922
23. Plus (Minus) Non Operating Changes (Note 28)	175,694	43,364
24. Net Position, Ending Balance	<u><u>\$2,923,128</u></u>	<u><u>\$2,646,949</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X4116, 11X4121, 11X4122, 11X4174 - Combined)

Statement of Cash Flows - (Indirect)

For the Period Ended September 30, 1997

(Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	\$50,431	\$16,517
Adjustments Affecting Cash Flow:		
2. Appropriated Capital Used	(119,896)	(115,677)
3. Decrease (Increase) in Accounts Receivable	(396,837)	(550,542)
4. Decrease (Increase) in Other Assets	868,957	748,544
5. Increase (Decrease) in Accounts Payable	17,395	(18,062)
6. Increase (Decrease) in Other Liabilities	(561,215)	(273,867)
7. Depreciation and Amortization	0	0
8. Other Unfunded Expenses	0	0
9. Other Adjustments	14	(12,927)
10. Total Adjustments	<u>(\$191,582)</u>	<u>(\$222,531)</u>
11. Net Cash Provided (Used) by Operating Activities	<u>(\$141,151)</u>	<u>(\$206,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
12. Sale of Property, Plant and Equipment	\$0	\$0
13. Purchase of Property, Plant and Equipment	0	0
14. Sale of Securities	0	0
15. Purchase of Securities	0	0
16. Collection of Loans Receivable	(31,734)	0
17. Creation of Loans Receivable	48,234	0
18. Other Investing Cash Provided (Used)	<u>0</u>	<u>0</u>
19. Net Cash Provided (Used) by Investing Activities	<u>\$16,500</u>	<u>\$0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
20. Appropriations (Current Warrants)	\$100,848	\$87,977
21. Add:		
a. Restorations	0	0
b. Transfers of Cash from Others	0	0
22. Deduct:		
a. Withdrawals	175,215	329,177
b. Transfers of Cash to Others	<u>1,783</u>	<u>5,000</u>
23. Net Appropriations	<u>(\$76,150)</u>	<u>(\$246,200)</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X4116, 11X4121, 11X4122, 11X4174 - Combined)

Statement of Cash Flows - (Indirect)

For the Period Ended September 30, 1997

(Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM FINANCING ACTIVITIES, Continued		
24. Borrowing from the Public	\$0	\$0
25. Repayments on Loans to the Public	0	0
26. Borrowing from the Treasury and the Federal Financing Bank	328,255	350,879
27. Repayments on Loans from the Treasury and the Federal Financing Bank	(250,213)	(251,257)
28. Other Borrowings and Repayments	20,831	0
29. Net Cash Provided (Used) by Financing Activities	\$22,723	(\$146,578)
30. Net Cash Provided (Used) by Operating, Investing and Financing Activities	(\$101,928)	(\$352,592)
31. Fund Balance with Treasury, Cash, and Foreign Currency, Beginning	612,685	965,277
32. Fund Balance with Treasury, Cash, and Foreign Currency, Ending	\$510,757	\$612,685
 Supplemental Disclosure of Cash Flow Information:		
	<u>1997</u>	<u>1996</u>
33. Total Interest Paid	\$373,364	\$370,418
 Supplemental Schedule of Financing and Investing Activity:		
	<u>1997</u>	<u>1996</u>
34. Property and Equipment Acquired Under Capital Lease Obligations	\$0	\$0
35. Property Acquired Under Long-Term Financing Arrangements	\$0	\$0
36. Other Exchanges of Non-cash Assets or Liabilities	\$0	\$0

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X1081, 11X1082, 11X1084, 11X1088, 11X1089 - Combined)

Statement of Financial Position

As of September 30, 1997

(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$2,154,123	\$1,820,040
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	5	20
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	135
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$2,154,128	\$1,820,195
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$463	\$55
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X1081, 11X1082, 11X1084, 11X1088, 11X1089 - Combined)

Statement of Financial Position

As of September 30, 1997

(Thousands)

ASSETS, Continued

	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$463</u>	<u>\$55</u>
3. Total Assets	<u><u>\$2,154,591</u></u>	<u><u>\$1,820,250</u></u>

LIABILITIES

4. Liabilities Covered by Budgetary Resources:

a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	11,841	12,037
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u>\$11,841</u>	<u>\$12,037</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X1081, 11X1082, 11X1084, 11X1088, 11X1089 - Combined)

Statement of Financial Position

As of September 30, 1997

(Thousands)

LIABILITIES, Continued

	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	\$0	\$0
6. Total Liabilities	\$11,841	\$12,037
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$2,142,622	\$1,807,808
b. Invested Capital	0	0
c. Cumulative Results of Operations	128	405
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	\$2,142,750	\$1,808,213
8. Total Liabilities and Net Position	\$2,154,591	\$1,820,250

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X1081, 11X1082, 11X1084, 11X1088, 11X1089 - Combined)

Statement of Operations and Changes in Net Position

For the Period Ended September 30, 1997

(Thousands)

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$2,995,732	\$3,028,378
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	128	405
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$2,995,860</u>	<u>\$3,028,783</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$2,995,732	\$3,028,378
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$2,995,732</u>	<u>\$3,028,378</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$128	\$405
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$128</u>	<u>\$405</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X1081, 11X1082, 11X1084, 11X1088, 11X1089 - Combined)

Statement of Operations and Changes in Net Position

For the Period Ended September 30, 1997

(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$1,808,213	\$1,458,862
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$1,808,213</u>	<u>\$1,458,862</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	128	405
23. Plus (Minus) Non Operating Changes (Note 28)	334,409	348,946
24. Net Position, Ending Balance	<u><u>\$2,142,750</u></u>	<u><u>\$1,808,213</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1081)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$38,709	\$32,418
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	46
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$38,709	\$32,464
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1081)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u>\$38,709</u>	<u>\$32,464</u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	11,240	10,383
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u>\$11,240</u>	<u>\$10,383</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1081)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$11,240</u>	<u>\$10,383</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$27,469	\$22,081
b. Invested Capital	0	0
c. Cumulative Results of Operations	0	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$27,469</u>	<u>\$22,081</u>
8. Total Liabilities and Net Position	<u>\$38,709</u>	<u>\$32,464</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (11 1081)
 Statement of Operations and Changes in Net Position
 For the Period Ended September 30, 1997
 (Thousands)**

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$34,672	\$31,028
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	0	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$34,672</u>	<u>\$31,028</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$34,672	\$31,028
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$34,672</u>	<u>\$31,028</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$0	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
Defense Security Assistance Agency - (11 1081)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)**

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$22,081	\$18,620
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$22,081</u>	<u>\$18,620</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	0	0
23. Plus (Minus) Non Operating Changes (Note 28)	<u>5,388</u>	<u>3,461</u>
24. Net Position, Ending Balance	<u><u>\$27,469</u></u>	<u><u>\$22,081</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1082)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$2,112,046	\$1,783,824
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	20
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$2,112,046	\$1,783,844
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
 Defense Security Assistance Agency - (11 1082)
 Statement of Financial Position
 As of September 30, 1997
 (Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u><u>\$2,112,046</u></u>	<u><u>\$1,783,844</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	(89)	479
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u>(89)</u>	<u>479</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (11 1082)
 Statement of Financial Position
 As of September 30, 1997
 (Thousands)**

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
 6. Total Liabilities	 <u>(\$89)</u>	 <u>\$479</u>
 NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$2,112,007	\$1,782,960
b. Invested Capital	0	0
c. Cumulative Results of Operations	128	405
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$2,112,135</u>	<u>\$1,783,365</u>
 8. Total Liabilities and Net Position	 <u><u>\$2,112,046</u></u>	 <u><u>\$1,783,844</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (11 1082)
 Statement of Operations and Changes in Net Position
 For the Period Ended September 30, 1997
 (Thousands)**

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$2,959,844	\$2,946,332
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	128	405
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$2,959,972</u>	<u>\$2,946,737</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$2,959,844	\$2,946,332
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$2,959,844</u>	<u>\$2,946,332</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$128	\$405
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$128</u>	<u>\$405</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1082)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$1,783,365	\$1,436,457
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$1,783,365</u>	<u>\$1,436,457</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	128	405
23. Plus (Minus) Non Operating Changes (Note 28)	328,642	346,503
24. Net Position, Ending Balance	<u><u>\$2,112,135</u></u>	<u><u>\$1,783,365</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1084)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$3,368	\$3,798
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	5	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	89
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$3,373	\$3,887
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1084)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u>\$3,373</u>	<u>\$3,887</u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	690	1,175
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u>\$690</u>	<u>\$1,175</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1084)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued

	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$690</u>	<u>\$1,175</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$2,683	\$2,712
b. Invested Capital	0	0
c. Cumulative Results of Operations	0	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$2,683</u>	<u>\$2,712</u>
8. Total Liabilities and Net Position	<u><u>\$3,373</u></u>	<u><u>\$3,887</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1084)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$29	\$1,016
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	0	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$29</u>	<u>\$1,016</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$29	\$1,016
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$29</u>	<u>\$1,016</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$0	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1084)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$2,712	\$3,728
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$2,712</u>	<u>\$3,728</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	0	0
23. Plus (Minus) Non Operating Changes (Note 28)	<u>(29)</u>	<u>(1,016)</u>
24. Net Position, Ending Balance	<u><u>\$2,683</u></u>	<u><u>\$2,712</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X1088)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$0	\$0
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$463	\$55
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X1088)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$463</u>	<u>\$55</u>
3. Total Assets	<u><u>\$463</u></u>	<u><u>\$55</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X1088)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$0</u>	<u>\$0</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$463	\$55
b. Invested Capital	0	0
c. Cumulative Results of Operations	0	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$463</u>	<u>\$55</u>
8. Total Liabilities and Net Position	<u><u>\$463</u></u>	<u><u>\$55</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (11X1088)
 Statement of Operations and Changes in Net Position
 For the Period Ended September 30, 1997
 (Thousands)**

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$1,187	\$2
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	0	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$1,187</u>	<u>\$2</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$1,187	\$2
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$1,187</u>	<u>\$2</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$0	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X1088)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$55	\$57
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$55</u>	<u>\$57</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	0	0
23. Plus (Minus) Non Operating Changes (Note 28)	<u>408</u>	<u>(2)</u>
24. Net Position, Ending Balance	<u><u>\$463</u></u>	<u><u>\$55</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1089)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$0	\$0
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1089)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u><u>\$0</u></u>	<u><u>\$0</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1089)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$0</u>	<u>\$0</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$0	\$0
b. Invested Capital	0	0
c. Cumulative Results of Operations	0	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$0</u>	<u>\$0</u>
8. Total Liabilities and Net Position	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11 1089)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$0	\$50,000
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	0	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$0</u>	<u>\$50,000</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$0	\$50,000
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$0</u>	<u>\$50,000</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$0	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
Defense Security Assistance Agency - (11 1089)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)**

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$0	\$0
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$0</u>	<u>\$0</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	0	0
23. Plus (Minus) Non Operating Changes (Note 28)	0	0
24. Net Position, Ending Balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116, 11X4121, 11X4122, 11X4174 - Combined)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$510,757	\$612,685
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	21,465	34,001
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	1,561,769	1,628,851
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	667,248
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	7,426,464	7,982,943
(4) Interest Receivable, Net	747,684	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	10,179	50,384
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$10,278,318	\$10,976,112
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X4116, 11X4121, 11X4122, 11X4174 - Combined)

Statement of Financial Position

As of September 30, 1997

(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	<u>0</u>	<u>0</u>
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u><u>\$10,278,318</u></u>	<u><u>\$10,976,112</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$3,760	\$1,140
(2) Interest Payable	48,171	0
(3) Debt (Note 16)	4,459,020	4,380,977
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	1,764,262	1,864,117
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	199	821
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	<u>3,272,440</u>	<u>3,890,321</u>
c. Total Liabilities Covered by Budgetary Resources:	<u><u>\$9,547,852</u></u>	<u><u>\$10,137,376</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116, 11X4121, 11X4122, 11X4174 - Combined)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$9,547,852</u>	<u>\$10,137,376</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$18	\$64
b. Invested Capital	110,764	811,052
c. Cumulative Results of Operations	619,684	27,620
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$730,466</u>	<u>\$838,736</u>
8. Total Liabilities and Net Position	<u>\$10,278,318</u>	<u>\$10,976,112</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense

Defense Security Assistance Agency - (11X4116, 11X4121, 11X4122, 11X4174 - Combined)

Statement of Operations and Changes in Net Position

For the Period Ended September 30, 1997

(Thousands)

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$119,896	\$48,279
2. Revenues from Sales of Goods and Services		
a. To the Public	569,579	352,072
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	617,428	653,410
4. Interest, Federal	25,140	28,545
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	607,798	593,627
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	<u>(864,641)</u>	<u>(905,164)</u>
8. Total Revenues and Financing Sources	<u>\$1,075,200</u>	<u>\$770,769</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$116,241	\$59,382
10. Cost of Goods Sold (Note 24)		
a. To the Public	518,998	297,530
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	3,806	26,922
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	373,364	370,418
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	<u>12,360</u>	<u>0</u>
15. Total Expenses	<u>\$1,024,769</u>	<u>\$754,252</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$50,431	\$16,517
17. Plus (Minus) Extraordinary Items (Note 26)	<u>0</u>	<u>0</u>
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$50,431</u>	<u>\$16,517</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116, 11X4121, 11X4122, 11X4174 - Combined)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$838,736	\$1,140,729
20. Adjustments (Note 27)	14	(12,928)
21. Net Position, Beginning Balance, as Restated	<u>\$838,750</u>	<u>\$1,127,801</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	50,431	16,517
23. Plus (Minus) Non Operating Changes (Note 28)	(158,715)	(305,582)
24. Net Position, Ending Balance	<u><u>\$730,466</u></u>	<u><u>\$838,736</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$178,229	\$268,941
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	21,465	34,001
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	10,179	50,384
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	<u>\$209,873</u>	<u>\$353,326</u>
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u>\$209,873</u>	<u>\$353,326</u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$3,760	\$1,140
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	199	821
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	95,150	123,745
c. Total Liabilities Covered by Budgetary Resources:	<u>\$99,109</u>	<u>\$125,706</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$99,109</u>	<u>\$125,706</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$0	\$0
b. Invested Capital	110,764	200,000
c. Cumulative Results of Operations	0	27,620
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$110,764</u>	<u>\$227,620</u>
8. Total Liabilities and Net Position	<u>\$209,873</u>	<u>\$353,326</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$0	\$0
2. Revenues from Sales of Goods and Services		
a. To the Public	569,579	352,072
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	0	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$569,579</u>	<u>\$352,072</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$0	\$0
10. Cost of Goods Sold (Note 24)		
a. To the Public	518,998	297,530
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	1,437	26,922
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$520,435</u>	<u>\$324,452</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$49,144	\$27,620
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$49,144</u>	<u>\$27,620</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4116)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$227,620	\$522,000
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$227,620</u>	<u>\$522,000</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	49,144	27,620
23. Plus (Minus) Non Operating Changes (Note 28)	<u>(166,000)</u>	<u>(322,000)</u>
24. Net Position, Ending Balance	<u><u>\$110,764</u></u>	<u><u>\$227,620</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
 Defense Security Assistance Agency - (11X4116)
 Statement of Cash Flows - (Indirect)
 For the Period Ended September 30, 1997
 (Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	\$49,144	\$27,620
Adjustments Affecting Cash Flow:		
2. Appropriated Capital Used	0	(56,295)
3. Decrease (Increase) in Accounts Receivable	12,536	15,200
4. Decrease (Increase) in Other Assets	(64,985)	0
5. Increase (Decrease) in Accounts Payable	1,997	(7,131)
6. Increase (Decrease) in Other Liabilities	76,596	157,559
7. Depreciation and Amortization	0	0
8. Other Unfunded Expenses	0	0
9. Other Adjustments	0	0
10. Total Adjustments	<u>\$26,144</u>	<u>\$109,333</u>
11. Net Cash Provided (Used) by Operating Activities	<u>\$75,288</u>	<u>\$136,953</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
12. Sale of Property, Plant and Equipment	\$0	\$0
13. Purchase of Property, Plant and Equipment	0	0
14. Sale of Securities	0	0
15. Purchase of Securities	0	0
16. Collection of Loans Receivable	0	0
17. Creation of Loans Receivable	0	0
18. Other Investing Cash Provided (Used)	<u>0</u>	<u>0</u>
19. Net Cash Provided (Used) by Investing Activities	<u>\$0</u>	<u>\$0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
20. Appropriations (Current Warrants)	\$0	\$0
21. Add:		
a. Restorations	0	0
b. Transfers of Cash from Others	0	0
22. Deduct:		
a. Withdrawals	166,000	322,000
b. Transfers of Cash to Others	<u>0</u>	<u>0</u>
23. Net Appropriations	<u>(\$166,000)</u>	<u>(\$322,000)</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (11X4116)
 Statement of Cash Flows - (Indirect)
 For the Period Ended September 30, 1997
 (Thousands)**

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM FINANCING ACTIVITIES, Continued		
24. Borrowing from the Public	\$0	\$0
25. Repayments on Loans to the Public	0	0
26. Borrowing from the Treasury and the Federal Financing Bank	0	0
27. Repayments on Loans from the Treasury and the Federal Financing Bank	0	0
28. Other Borrowings and Repayments	0	0
	0	0
29. Net Cash Provided (Used) by Financing Activities	(\$166,000)	(\$322,000)
30. Net Cash Provided (Used) by Operating, Investing and Financing Activities	(\$90,712)	(\$185,047)
31. Fund Balance with Treasury, Cash, and Foreign Currency, Beginning	268,941	453,988
32. Fund Balance with Treasury, Cash, and Foreign Currency, Ending	\$178,229	\$268,941

Supplemental Disclosure of Cash Flow Information:

	<u>1997</u>	<u>1996</u>
33. Total Interest Paid	\$0	\$0

Supplemental Schedule of Financing and Investing Activity:

	<u>1997</u>	<u>1996</u>
34. Property and Equipment Acquired Under Capital Lease Obligations	\$0	\$0
35. Property Acquired Under Long-Term Financing Arrangements	\$0	\$0
36. Other Exchanges of Non-cash Assets or Liabilities	\$0	\$0

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4121)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	654,993
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	6,154,296	7,021,158
(4) Interest Receivable, Net	729,150	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	<u>\$6,883,446</u>	<u>\$7,676,151</u>
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
 Defense Security Assistance Agency - (11X4121)
 Statement of Financial Position
 As of September 30, 1997
 (Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u><u>\$6,883,446</u></u>	<u><u>\$7,676,151</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	48,171	0
(3) Debt (Note 16)	3,048,293	3,247,194
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	51,329
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
	3,177,290	3,766,576
c. Total Liabilities Covered by Budgetary Resources:	<u>\$6,273,754</u>	<u>\$7,065,099</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4121)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$6,273,754</u>	<u>\$7,065,099</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$0	\$0
b. Invested Capital	0	611,052
c. Cumulative Results of Operations	609,692	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$609,692</u>	<u>\$611,052</u>
8. Total Liabilities and Net Position	<u>\$6,883,446</u>	<u>\$7,676,151</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4121)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$48,234	(\$11,103)
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	547,016	607,520
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	587,912	591,134
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	(861,043)	(905,164)
8. Total Revenues and Financing Sources	<u>\$322,119</u>	<u>\$282,387</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$44,579	\$0
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	273,885	293,490
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	12,360	0
15. Total Expenses	<u>\$330,824</u>	<u>\$293,490</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	(\$8,705)	(\$11,103)
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>(\$8,705)</u>	<u>(\$11,103)</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4121)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$611,052	\$618,683
20. Adjustments (Note 27)	14	(12,928)
21. Net Position, Beginning Balance, as Restated	<u>\$611,066</u>	<u>\$605,755</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	(8,705)	(11,103)
23. Plus (Minus) Non Operating Changes (Note 28)	<u>7,331</u>	<u>16,400</u>
24. Net Position, Ending Balance	<u><u>\$609,692</u></u>	<u><u>\$611,052</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
 Defense Security Assistance Agency - (11X4121)
 Statement of Cash Flows - (Indirect)
 For the Period Ended September 30, 1997
 (Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	(\$8,705)	(\$11,103)
Adjustments Affecting Cash Flow:		
2. Appropriated Capital Used	(48,234)	0
3. Decrease (Increase) in Accounts Receivable	(74,157)	(76,383)
4. Decrease (Increase) in Other Assets	866,861	890,199
5. Increase (Decrease) in Accounts Payable	(3,157)	(4,653)
6. Increase (Decrease) in Other Liabilities	(589,285)	(566,803)
7. Depreciation and Amortization	0	0
8. Other Unfunded Expenses	0	0
9. Other Adjustments	14	(12,927)
10. Total Adjustments	<u>\$152,042</u>	<u>\$229,433</u>
11. Net Cash Provided (Used) by Operating Activities	<u>\$143,337</u>	<u>\$218,330</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
12. Sale of Property, Plant and Equipment	\$0	\$0
13. Purchase of Property, Plant and Equipment	0	0
14. Sale of Securities	0	0
15. Purchase of Securities	0	0
16. Collection of Loans Receivable	(31,734)	0
17. Creation of Loans Receivable	48,234	0
18. Other Investing Cash Provided (Used)	<u>0</u>	<u>0</u>
19. Net Cash Provided (Used) by Investing Activities	<u>\$16,500</u>	<u>\$0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
20. Appropriations (Current Warrants)	\$16,500	\$23,577
21. Add:		
a. Restorations	0	0
b. Transfers of Cash from Others	0	0
22. Deduct:		
a. Withdrawals	9,169	7,177
b. Transfers of Cash to Others	<u>0</u>	<u>0</u>
23. Net Appropriations	<u>\$7,331</u>	<u>\$16,400</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4121)
Statement of Cash Flows - (Indirect)
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM FINANCING ACTIVITIES, Continued		
24. Borrowing from the Public	\$0	\$0
25. Repayments on Loans to the Public	0	0
26. Borrowing from the Treasury and the Federal Financing Bank	0	0
27. Repayments on Loans from the Treasury and the Federal Financing Bank	(198,902)	(245,833)
28. Other Borrowings and Repayments	31,734	0
29. Net Cash Provided (Used) by Financing Activities	(\$159,837)	(\$229,433)
30. Net Cash Provided (Used) by Operating, Investing and Financing Activities	\$0	(\$11,103)
31. Fund Balance with Treasury, Cash, and Foreign Currency, Beginning	0	11,103
32. Fund Balance with Treasury, Cash, and Foreign Currency, Ending	\$0	\$0

Supplemental Disclosure of Cash Flow Information:

	<u>1997</u>	<u>1996</u>
33. Total Interest Paid	\$273,885	\$293,490

Supplemental Schedule of Financing and Investing Activity:

	<u>1997</u>	<u>1996</u>
34. Property and Equipment Acquired Under Capital Lease Obligations	\$0	\$0
35. Property Acquired Under Long-Term Financing Arrangements	\$0	\$0
36. Other Exchanges of Non-cash Assets or Liabilities	\$0	\$0

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4122)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$332,528	\$343,744
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	1,561,769	1,628,851
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	12,255
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	1,261,739	961,785
(4) Interest Receivable, Net	15,788	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	\$3,171,824	\$2,946,635
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4122)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u><u>\$3,171,824</u></u>	<u><u>\$2,946,635</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	1,407,544	1,133,783
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	1,764,262	1,812,788
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u><u>\$3,171,806</u></u>	<u><u>\$2,946,571</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4122)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	\$0	\$0
6. Total Liabilities	\$3,171,806	\$2,946,571
 NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$18	\$64
b. Invested Capital	0	0
c. Cumulative Results of Operations	0	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	\$18	\$64
8. Total Liabilities and Net Position	\$3,171,824	\$2,946,635

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (11X4122)
 Statement of Operations and Changes in Net Position
 For the Period Ended September 30, 1997
 (Thousands)**

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$71,662	\$59,382
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	70,392	45,890
4. Interest, Federal	25,007	28,545
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	7,526	2,493
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	(3,684)	0
8. Total Revenues and Financing Sources	<u>\$170,903</u>	<u>\$136,310</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$71,662	\$59,382
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	99,241	76,928
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$170,903</u>	<u>\$136,310</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$0	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4122)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$64	\$46
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$64</u>	<u>\$46</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	0	0
23. Plus (Minus) Non Operating Changes (Note 28)	<u>(46)</u>	<u>18</u>
24. Net Position, Ending Balance	<u><u>\$18</u></u>	<u><u>\$64</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
 Defense Security Assistance Agency - (11X4122)
 Statement of Cash Flows
 For the Period Ended September 30, 1997
 (Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	\$0	\$0
Adjustments Affecting Cash Flow:		
2. Appropriated Capital Used	(71,662)	(59,382)
3. Decrease (Increase) in Accounts Receivable	(322,041)	(489,359)
4. Decrease (Increase) in Other Assets	67,081	(141,655)
5. Increase (Decrease) in Accounts Payable	18,555	(6,278)
6. Increase (Decrease) in Other Liabilities	(48,526)	135,377
7. Depreciation and Amortization	0	0
8. Other Unfunded Expenses	0	0
9. Other Adjustments	0	0
10. Total Adjustments	<u>(356,593)</u>	<u>(561,297)</u>
11. Net Cash Provided (Used) by Operating Activities	<u>(356,593)</u>	<u>(561,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
12. Sale of Property, Plant and Equipment	\$0	\$0
13. Purchase of Property, Plant and Equipment	0	0
14. Sale of Securities	0	0
15. Purchase of Securities	0	0
16. Collection of Loans Receivable	0	0
17. Creation of Loans Receivable	0	0
18. Other Investing Cash Provided (Used)	0	0
19. Net Cash Provided (Used) by Investing Activities	<u>\$0</u>	<u>\$0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
20. Appropriations (Current Warrants)	\$84,348	\$64,400
21. Add:		
a. Restorations	0	0
b. Transfers of Cash from Others	0	0
22. Deduct:		
a. Withdrawals	46	0
b. Transfers of Cash to Others	1,783	5,000
23. Net Appropriations	<u>\$82,519</u>	<u>\$59,400</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4122)
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM FINANCING ACTIVITIES, Continued		
24. Borrowing from the Public	\$0	\$0
25. Repayments on Loans to the Public	0	0
26. Borrowing from the Treasury and the Federal Financing Bank	324,793	350,879
27. Repayments on Loans from the Treasury and the Federal Financing Bank	(51,032)	(5,424)
28. Other Borrowings and Repayments	(10,903)	0
	<hr/>	<hr/>
29. Net Cash Provided (Used) by Financing Activities	\$345,377	\$404,855
	<hr/>	<hr/>
30. Net Cash Provided (Used) by Operating, Investing and Financing Activities	(\$11,216)	(\$156,442)
	<hr/>	<hr/>
31. Fund Balance with Treasury, Cash, and Foreign Currency, Beginning	343,744	500,186
	<hr/>	<hr/>
32. Fund Balance with Treasury, Cash, and Foreign Currency, Ending	\$332,528	\$343,744
	<hr/> <hr/>	<hr/> <hr/>
Supplemental Disclosure of Cash Flow Information:		
	<u>1997</u>	<u>1996</u>
33. Total Interest Paid	\$99,241	\$76,928
Supplemental Schedule of Financing and Investing Activity:		
	<u>1997</u>	<u>1996</u>
34. Property and Equipment Acquired Under Capital Lease Obligations	\$0	\$0
35. Property Acquired Under Long-Term Financing Arrangements	\$0	\$0
36. Other Exchanges of Non-cash Assets or Liabilities	\$0	\$0

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4174)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	10,429	0
(4) Interest Receivable, Net	2,746	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	<u>\$13,175</u>	<u>\$0</u>
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$0	\$0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
 Defense Security Assistance Agency - (11X4174)
 Statement of Financial Position
 As of September 30, 1997
 (Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$0	\$0
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$0</u>	<u>\$0</u>
3. Total Assets	<u>\$13,175</u>	<u>\$0</u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Interest Payable	0	0
(3) Debt (Note 16)	3,183	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Covered by Budgetary Resources:	<u>\$3,183</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4174)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$3,183</u>	<u>\$0</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$0	\$0
b. Invested Capital	0	0
c. Cumulative Results of Operations	9,992	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$9,992</u>	<u>\$0</u>
8. Total Liabilities and Net Position	<u>\$13,175</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4174)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$0	\$0
2. Revenues from Sales of Goods and Services		
a. To the Public	0	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	20	0
4. Interest, Federal	133	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	12,360	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	86	0
8. Total Revenues and Financing Sources	<u>\$12,599</u>	<u>\$0</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$0	\$0
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	2,369	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	238	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$2,607</u>	<u>\$0</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$9,992	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$9,992</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4174)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$0	\$0
20. Adjustments (Note 27)	0	0
21. Net Position, Beginning Balance, as Restated	<u>\$0</u>	<u>\$0</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	9,992	0
23. Plus (Minus) Non Operating Changes (Note 28)	<u>0</u>	<u>0</u>
24. Net Position, Ending Balance	<u><u>\$9,992</u></u>	<u><u>\$0</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4174)
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	\$9,992	\$0
Adjustments Affecting Cash Flow:		
2. Appropriated Capital Used	0	0
3. Decrease (Increase) in Accounts Receivable	(13,175)	0
4. Decrease (Increase) in Other Assets	0	0
5. Increase (Decrease) in Accounts Payable	0	0
6. Increase (Decrease) in Other Liabilities	0	0
7. Depreciation and Amortization	0	0
8. Other Unfunded Expenses	0	0
9. Other Adjustments	0	0
10. Total Adjustments	<u>(13,175)</u>	<u>\$0</u>
11. Net Cash Provided (Used) by Operating Activities	<u>(\$3,183)</u>	<u>\$0</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
12. Sale of Property, Plant and Equipment	\$0	\$0
13. Purchase of Property, Plant and Equipment	0	0
14. Sale of Securities	0	0
15. Purchase of Securities	0	0
16. Collection of Loans Receivable	0	0
17. Creation of Loans Receivable	0	0
18. Other Investing Cash Provided (Used)	<u>0</u>	<u>0</u>
19. Net Cash Provided (Used) by Investing Activities	<u>\$0</u>	<u>\$0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
20. Appropriations (Current Warrants)	\$0	\$0
21. Add:		
a. Restorations	0	0
b. Transfers of Cash from Others	0	0
22. Deduct:		
a. Withdrawals	0	0
b. Transfers of Cash to Others	<u>0</u>	<u>0</u>
23. Net Appropriations	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X4174)
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM FINANCING ACTIVITIES, Continued		
24. Borrowing from the Public	\$0	\$0
25. Repayments on Loans to the Public	0	0
26. Borrowing from the Treasury and the Federal Financing Bank	3,462	0
27. Repayments on Loans from the Treasury and the Federal Financing Bank	(279)	0
28. Other Borrowings and Repayments	0	0
29. Net Cash Provided (Used) by Financing Activities	\$3,183	\$0
30. Net Cash Provided (Used) by Operating, Investing and Financing Activities	\$0	\$0
31. Fund Balance with Treasury, Cash, and Foreign Currency, Beginning	0	0
32. Fund Balance with Treasury, Cash, and Foreign Currency, Ending	\$0	\$0

Supplemental Disclosure of Cash Flow Information:

	<u>1997</u>	<u>1996</u>
33. Total Interest Paid	\$238	\$0

Supplemental Schedule of Financing and Investing Activity:

	<u>1997</u>	<u>1996</u>
34. Property and Equipment Acquired Under Capital Lease Obligations	\$0	\$0
35. Property Acquired Under Long-Term Financing Arrangements	\$0	\$0
36. Other Exchanges of Non-cash Assets or Liabilities	\$0	\$0

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X8242)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$49,912	\$0
(2) Investments, Net (Note 4)	0	0
(3) Accounts Receivable, Net (Note 5)	0	0
(4) Interest Receivable	0	0
(5) Advances and Prepayments	0	0
(6) Other Federal (Intragovernmental) (Note 6)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)	0	0
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0	0
(4) Interest Receivable, Net	0	0
(5) Advances and Prepayments	0	0
(6) Other Non-Federal (Governmental) (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	0	0
d. Inventory, Net (Note 8)	0	0
e. Work in Process (Note 9)	0	0
f. Operating Materials/Supplies, Net (Note 10)	0	0
g. Stockpile Materials, Net (Note 11)	0	0
h. Seized Property (Note 12)	0	0
i. Forfeited Property, Net (Note 13)	0	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0	0
k. Property, Plant and Equipment, Net (Note 15)	0	0
l. War Reserves	0	0
m. Other Entity Assets	0	0
n. Total Entity Assets	<u>\$49,912</u>	<u>\$0</u>
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$5,868,847	\$5,886,576
(2) Accounts Receivable, Net (Note 5)	0	0
(3) Interest Receivable, Net	0	0
(4) Other (Note 6)	0	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X8242)
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	\$1,870,041	\$4,482,308
(2) Interest Receivable, Net	0	0
(3) Other (Note 6)	0	0
c. Cash and Other Monetary Assets (Note 3)	7,694,679	8,605,325
d. Other Non-Entity Assets	0	0
e. Total Non-Entity Assets	<u>\$15,433,567</u>	<u>\$18,974,209</u>
3. Total Assets	<u>\$15,483,479</u>	<u>\$18,974,209</u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$142,652	\$39,529
(2) Interest Payable	0	0
(3) Debt (Note 16)	0	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	1,496,150	1,037,298
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	0	0
(b) Annual Accrued Leave	0	0
(c) Severance Pay and Separation Allowance	0	0
(3) Interest Payable	0	0
(4) Liabilities for Loan Guarantees (Note 7)	0	0
(5) Lease Liabilities (Note 18)	0	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	13,794,765	17,897,382
c. Total Liabilities Covered by Budgetary Resources:	<u>\$15,433,567</u>	<u>\$18,974,209</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X8242)
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued

	<u>1997</u>	<u>1996</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$0	\$0
(2) Debt (Note 16)	0	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0	0
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	0	0
(2) Debt (Note 16)	0	0
(3) Lease Liabilities (Note 18)	0	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0	0
c. Total Liabilities Not Covered by Budgetary Resources	<u>\$0</u>	<u>\$0</u>
6. Total Liabilities	<u>\$15,433,567</u>	<u>\$18,974,209</u>
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	\$0	\$0
b. Invested Capital	0	0
c. Cumulative Results of Operations	49,912	0
d. Other	0	0
e. Future Funding Requirements	0	0
f. Total Net Position	<u>\$49,912</u>	<u>\$0</u>
8. Total Liabilities and Net Position	<u>\$15,483,479</u>	<u>\$18,974,209</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
 Defense Security Assistance Agency - (11X8242)
 Statement of Operations and Changes in Net Position
 For the Period Ended September 30, 1997
 (Thousands)**

	<u>1997</u>	<u>1996</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	\$0	\$0
2. Revenues from Sales of Goods and Services		
a. To the Public	559,995	0
b. Intragovernmental	0	0
3. Interest and Penalties, Non-Federal	0	0
4. Interest, Federal	0	0
5. Taxes (Note 21)	0	0
6. Other Revenues and Financing Sources (Note 22)	0	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0	0
8. Total Revenues and Financing Sources	<u>\$559,995</u>	<u>\$0</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$558,529	\$0
10. Cost of Goods Sold (Note 24)		
a. To the Public	0	0
b. Intragovernmental	0	0
11. Depreciation and Amortization	0	0
12. Bad Debts and Writeoffs	0	0
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	0	0
b. Federal Securities	0	0
c. Other	0	0
14. Other Expenses (Note 25)	0	0
15. Total Expenses	<u>\$558,529</u>	<u>\$0</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$1,466	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$1,466</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Security Assistance Agency - (11X8242)
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>	<u>1996</u>
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	\$0	\$0
20. Adjustments (Note 27)	48,446	0
21. Net Position, Beginning Balance, as Restated	<u>\$48,446</u>	<u>\$0</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	1,466	0
23. Plus (Minus) Non Operating Changes (Note 28)	<u>0</u>	<u>0</u>
24. Net Position, Ending Balance	<u><u>\$49,912</u></u>	<u><u>\$0</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Assistance Security Agency - Eliminations
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS

1997

1. Entity Assets:

a. Transactions with Federal (Intragovernmental) Entities:	
(1) Fund Balance with Treasury (Note 2)	\$0
(2) Investments, Net (Note 4)	0
(3) Accounts Receivable, Net (Note 5)	0
(4) Interest Receivable	0
(5) Advances and Prepayments	0
(6) Other Federal (Intragovernmental) (Note 6)	0
b. Transactions with Non-Federal (Governmental) Entities:	
(1) Investments (Note 4)	0
(2) Accounts Receivable, Net (Note 5)	0
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)	0
(4) Interest Receivable, Net	0
(5) Advances and Prepayments	0
(6) Other Non-Federal (Governmental) (Note 6)	0
c. Cash and Other Monetary Assets (Note 3)	0
d. Inventory, Net (Note 8)	0
e. Work in Process (Note 9)	0
f. Operating Materials/Supplies, Net (Note 10)	0
g. Stockpile Materials, Net (Note 11)	0
h. Seized Property (Note 12)	0
i. Forfeited Property, Net (Note 13)	0
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)	0
k. Property, Plant and Equipment, Net (Note 15)	0
l. War Reserves	0
m. Other Entity Assets	0
n. Total Entity Assets	<u>0</u>

2. Non-Entity Assets:

a. Transactions with Federal (Intragovernmental) Entities:	
(1) Fund Balance with Treasury (Note 2)	\$0
(2) Accounts Receivable, Net (Note 5)	0
(3) Interest Receivable, Net	0
(4) Other (Note 6)	0

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Assistance Security Agency - Eliminations
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued

1997

2. Non-Entity Assets:

b. Transactions with Non-Federal (Governmental) Entities:

(1) Accounts Receivable, Net (Note 5)	\$0
(2) Interest Receivable, Net	0
(3) Other (Note 6)	0

c. Cash and Other Monetary Assets (Note 3) 0

d. Other Non-Entity Assets 0

e. Total Non-Entity Assets \$0

3. Total Assets

\$0

LIABILITIES

4. Liabilities Covered by Budgetary Resources:

a. Transactions with Federal (Intragovernmental) Entities:

(1) Accounts Payable	\$0
(2) Interest Payable	0
(3) Debt (Note 16)	0
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	0

b. Transactions with Non-Federal (Governmental) Entities:

(1) Accounts Payable	0
(2) Accrued Payroll and Benefits	
(a) Salaries and Wages	0
(b) Annual Accrued Leave	0
(c) Severance Pay and Separation Allowance	0
(3) Interest Payable	0
(4) Liabilities for Loan Guarantees (Note 7)	0
(5) Lease Liabilities (Note 18)	0
(6) Pensions and Other Actuarial Liabilities (Note 19)	0
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	0

c. Total Liabilities Covered by Budgetary Resources: \$0

The accompanying notes are an integral part of these statements.

**Department of Defense
 Defense Assistance Security Agency - Eliminations
 Statement of Financial Position
 As of September 30, 1997
 (Thousands)**

LIABILITIES, Continued

1997

5. Liabilities Not Covered by Budgetary Resources:

a. Transactions with Federal (Intragovernmental) Entities:	
(1) Accounts Payable	\$0
(2) Debt (Note 16)	0
(3) Other Federal (Intragovernmental) Liabilities (Note 17)	0
b. Transactions with Non-Federal (Governmental) Entities:	
(1) Accounts Payable	0
(2) Debt (Note 16)	0
(3) Lease Liabilities (Note 18)	0
(4) Pensions and Other Actuarial Liabilities (Note 19)	0
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	0
c. Total Liabilities Not Covered by Budgetary Resources	\$0

6. Total Liabilities	\$0
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NET POSITION (Note 20)

7. Balances:

a. Unexpended Appropriations	\$0
b. Invested Capital	0
c. Cumulative Results of Operations	0
d. Other	0
e. Future Funding Requirements	0
f. Total Net Position	\$0

8. Total Liabilities and Net Position	\$0
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The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
Defense Assistance Security Agency - Eliminations
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)**

1997

REVENUES AND FINANCING SOURCES

1. Appropriated Capital Used	\$0
2. Revenues from Sales of Goods and Services	
a. To the Public	0
b. Intragovernmental	0
3. Interest and Penalties, Non-Federal	0
4. Interest, Federal	0
5. Taxes (Note 21)	0
6. Other Revenues and Financing Sources (Note 22)	0
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	0
8. Total Revenues and Financing Sources	<u>0</u>

EXPENSES

9. Program or Operating Expenses (Note 23)	\$0
10. Cost of Goods Sold (Note 24)	
a. To the Public	0
b. Intragovernmental	0
11. Depreciation and Amortization	0
12. Bad Debts and Writeoffs	0
13. Interest	
a. Federal Financing Bank/Treasury Borrowing	0
b. Federal Securities	0
c. Other	0
14. Other Expenses (Note 25)	0
15. Total Expenses	<u>0</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$0
17. Plus (Minus) Extraordinary Items (Note 26)	0
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>0</u>

The accompanying notes are an integral part of these statements.

Department of Defense
Defense Assistance Security Agency - Eliminations
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

1997

EXPENSES, Continued

19. Net Position, Beginning Balance, as Previously Stated	\$0
20. Adjustments (Note 27)	0
21. Net Position, Beginning Balance, as Restated	<u>\$0</u>
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	0
23. Plus (Minus) Non Operating Changes (Note 28)	0
24. Net Position, Ending Balance	<u><u>\$0</u></u>

The accompanying notes are an integral part of these statements.

Principal Statements

Department of Defense
Defense Assistance Security Agency - Eliminations
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)

1997

CASH FLOWS FROM OPERATING ACTIVITIES

1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	\$0
Adjustments Affecting Cash Flow:	
2. Appropriated Capital Used	0
3. Decrease (Increase) in Accounts Receivable	0
4. Decrease (Increase) in Other Assets	0
5. Increase (Decrease) in Accounts Payable	0
6. Increase (Decrease) in Other Liabilities	0
7. Depreciation and Amortization	0
8. Other Unfunded Expenses	0
9. Other Adjustments	0
10. Total Adjustments	\$0
11. Net Cash Provided (Used) by Operating Activities	\$0

CASH FLOWS FROM INVESTING ACTIVITIES

12. Sale of Property, Plant and Equipment	\$0
13. Purchase of Property, Plant and Equipment	0
14. Sale of Securities	0
15. Purchase of Securities	0
16. Collection of Loans Receivable	0
17. Creation of Loans Receivable	0
18. Other Investing Cash Provided (Used)	0
19. Net Cash Provided (Used) by Investing Activities	\$0

CASH FLOWS FROM FINANCING ACTIVITIES

20. Appropriations (Current Warrants)	\$0
21. Add:	
a. Restorations	0
b. Transfers of Cash from Others	0
22. Deduct:	
a. Withdrawals	0
b. Transfers of Cash to Others	0
23. Net Appropriations	\$0

The accompanying notes are an integral part of these statements.

Department of Defense
Defense Assistance Security Agency - Eliminations
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)

	<u>1997</u>
CASH FLOWS FROM FINANCING ACTIVITIES, Continued	
24. Borrowing from the Public	\$0
25. Repayments on Loans to the Public	0
26. Borrowing from the Treasury and the Federal Financing Bank	0
27. Repayments on Loans from the Treasury and the Federal Financing Bank	0
28. Other Borrowings and Repayments	<u>0</u>
29. Net Cash Provided (Used) by Financing Activities	<u>\$0</u>
30. Net Cash Provided (Used) by Operating, Investing and Financing Activities	\$0
31. Fund Balance with Treasury, Cash, and Foreign Currency, Beginning	<u>0</u>
32. Fund Balance with Treasury, Cash, and Foreign Currency, Ending	<u><u>\$0</u></u>

Supplemental Disclosure of Cash Flow Information:

1997

33. Total Interest Paid	\$0
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Supplemental Schedule of Financing and Investing Activity:

1997

34. Property and Equipment Acquired Under Capital Lease Obligations	\$0
35. Property Acquired Under Long-Term Financing Arrangements	\$0
36. Other Exchanges of Non-cash Assets or Liabilities	\$0

The accompanying notes are an integral part of these statements.

Principal Statements

The accompanying notes are an integral part of these statements.

***DEFENSE SECURITY
ASSISTANCE AGENCY***

PART II

B.

***RELATED FOOTNOTES
TO THE PRINCIPAL
STATEMENTS***

Footnotes

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**Defense Security Assistance Agency
Footnotes to the Principal Statements**

Note 1. Significant Accounting Policies:

A. Basis of Presentation: These financial statements have been prepared to report the financial position and results of operations of the Defense Security Assistance Agency, as required by the Chief Financial Officers (CFOs) Act, and other appropriate legislation. They have been prepared from the books and records of the Agency in accordance with Department of Defense (DoD) Financial Management Regulation Volume 6, Chapter 6, as adopted from Office of Management and Budget (OMB) Bulletin No. 94-01, "Form and Content of Agency Financial Statements," and the applicable portions of OMB Bulletin 97-01.

B. Reporting Entity:

Defense Security Assistance Agency (DSAA): The DSAA was established as a separate agency of the Department of Defense (DoD) to administer the nation's security assistance programs. In fulfilling this mission, DSAA has administrative responsibility for the Foreign Military Sales (FMS) Trust Fund, the Special Defense Acquisition Fund (SDAF), the Foreign Military Loan Liquidating Account (FMLLA), and the Foreign Military Financing Direct Loan Financing Account (FMFDLFA). Also, there are other financial accounts that comprise the remainder of the military aspects of the Security Assistance program.

Fiscal year 1997 represents the 6th year that the Defense Security Assistance Agency has prepared, and had audited, financial statements for the FMS Trust Fund (8242), SDAF (4116), Foreign Military Financing Loan Liquidating Account (4121) and Foreign Military Financing Account (4122). Fiscal 1997 is the 2nd year that DSAA has prepared, and had audited financial statements for the 1080 series of accounts. Fiscal year 1997 is the first year that DSAA has prepared, and had audited financial statements for the Military Debt Reduction Financing Account (4174). These are required by the CFO Act and the Government Management Reform Act (GMRA).

The accompanying audited financial statements account for all funds which the DSAA is responsible except that information relative to classified assets, programs, and operations has been excluded from the statement or otherwise aggregated and reported in such a manner that it is no longer classified. The audited financial statements are presented on the accrual basis of accounting as required by DoD accounting policies.

Footnotes

C. Budgets and Budgetary Accounting:

International Military Education and Training (IMET), Treasury Symbol Code 1081:

The International Military Education and Training is an appropriated fund account that provides training in the United States, and in some cases, in overseas U.S. military facilities, to selected foreign military and related civilian personnel on a grant basis. Although historically a relatively modest program in terms of cost, the Executive Branch attaches great significance to IMET because the program provides U.S. access to and influences foreign governments.

Foreign Military Financing Grant Account (FMF), Treasury Symbol Code 1082:

The Foreign Military Financing Grant Account is an appropriated aid program that makes financing available to certain U.S. friends and allies to procure U.S. defense articles and services. This FMF account is made available on a grant and a concessional interest rate loan basis.

Military-to-Military Contact Program (MMCP), Treasury Symbol Code 1084:

The MMCP is a one year appropriation for Fiscal Year 1995 only, authorized by the Foreign Operations, Export Financing, and Related Programs Appropriations Act (P.L. 103-306). The purpose of this program is to allow the Secretary of Defense to conduct military-to-military contacts and comparable activities that are designed to encourage a democratic orientation of defense establishments and military forces of other countries. In FY 1996 and FY 1997, funding for this type of program went back in the Armed Services Appropriation Bill (Department 97) and is not part of the security assistance program.

Assistance for Relocation of Facilities in Israel, Treasury Symbol Code 1088:

The Foreign Assistance Act of 1961, as amended, Chapter 7, gave the President authorization to construct air bases in Israel for the Government of Israel in the amount not to exceed \$800 million. Funding was made available for the construction by yearly appropriation acts. The Supplemental Appropriations Act, 1979, provided for necessary expenses for the construction authorized in Chapter 7. The Defense Security Assistance Agency transferred funds (57-11X1088) during past fiscal years to the Air Force to carry out this program. All appropriated funds in this account have been fully liquidated. The remaining funds were added to the account by Israel from grant funds given to them and are accounted for as non-entity assets. The additional funds are to close out remaining contracts.

Unanticipated Needs for Defense of Israel Against Terrorism, Treasury Symbol Code

1089: Fiscal Year 1996 was the initial and only year of this program which appropriated grant funds in the amount of \$50 million for emergency expenses necessary to meet unanticipated needs for the acquisition and provision of goods and services by Israel for the eradication of terrorism in and around Israel. This program was fully funded and disbursed in FY 1996.

Special Defense Acquisition Fund (SDAF), Treasury Symbol Code 4116: The SDAF was authorized by the International Security and Development Cooperation Act of 1981. The SDAF is used as a revolving fund under the control of the DoD to finance the acquisition of defense articles and services in anticipation of their transfer (pursuant to the AECA, the Foreign Assistance Act (FAA), or other legislation) to eligible friends, allies, and international organizations. The SDAF account is reimbursed through sales and transfers of items carried in the account. In FY 1993, Congress provided the last obligational authority for new procurement which had to be obligated by 30 September 1995. Public Law 103-306 provided \$20,000,000 for purposes of closing SDAF, to remain available for obligation until 30 September 1998: Provided, that this authority (\$20,000,000) is not used to initiate new procurements.

Foreign Military Loan Liquidating Account (FMLLA), Treasury Symbol Code 4121: The Credit Reform Act consolidated into this symbol, all assets, liabilities, and equities for loan balances recorded prior to FY 1992 in accounts 11*1082, 11M1083, 11M1084, and 11X4121. This account disburses funds previously made available and accounted for the above referenced accounts.

Foreign Military Financing Direct Loan Financing Account (FMFDLFA), Treasury Symbol Code 4122: The Credit Reform Act resulted in the establishment of this account to provide the vehicle for making disbursements of Foreign Military Financing Loan funds for approved procurements and for subsequent collection of debt service due for the loans after September 30, 1991. The account uses permanent borrowing authority from the Treasury combined with transfers of appropriated funds from account 11*1085 to make the required disbursements for loan recipient countries for their FMS or commercial procurements. Receipts of debt service payments from borrowers are used to repay the borrowings from Treasury.

Foreign Military Financing Program Account (FMFPA), Treasury Symbol Code 1085: This appropriated fund account (Federal Credit Reform Act of 1990) was established to provide the funds necessary to finance the subsidy element of the loan program. Expenditures from this account finance the subsidy element of direct loan disbursements and are transferred into the Foreign Military Financing Direct Loan Financing Account (4122) to make required loan disbursements for approved FMS or commercial sales. For the purpose of this report, FMFPA accounting transactions, to the extent they are relevant to the 4122 account, are included in the data reported for the 4122 account.

Military Debt Reduction Financing Account (MDRFA), Treasury Symbol Code 4174: This account was established for the debt relief of certain countries as established by Public Law 103-87. The Military Debt Reduction Account buys the portfolio of loans from the Foreign Military Loan Liquidating Account (11X4121), thus transferring the loans from 11X4121 to 11X4174. OMB has apportioned the funds for the relief of Niger, Senegal and Haiti.

Footnotes

The Paris Club provides debt reduction initially on payments coming due over a specific period which correspond to the length of an 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 it.

In FY 1994-95, the United States signed bilateral agreements committing to 50 percent debt reduction for Niger, and to 67 percent debt reduction for Senegal and Haiti. The total funding for the three countries in the account equals \$3,837 thousand, which represents the net present value of expected payments (post-forgiveness) as calculated by OMB and Treasury.

FMS Trust Fund, Treasury Symbol Code 8242: The FMS Trust Fund was established as a means of facilitating the purchases of U.S. defense articles and services by friends and allies, as authorized in the Arms Export Control Act (AECA). The Trust Fund provides a vehicle through which the United States Government processes foreign country funds required for FMS case payments to U.S. contractors for new procurement, and to DoD components for sales from stocks. The FMS program operates using contract authority. Contract authority is statutory authority to incur obligations prior to an appropriation (or realization of revenues) for the future payment of such obligations. For the FMS program, 82 Stat 1323 (22 U.S.C. 2762) establishes its permanent indefinite authority. The total value of implemented cases is the only limiting factor in the total amount of obligations that can be incurred.

D. Basis of Accounting:

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The FMS Trust Fund (8242) has cost clearing accounts in which revenues and expenses are recognized upon payment of the expenses. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

SDAF uses the completed contract method of accounting. Under this method, gain or loss is recognized at the time of FMS case closure when costs associated with the contract can be determined.

All source level data; vouchers, obligation documents, etc., are at the installation level. The DoD audit trail is, and has been for many years, in the form of report submissions by accounting month. Report audit trails from departmental to installation level systems have been identified. Transaction samples could be taken from installation level systems where voucher numbers and other data is accessible.

E. Revenues and Other Financing Sources:

While the Congress appropriates some funds to finance portions of the security assistance program via the Foreign Military Financing appropriation, the majority of sales are paid from customers' deposits in the FMS Trust Fund.

In accordance with the DoD Acting Chief Financial Officer's memorandum of August 31, 1992, the FMS Trust Fund does not recognize nor report revenue, with the exception of cost clearing accounts. The cost clearing accounts are: Administrative Surcharge, Transportation Cost, Contract Administrative Surcharge, and Attrition Cost. Funds collected into the Trust Fund are in advance of the performance of services or sale of articles. Since various DoD components actually perform the services and sell the articles, recognition of revenue and expense occurs in the financial statements of the applicable DoD components. The financing source for the FMLLA, FMFDLFA and MDRFA are Congressional appropriations.

Other than the balance in the attrition account, the assets and liabilities of the FMS Program are not assets and liabilities of the Department of Defense, but rather, they are assets and liabilities of the Department's FMS customers and the Office of Management and Budget (OMB). As such, the financial reporting of those assets and liabilities are not included in the overall Department of Defense reporting.

F. Accounting for Intra-Governmental Activities:

The security assistance program, as an activity of DoD, interacts with, and is dependent upon, other financial activities of the government as a whole. The Department, through its Components, sells articles and services to friends and allies under the provisions of the Arms Export Control Act, as amended and the Foreign Assistance Act, as amended. Customers are required to make deposits, in advance, to the FMS Trust Fund. The Trust Fund then reimburses, directly or indirectly, the DoD Components for the cost of administering and executing the program. The indirect reimbursement is in the form of allowing the DoD Components to cite the Trust Fund on appropriate budgetary and expenditure documents. During fiscal year 1997, the Trust Fund reimbursed the DoD Components in the amount of \$15,096 million for articles and services sold under the FMS Program.

Footnotes

G. Funds with U.S. Treasury and Cash:

There are several banking relationships involved in administering, and fiduciary responsibilities associated with, the accounting for security assistance funds. Some funds are held in treasury accounts, others are with the Federal Reserve Bank, and still others are with commercial banks. As of September 30, 1997, the security assistance program has a balance of \$8.58 billion in the U.S. Treasury, and \$7.69 billion on deposit with the Federal Reserve Bank and other commercial banks.

H. Foreign Currency:

All payments and collections involved in the security assistance program are accounted for in U.S. Dollars.

I. Accounts Receivable:

As presented in the consolidated statement of financial position, accounts receivable includes accounts, claims, and refunds receivable. The security assistance program has, as of September 30, 1997, a net accounts receivable as follows:

(Dollars in thousands)

	<u>Amount</u>	<u>Allowance</u>	<u>Total Net</u>
Account Receivable	\$1,870,046	\$0	\$1,870,046
Government			
Intragovernmental	\$21,465	\$0	\$21,465
Refunds	\$0	\$0	\$0
Claims	\$0	\$0	\$0
Total	\$1,891,511	\$0	\$1,891,511

The FMS Trust Fund's \$1.87 billion portion of the public receivables is based upon its requirement to bill in advance of providing articles and services as established in the Arms Export Control Act of 1976. The amount billed to customers on DD Forms 645, adjusted for both special bill arrangements and individual cases that have collections in excess of financial requirements, is the basis for the trust fund's accounts receivable value.

Since the FMS program is required to operate at a no loss or gain scenario, an allowance for bad debts will only be established upon determination of the State Department.

J. Loans Receivable:

Loans are accounted for as receivables after funds have been disbursed. The amount of loans obligated but not disbursed are disclosed in Note 7.

K. Inventories:

The FMS Trust Fund has no inventory. Items are either delivered directly to the FMS customer from the contractor or in the cases of FMS sales from U.S. stocks, they are retained as inventory in the procurement or DBOF accounts of the military departments until transferred to the ownership of the foreign customer.

Inventory in SDAF is controlled and managed by the DoD Components and the SDAF inventory value is acquisition cost as reported to the DSAA by the DoD Components. See Note 8 for specific information.

L. Investments in U.S. Government Securities:

The security assistance program does not invest in U.S. government securities.

M. Property and Equipment:

The funds and accounts making up the security assistance program have no property or equipment. For the FMS trust fund, this policy is established by the DoD Acting Chief Financial Officer memorandum of August 31, 1992.

N. Prepaid and Deferred Charges:

The prepayment for SDAF represents payments made to contractors where inventory has not yet been delivered. All payments are posted as a pre-paid asset. FMS trust fund progress payments to contractors are accounted for using the constructive delivery method and, accordingly, are identified as an expenditure at time of payment.

O. Leases:

Not applicable

P. Contingencies:

Not applicable

Q. Accrued Leave:

No fund included in these statements records any accrual of unpaid leave.

Footnotes

R. Equity:

As identified in his memorandum of August 31, 1992, the DoD Acting Chief Financial Officer states that the FMS Trust Fund is a trust fund requiring DoD to act in a fiduciary capacity on behalf of its customers. All revenue, expense, and operational reporting for the program is the responsibility of the Military Departments. Accordingly, the FMS Trust Fund accounts only for dollars in and dollars out on a cash basis and has no net position, with the exception of cost clearing accounts. Recognition of equity will be the balance retained in the “Attrition” cost clearing account.

For SDAF, a decapitalization in the amount of \$166,000 thousand was completed via a nonexpenditure transfer authorization, document number 97-SDAF-0001, on September 16, 1997, to account 112814. This reduced the capitalized amount of \$200,000 thousand to \$34,000 thousand. Normally any excess resulting from operation of the fund is transferred to the miscellaneous receipts account. However in 1997, the DSAA Program Manager for SDAF determined that \$49,144 thousand of excess revenue would be returned to the Treasury after the remaining capitalization of the fund was returned. Therefore, the equity in the SDAF account is \$110,764 thousand.

S. Aircraft/Ship Crashes:

Not applicable

T. Treaties for Use of Foreign Bases:

Not applicable

U. Comparative Data:

DFAS-DE/IR prepared the FY 1997 CFO statements with comparative FY 1996 balances for all appropriations reported by DSAA. The DSAA report includes CFO reports for all the administered funds. Prior to 1996 DSAA only provided financial statements with footnotes for the revolving and trust fund types.

Reclassification of assets for appropriation “8242” and newly referenced appropriation “1088” as non-entity assets occurred in FY 1996. “8242” reported revenue and expense on cost clearing accounts in FY 1997 with the cumulative result being reported as equity.

The Statement of Cash Flows is required on revolving fund types (4000 series accounts) in FY 1997.

V. Undelivered Orders:

The security assistance program is obligated for goods and services, which have been ordered but not yet received (undelivered orders) as of September 30, 1997, in the amount of \$26,772,505 thousand; \$22,699,167 thousand is attributable to the FMS trust fund orders under contract authority; \$40,454 thousand is attributable to SDAF under contract authority; \$1,894,280 thousand is attributable to 4122 under borrowing authority; \$2,135,779 thousand is attributable to outstanding obligated funds appropriated for the 1080 series (note 20); and \$2,825 thousand is attributable to 1088 as contract authority.

Footnotes

Note 2. Fund Balances with Treasury (in thousands):

A. Fund and Account Balances:

	<u>Entity Assets</u>				<u>Total</u>
	<u>Trust Fund</u>	<u>Revolving Funds</u>	<u>Appropriated Funds</u>	<u>Other Fund Types</u>	
Unobligated Balance Available Restricted					
Reserve for Antic. Resc	49,912				49,912
Obligated (not Expensed)		178,229	2,486,651		2,664,880
Unfunded Contract Auth. Unused Borrowing Auth.					
Treasury Balance	<u>49,912</u>	<u>178,229</u>	<u>2,486,651</u>		<u>2,714,792</u>

Non Entity Assets

Beginning Balance	5,838,185
Funds Collected	14,569,993
Funds Disbursed	<u>14,538,868</u>
Ending Balance	<u>5,869,310</u>

B. Other Information:

Entity Assets: The \$178,229 thousand in A(Obligated-Revolving) is attributable to 11X4116 (SDAF). \$332,528 thousand of A(Obligated-Appropriated) is applicable to 11X4122. DSAA was instructed by Treasury to classify these funds as appropriated. The remaining \$2,154,123 thousand is applicable to the 11 1080 series accounts, with the exception of the 1088 account. The amount in A (Col Trust Fund) is for the FMS Trust Fund cost clearing accounts.

Nonentity Assets: These amounts are for the remainder of the FMS Trust Fund and \$463 thousand ending balance from the 1088 account. The amounts presented equal values from the 1997 Year End Closing Statement (SF2108).

Footnotes

Note 3. Cash, Foreign Currency and Other Monetary Assets (in thousands):

	<u>Entity Assets</u>	<u>NonEntity Assets</u>
A. Cash		7,694,679
B. Foreign Currency		
C. Other Monetary Assets:		
1. Gold		
2. Special Drawing Rights		
3. U.S. Reserves in the IMF		
4. Other		
5. Total, Other Monetary Assets		
D. Total Cash, Foreign Currency and Other Monetary Assets		<u>7,694,679</u>

E. Other Information: There are several banking relationships involved in administering, and fiduciary responsibility, of security assistance funds. Some funds are held in Treasury accounts, others are with the Federal Reserve Bank, and still others are with Commercial Banks. Cash balances are in agreement with the September 30, 1997 Federal Reserve and Commercial Bank balances.

Note 4. Investments:

Not applicable

Note 5. Accounts Receivable, Net (in thousands):

	Gross Amount <u>Due</u>	Allowance For Estimated <u>Uncollectables</u>	Allowance Method <u>Used</u>	Net Amount <u>Due</u>
A. Entity Receivables				
1. Intragovernmental	21,465		N/A	21,465
2. Governmental	5		N/A	5
B. Non-Entity Receivables				
1. Intragovernmental				
2. Governmental	<u>1,870,041</u>		<u>N/A</u>	<u>1,870,041</u>
Total Receivables	<u>1,891,511</u>		N/A	<u>1,891,511</u>

Footnotes

C. Other Information:

The SDAF portion of this value (\$21,465 thousand) represents \$1,465 thousand due from “reverse” military inter-departmental purchase requests (MIPRs), and \$20,000 thousand balance of a \$50,000 thousand advance to DLA.

The 8242 portion of 5B(Governmental) is \$1,870,041 thousand. The FMS Trust Fund is required to work on a no loss basis, therefore, an allowance for Estimated Uncollectibles does not exist. An actual “Uncollectible” will only be established based on State Department determination.

The remaining \$5 thousand is from a receivable due the Air Force under 1084.

Note 6. Other Federal (Intragovernmental) and Non-Federal (Governmental) Assets (in thousands):

A. Other Entity Assets:

1. Federal (Intragovernmental)	
a. FMFDLFA	<u>\$1,561,769</u>
Total	<u>\$1,561,769</u>

2. Non-Federal (Governmental)	
Total	<u>\$0</u>

B. Other Information: \$1,561,769 of A.1(1) is attributable to 11X4122. This is a right to receive cash through borrowing authority from Treasury.

C. Other Non-Entity Assets:

1. Federal (Intragovernmental)	
Total	<u>\$0</u>
2. Non-Federal (Governmental)	
Total	<u>\$0</u>

D. Other Information: None

Note 7. Loans and Loan Guarantees, Non Federal Borrowers:

A. The entity operates the following loan and/or loan guarantee programs:

1. Pre-1992 Direct Loan Obligations - DSAA Direct Loans
2. Pre-1992 Direct Loan Obligations - DSAA Rescheduled Loans (Direct Portion)
3. Pre-1992 Direct Loan Obligations - DSAA Rescheduled Loans (Guaranty Portion)
4. Pre-1992 Direct Loan Obligations - FFB Loans
5. Pre-1992 Direct Loan Obligations - Subrogated Defaulted FFB Loans
6. Pre-1992 Direct Loan Obligations - Subrogated Defaulted Refinanced Loans
7. Pre-1992 Direct Loan Obligations - Refinanced Loans
8. Pre-1992 Direct Loan Obligations - Commercial Bank Loans
9. Post-1991 Direct Loan Obligation - DSAA Direct Loans
10. Post-1991 Direct Loan Obligation - DSAA Military Debt Reduction

Direct loan obligations or loan guarantee commitments made prior to FY 1992, and the resulting direct loans or loan guarantees, are reported net of an allowance for estimated uncollectible loans or estimated losses.

Direct loan obligations or loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act. The Act provides that the present value of the subsidy costs (i.e. interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy and administrative costs associated with the loans and loan guarantees is provided in the following sections.

B. Direct Loans Obligated Prior to FY 1992 (in thousands):

<u>Loan Program</u>	Loans and Interest Receivable, <u>Gross</u>	Allowance for Est. Uncoll. Loans & <u>Interest</u>	Loans and Interest Receivable, <u>Net</u>	Foreclosed <u>Property</u>	Value of Assets Related to <u>Direct Loans</u>
A1	2,477,398	0	2,477,398	0	0
A2	342,594	0	342,594	0	0
A3	518,874	0	518,874	0	0
A4	3,096,464	0	3,096,464	0	0
A5	<u>448,115</u>	<u>0</u>	<u>448,115</u>	<u>0</u>	<u>0</u>
TOTAL	<u>6,883,445</u>	<u>0</u>	<u>6,883,445</u>	<u>0</u>	<u>0</u>

Footnotes

C. Direct Loans Obligated after FY 1991 (in thousands):

<u>Loan Program</u>	<u>Loans Receivable, Gross</u>	<u>Interest Receivable</u>	<u>Foreclosed Property</u>	<u>Allowance for Subsidy Cost (Present Value)</u>	<u>Net Present Value of Assets Related to Direct Loans</u>
A9	1,451,405	15,788	0	189,666	1,277,527
A10	13,464	2,745	0	3,032	13,177
Total	<u>1,464,869</u>	<u>18,533</u>		<u>192,698</u>	<u>1,290,704</u>

D. Defaults on Pre-1992 Loan Guarantees: None

NOTE: FFB loans are considered Direct Loans, however \$79,155 thousand of loan principal was defaulted to FFB by various countries thus DSAA paid FFB the defaulted principal.

E. Defaults on Post-1991 Loan Guarantees: None

F. Liability for Loan Guarantees: None

NOTE: DSAA expects to collect 100% of its defaulted guaranty loans.

G. Subsidy Expense for Post-1991 Loans:

1. Current Year's Direct Loans (in thousands)

<u>Loan Program</u>	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees</u>	<u>Other</u>	<u>Total</u>
1. FMFDLFA	(31,692)	89,909	0	0	58,217
2. MDRFA	<u>0</u>	<u>375</u>	<u>0</u>	<u>0</u>	<u>375</u>
Total	<u>(31,692)</u>	<u>90,284</u>	<u>0</u>	<u>0</u>	<u>58,592</u>

2. Direct Loan Modifications and Re-estimates (in thousands)

<u>Loan Programs</u>	<u>Modifications</u>	<u>Re-estimates</u>	<u>Total</u>
1. FMFDLFA	0	13,445	13,445
2. MDRFA	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>13,445</u>	<u>13,445</u>

3. Total Direct Loan Subsidy Expenses (in thousands)

<u>LoanProgram</u>	
1. FMFDLFA	71,662
2. MDRFA	<u>375</u>
Total	<u>72,037</u>

H. Subsidy Expense for Post-1991 Loan Guarantees.

1. Current Year's Loan Guarantees: None
2. Loan Guarantee Modifications and Re-estimates: None
3. Total Loan Guarantees Subsidy Expense: None

I. Administrative Expense: None

J. Other Information:

	(thousands)
Face Value of Guaranteed Refinanced Loans	5,691,355
Accrued Interest Guaranteed Refinanced Loans	219,677
DSAA Guaranteed Portion of Refinanced Loans (90% of Face Value)	5,319,929
Portion of Refinanced Loans Secured by Country Deposits in the Financing Bank (10% Face Value)	591,103
Undisbursed Balances Available for New Direct Loan Receivables	0

Footnotes

Note 8. Inventory, Net (in thousands):

	<u>Inventory Amount</u>	<u>Allowance For Losses</u>	<u>Inventory Net</u>	<u>Valuation Method</u>
A. Inventory Categories:				
1. Held for Current Sale	10,179		10,179	
2. Held in Reserve for Future Sale War Reserve Materiel				
3. Excess, Obsolete, Unserviceable				
4. Held for Repair				
Total	<u>10,179</u>		<u>10,179</u>	

B. Restrictions on Inventory Use, Sale, or Disposition:

SDAF inventory must be used for transfers in security assistance programs unless approved by SECDEF, redelegated to DSAA Director, for sale to Military Departments.

C. Other Information:

All inventory belongs to SDAF. The valuation, as reported by the military departments, is the acquisition cost of items on hand at installation level not identified to a specific sale to a foreign customer. In FY1997, \$1,437 thousand of unsalable equipment was written off.

Note 9. Work in Process:

Not applicable

Note 10. Operating Materials and Supplies (OM&S), Net:

Not applicable

Note 11. Stockpile Materials Net:

Not applicable

Note 12. Seized Property:

Not applicable

Note 13. Forfeited Property, Net:

Not applicable

Note 14. Goods Held Under Price Support and Stabilization Programs, Net:

Not applicable

Note 15. Property, Plant and Equipment, Net:

Not applicable

Note 16. Debt (in thousands):

Liabilities Covered by Budgetary Resources	Beginning <u>Balance</u>	New <u>Borrowing</u>	<u>Repayments</u>	Ending <u>Balance</u>	<u>Refinance</u>
A. Intragovernment Debt:					
1. Borrowing from the Treasury	1,133,783	328,255	51,311	1,410,727	0
2. Borrowing from Fed Financing Bank	3,247,194	0	198,901	3,048,293	0
3. Borrowing from Other Fed Agencies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Intragovernmental Debt	<u>4,380,977</u>	<u>328,255</u>	<u>250,212</u>	<u>4,459,020</u>	<u>0</u>

Liabilities Not Covered By
Budgetary Resources

B.

1. Public Debt: Not applicable
2. Agency Debt: Not applicable

C. Total Liabilities for Debt:

Not Covered by Budgetary Resc: Not applicable

D. Total Debt	<u>4,380,977</u>	<u>328,255</u>	<u>250,212</u>	<u>4,459,020</u>	<u>0</u>
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E. Other Information:

The FMLLA (Treasury Symbol Code 4121) portion of the security assistance program has borrowed funds from the Treasury for disbursement under a valid loan program.

The FMFDLFA (Treasury Symbol Code 4122) program has borrowed funds from the Treasury for disbursements for valid loan programs under credit reform.

The MDRFA (Treasury Symbol Code 4174) program has borrowed funds from the Treasury for disbursements for valid loan programs under credit reform.

Footnotes

Note 17. Other Liabilities (in thousands):

A. Other Liabilities Covered by Budgetary Resources:

	<u>Non-Current Liab.</u>	<u>Current Liabilities</u>	<u>Total</u>
1. Intragovernmental			
a. FMFDLFA-Bor	0	1,561,769	1,561,769
b. FMFDLFA-Sub	<u>0</u>	<u>202,493</u>	<u>202,493</u>
Total	<u>0</u>	<u>1,764,262</u>	<u>1,764,262</u>
2. Governmental			
a. SDAF	95,150	0	95,150
b. 8242	0	13,794,765	13,794,765
c. FMLLA	<u>3,177,290</u>	<u>0</u>	<u>3,177,290</u>
Total	<u>3,272,440</u>	<u>13,794,765</u>	<u>17,067,205</u>

B. Other Information:

The SDAF portion of this element was computed by using Advances to Others and Advances from Others in accordance with the completed contract method of accounting.

Advances from Others (GLAC 2310)	573,923
Advances to Others (GLAC 1410)	<u>478,773</u>
Other Non-Federal Liabilities	<u>95,150</u>

Amount in A2(2), 8242 is in accordance with the Arms Export Control Act of 1976. Funds collected into the Trust Fund are in advance of the performance of services or sale of goods. Amounts are the values expected to be expended by the U.S. Government on behalf of foreign customers.

The FMFDLFA value represents future repayments of borrowings from Treasury for credit reform loans.

C. Other Liabilities Not Covered by Budgetary Resources: Not applicable.

D. Other Information: None

Note 18. Leases:

Not applicable

Note 19. Pensions and Other Actuarial Liabilities:

Not applicable

Note 20. Net Position (in thousands):

	<u>Revolving</u> <u>Funds</u>	<u>Trust</u> <u>Funds</u>	<u>Appropriated</u> <u>Funds</u>	<u>Total</u>
A. Unexpended Appropriations				
1. Unobligated				
a. Available			4,179	4,179
b. Unavailable			2,682	2,682
2. Undelivered Orders			2,135,779	2,135,779
B. Invested Capital	110,764		0	110,764
C. Cumulative Results of Operations	619,684	49,912	128	669,724
D. Other				
E. Future Funding Requirements				
F. Total	<u>730,448</u>	<u>49,912</u>	<u>2,142,768</u>	<u>2,923,128</u>
G. Other Information:				

1. Invested Capital (B): The \$110,764 thousand is attributable to SDAF. Normally any excess resulting from the operation of the fund is transferred to the Treasury miscellaneous receipts account. However, in 1996, the DSAA Program Manager for SDAF determined that \$27,620 thousand of excess revenue would be returned to the Treasury after the remaining capitalization of the fund is returned. In FY 1997, an additional \$49,144 thousand of excess revenue will be returned to the Treasury after the remaining capitalization of the fund is returned. Also, in FY 1997 \$166,000 thousand was returned to the Treasury miscellaneous receipts account 112814 (Repayments of Investments and Recoveries).

2. Cumulative Results of Operations (C): FMLLA is not considered a revolving fund. It is a liquidating fund. It is being classified as a revolving fund since the Treasury is classifying it as a revolving fund for the FACTS reporting. \$609,692 thousand is attributable to FMLLA, \$9,992 thousand is attributable to MDRFA. An accounting policy change to 8242 resulted in \$49,912 thousand being reported under trust funds.

3. Unexpended Appropriations (A):

Unobligated Available; \$2,077 thousand is attributable to 1081, \$749 thousand is attributable to 1082, and \$1,353 thousand is attributable to 1084.

Unobligated Unavailable; \$1,836 thousand is attributable to 1081, \$828 thousand is attributable to 1082, and \$18 thousand is attributable to 4122 (FMFDLFA).

Undelivered Orders; \$23,556 thousand is attributable to 1081, \$2,110,430 thousand is attributable to 1082, \$1,330 thousand is attributable to 1084, and \$463 thousand is attributable to 1088.

Footnotes

Note 21. Taxes:

Not applicable

Note 22. Other Revenues and Financing Sources (in thousands):

	<u>1997</u>	<u>1996</u>
A. Other Revenue and Financing Sources:		
1. MDRFA	12,360	0
2. FMLLA	587,912	591,134
3. FMFDLFA	7,526	2,493
4. 1082	<u>128</u>	<u>405</u>
Total	<u>607,926</u>	<u>594,032</u>

B. Other Information:

(FMLLA) Amount is the Contra-Revenue-Collected for Others and deposited to Treasury.

(FMFDLFA) Had insufficient funds to make annual interest payment to treasury. Per Treasury Bulletin No. 93-05, additional borrowing was made to cover interest payments. (MDRFA) had a gain in assets from the acquisition of loans.

Note 23. Program or Operating Expenses (in thousands):

	<u>1997</u>	<u>1996</u>
A. Operating Expenses by Object Classification:		
1. Personal Services and Benefits		
2. Travel and Transportation		
3. Rental, Communication and Utilities		
4. Printing and Reproduction		
5. Contractual Services		
6. Supplies and Materials		
7. Equipment not Capitalized		
8. Grants, Subsidies and Contributions 3,067,394	3,087,760	
9. Insurance Claims and Indemnities		
10. Other	<u>603,108</u>	<u>0</u>
11. Total Expenses by Object Class	<u>3,670,502</u>	
<u>3,087,760</u>		

B. Operating Expense by Program: Not applicable

C. Other Information:

Grants, Subsidies, and Contributions (8); FMFDLFA incurred \$71,662 thousand of loan subsidy expense. The remaining \$2,995,732 thousand is normal grant execution for the 1080 series accounts.

Other (10); FMLLA had expense of \$48,234 thousand for defaulted guaranteed loans, and a credit for Contra Bad Debts Expense - Incurred for Others of \$3,655 thousand. The remaining \$558,529 thousand was operating expense of 8242.

Footnotes

Note 24. Cost of Goods Sold (in thousands):

B. Cost of Material Sold from Inventory (using Latest Acquisition Cost)	
1. Beginning Inventory L.A.C.	50,384
2. Less: Beginning Allowance for Unrealized Holding Gains/Losses	0
3. Plus: Purchases at Cost	478,793
4. Plus: Customer Returns - Credit Given	0
5. Plus: DLR Exchange Credits	0
6. Less: Inventory Losses Realized	0
7. Less: Ending Inventory - L.A.C.	10,179
8. Plus: Ending Allowance for Unrealized Holding Gains/Losses	0
9. Less: Equity Transfers of Inventory to Others	0
10. Plus: Equity Transfers of Inventory from Others	<u>0</u>
11. Equals: Cost of Goods Sold from Inventory	<u>518,998</u>

Other Information:

All Cost of Goods Sold (CGS) relate to the Special Defense Acquisition Fund (SDAF). Since SDAF uses the completed contract method of accounting, all costs associated with a contract are identified at the time of an FMS case closure (see note 1 D). Line 1a represents the CGS of those FMS cases closed during FY 1997 plus the net change in ending inventory between FY 1996 and FY 1997 (see note 8). Line 3 includes the FY 1997 contract administration costs that are directly related to the sale of SDAF items.

Note 25. Other Expenses (in thousands):

	<u>1997</u>	<u>1996</u>
A. Other Expenses:		
1. Loan Program - FMLLA	<u>12,360</u>	<u>0</u>
Total	<u>12,360</u>	<u>0</u>

B. Other Information: FMLLA had a \$12, 360 thousand loss on disposition of assets.

Note 26. Extraordinary Items:

Not applicable

Note 27. Prior Period Adjustments (in thousands):

A. Prior Period Adjustments:	
1. FMLLA	14
2. 8242	<u>48,446</u>
Total	<u>48,460</u>

B. Other Information: FMLLA made a one time adjustment to correct loan CM908D, which increased equity and decreased other liabilities. This adjustment was between DSAA Rescheduled Loans (Direct portion) and Rescheduled Loans (Guaranty portion). 8242 made an adjustment to record a beginning year net position of its clearing accounts. This portion of 8242 must report revenue, expenses and corresponding equity due to a change in DoD accounting policy direction.

Note 28. Non-Operating Changes - (Transfers and Donations) (in thousands):

	<u>1997</u>	<u>1996</u>
A. Increases:		
1. Transfers-In:		
a. From Treasury	7,331	16,418
2. Unexpended Appropriations		
3. Donations Received		
4. Other Increases	<u>334,438</u>	<u>0</u>
5. Total Increases	<u>341,769</u>	<u>16,418</u>
B. Decreases		
1. Transfers-Out:		
a. To Treasury	166,000	322,000
2. Donations		
3. Other Decreases	<u>75</u>	<u>0</u>
4. Total Decreases	<u>166,075</u>	<u>322,000</u>
C. Net Non-Operating Changes (Transfers)	<u>175,694</u>	<u>(305,582)</u>

D. Other Information: Increases, Transfers-In from Treasury A(1)(a) \$7,331 thousand is attributable to the Foreign Military Loan Liquidating Account (FMLLA) to pay default claims on guaranteed loans made prior to FY 1992. Decreases, Other B(3) \$46 thousand is attributable to the Foreign Military Financing Direct Loan Financing Account (FMFDLFA), Subsidy available un-appropriated, transferred to the Treasury. Decreases, Transfer-Out to Treasury, B(1)(a), is the amount of authority to SDAF cash which was transferred to the Treasury's receipt account by DSAA during FY1997 as part of the de-capitalization of the fund. The remaining increases or decreases are for the 1080 appropriations. These figures are the net of operations less any money returned to Treasury due to canceled years.

Footnotes

Note 29. Intrafund Eliminations:

Not applicable

Note 30. Contingencies:

Not applicable

Note 31. Other Disclosures (in thousands):

UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND TOTALS.

<u>DSAA (11X8242)</u>	<u>SEP 1997</u>	<u>SEP 1996</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Unmatched Disbursements	318,000	330,000	(12,000)	4.0
Negative Unliquidated Obligations	141,000	175,000	(34,000)	19.0
Aged In-Transit Disbursements	288,000	178,000	110,000	61.8
Totals	<u>747,000</u>	<u>683,000</u>	<u>(64,000)</u>	<u>9.4</u>

The increase in Aged In-Transit Disbursements was caused due to military departments suspense amounts not being included in the FY 96 position, but are now included in the FY 97 figure.

The Defense Finance and Accounting Service has reported material weaknesses in system controls. This is due to the numerous systems involved in the Department of Defense Finance and Accounting for Security Assistance where integration and reconciliations required result in inefficiencies. This has been reported in accordance with “United States Code, title 31, section 3512 (formerly the Federal Managers’ Financial Integrity Act of 1982, Public Law 97-225)”. These systemic problems resulted in \$200 million in disbursements not being identified to specific foreign customers as of September 30, 1997. This is an improvement of \$10 million from the September 30, 1996 position; however still constitutes a significant problem which we are working to resolve. There was also \$459 million in problem disbursements (excluding intransit disbursements) reported at field level as of September 30, 1997.

Numerous initiatives are being implemented to reduce problem disbursements, including: (1) Implementing procedures for Defense Accounting Offices (DAOs) and Operating Locations (OPLOCs) to correct contract payment notification rejects affecting the above the line mismatches, (2) Eliminating central procurement accounting system below the line edits, (3) Instituting procedures for DAOs/OPLOCs to correct negative unliquidated obligations, (4) Involving the DFAS-DE network in front end validation of Mechanization of Contract Administration Services (MOCAS) payments, (5) Automating prevalidation of MOCAS payments, and (6) Reducing the prevalidation threshold to \$25,000 for MOCAS payments, starting with contracts for FY97 and forward.

Footnotes

***DEFENSE SECURITY
ASSISTANCE AGENCY***

PART III

SUPPLEMENTAL

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**FY 1996 ANNUAL FINANCIAL STATEMENT
DEFENSE SECURITY ASSISTANCE AGENCY**

**PART III - SUPPLEMENTAL FINANCIAL AND
MANAGEMENT INFORMATION**

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

New Purchase Orders Issued

FY 1997 ACTIVITY:

Types of Orders Issued:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Major End Items	0	0	0	0	0	0
Support for Major End Items	4	2	0	0	0	6
Investments	0	0	0	0	0	0
Ammunition	0	0	0	0	0	0
Miscellaneous/Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	4	2	0	0	0	6

FY 1996 ACTIVITY:

Types of Orders Issued:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Major End Items	0	0	0	0	0	0
Support for Major End Items	4	1	0	0	0	5
Investments	0	0	0	0	0	0
Ammunition	0	0	0	0	0	0
Miscellaneous/Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	4	1	0	0	0	5

FY 1995 ACTIVITY:

Types of Orders Issued:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Major End Items	0	0	0	0	0	0
Support for Major End Items	1	0	0	0	0	1
Investments	0	0	0	0	0	0
Ammunition	0	0	0	0	0	0
Miscellaneous/Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
TOTAL	1	0	0	0	1	2

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

New Purchase Orders Issued (Continued)

FY 1994 ACTIVITY:

Types of Orders Issued:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Major End Items	3	5	1	3	0	12
Support for Major End Items	3	0	2	0	0	5
Investments	0	0	0	0	0	0
Ammunition	3	0	0	0	0	3
Miscellaneous/Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>
TOTAL	9	5	3	4	1	22

FY 1993 ACTIVITY:

Types of Orders Issued:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Major End Items	11	5	3	3	0	22
Support for Major End Items	3	0	1	0	0	4
Investments	0	0	0	0	0	0
Ammunition	3	0	0	0	0	3
Miscellaneous/Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
TOTAL	17	5	4	3	1	30

NARRATIVE:

This indicator compares the number of new purchase orders placed from FY 1997 through FY 1993 to the Military Departments or DoD Agencies. This amount will continue to decrease due to the decapitalization of the fund. Numbers for FY 1997 through FY 1993 are provided for comparison.

SOURCE:

DSAA Special Defense Acquisition Fund Management Information System.

**PART III - SUPPLEMENTAL FINANCIAL AND
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A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Number of Purchase Orders Issued, New and Revised

FY 1997 ACTIVITY:		<u>TOTAL</u>
Military Interdepartmental Purchase Requests (MIPRs) Issued	115	
FY 1996 ACTIVITY:		<u>TOTAL</u>
Military Interdepartmental Purchase Requests (MIPRs) Issued	96	
FY 1995 ACTIVITY:		<u>TOTAL</u>
Military Interdepartmental Purchase Requests (MIPRs) Issued	200	
FY 1994 ACTIVITY:		<u>TOTAL</u>
Military Interdepartmental Purchase Requests (MIPRs) Issued	166	
FY 1993 ACTIVITY		<u>TOTAL</u>
Military Interdepartmental Purchase Requests (MIPRs) Issued	280	

NARRATIVE:

This performance indicator reflects the number of MIPRs that were issued with current and prior year obligation authority and the number of revisions to existing MIPRs. The FY 1997 through FY 1993 amounts are provided for comparison.

SOURCE:

DSAA Special Defense Acquisition Fund Management Information System.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Value of Purchase Orders Issued

MILLIONS (\$ X 000,000)

FY 1997 ACTIVITY:	<u>TOTAL</u>
Value of Military Interdepartmental Purchase Requests (MIPRs) Issued	0.853
FY 1996 ACTIVITY	<u>TOTAL</u>
Value of Military Interdepartmental Purchase Requests (MIPRs) Issued	0.348
FY 1995 ACTIVITY	<u>TOTAL</u>
Value of Military Interdepartmental Purchase Requests (MIPRs) Issued	3.58
FY 1994 ACTIVITY	<u>TOTAL</u>
Value of Military Interdepartmental Purchase Requests (MIPRs) Issued	87.8
FY 1993 ACTIVITY:	<u>TOTAL</u>
Value of Military Interdepartmental Purchase Requests (MIPRs) Issued	149.9

NARRATIVE:

This performance indicator provides the value of all MIPRs. The amounts for future Fiscal Years (FYs) will continue to decline due to the decapitalization of the fund. Amounts for FY 1997 through FY 1993 are provided for comparison.

SOURCE:

DSAA Special Defense Acquisition Fund Management Information System.

**PART III - SUPPLEMENTAL FINANCIAL AND
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A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Number of Purchase Orders Closed

FY 1997 ACTIVITY	<u>TOTAL</u>
(Aged in Years)	
0-3	1
4-6	51
7-9	77
10+	<u>59</u>
TOTAL	188

FY 1996 ACTIVITY	<u>TOTAL</u>
(Aged in Years)	
0-3	1
4-6	25
7-9	27
10+	<u>37</u>
TOTAL	90

FY 1995 ACTIVITY	<u>TOTAL</u>
(Aged in Years)	
0-3	1
4-6	24
7-9	35
10+	<u>10</u>
TOTAL	70

FY 1994 ACTIVITY	<u>TOTAL</u>
(Aged in Years)	
0-3	61
4-6	46
7-9	12
10+	<u>4</u>
TOTAL	123

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Number of Purchase Orders Closed (continued)

FY 1993 ACTIVITY	<u>TOTAL</u>
(Aged in Years)	
0-3	0
4-6	0
7-9	0
10+	<u>0</u>
TOTAL	0

NARRATIVE:

This performance indicator shows the number of purchase orders that were closed and their relative age. There were no purchase orders closed for Fiscal Year (FY) 1993. Since the decision to decapitalize the fund, we have revised the procedures for closing purchase orders to ensure that no liabilities remain after the purchase order is closed. Numbers for FY 1997 through FY 1993 are provided for comparison.

SOURCE:

DSAA Special Defense Acquisition Fund Management Information System.

**PART III - SUPPLEMENTAL FINANCIAL AND
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A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Value of Purchase Orders Closed

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY:	<u>TOTAL</u>
Closed Purchase Orders	540,070.3
FY 1996 ACTIVITY:	<u>TOTAL</u>
Closed Purchase Orders	190,404.7
FY 1995 ACTIVITY:	<u>TOTAL</u>
Closed Purchase Orders	110,887.8
FY 1994 ACTIVITY:	<u>TOTAL</u>
Closed Purchase Orders	82,995.0
FY 1993 ACTIVITY:	<u>TOTAL</u>
Closed Purchase Orders	0.0

NARRATIVE:

This performance indicator shows the value of Purchase Orders Closed during the fiscal year. There were no purchase orders closed for FY 1993. Since the decision to decapitalize the fund, we have revised the procedures for closing purchase orders to ensure that no liabilities remain after the purchase order is closed. The values for FY 1997 through FY 1993 are provided for comparison.

SOURCE:

DSAA Special Defense Acquisition Fund Management Information System.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Value of Sales

MILLIONS (\$ X 000,000)

FY 1997 ACTIVITY:

	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Type Sale & Customer FMS Cases	39.1	37.2	.6	.1	0.0	77.0
Replenishment	0.0	0.0	0.0	0.0	0.0	0.0
Direct	<u>0.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
TOTAL	39.9	37.2	.6	.1	0.0	77.8

FY 1996 ACTIVITY:

	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Type Sale & Customer FMS Cases	77.4	19.2	31.9	.4	0.0	128.9
Replenishment	0.0	0.0	0.0	0.0	0.0	0.0
Direct	<u>3.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3.8</u>
TOTAL	81.2	19.2	31.9	.4	0.0	132.7

FY 1995 ACTIVITY:

	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Type Sale & Customer FMS Cases	99.3	47.9	0.8	2.4	0.0	150.4
Replenishment	0.0	0.0	0.0	0.0	0.0	0.0
Direct	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>
TOTAL	99.5	47.9	0.8	2.4	0.0	150.6

FY 1994 ACTIVITY:

	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Type Sale & Customer FMS Cases	199.9	45.5	1.2	8.2	0.0	254.8
Replenishment	0.0	0.0	0.0	0.0	0.0	0.0
Direct	<u>.5</u>	<u>2.8</u>	<u>0.0</u>	<u>.4</u>	<u>0.0</u>	<u>3.7</u>
TOTAL	200.4	48.3	1.2	8.6	0.0	258.5

FY 1993 ACTIVITY:

	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
Type Sale & Customer FMS Cases	117.2	74.2	1.3	5.1	0.0	197.8
Replenishment	0.0	0.0	0.0	0.0	0.0	0.0
Direct	<u>1.1</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>1.3</u>
TOTAL	118.3	74.2	1.5	5.1	0.0	199.1

**PART III - SUPPLEMENTAL FINANCIAL AND
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A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Value of Sales (continued)

NARRATIVE:

This indicator shows the dollar value of Purchase Orders Sold and is stratified into three different types of sales. The amounts for FY 1997 through FY 1993 are provided for comparison.

DEFINITIONS:

FMS CASES: Sales to foreign customers or U.S. Military Departments through either Letters of Offer/Acceptance (LOA's) or "reverse" Military Interdepartmental Purchase Requests (MIPRs).

REPLENISHMENT: Sales to U.S. Military Departments to replenish their inventories for items diverted for urgent FMS requirements.

DIRECT: Sales to U.S. Military Departments approved by SECDEF.

SOURCE:

DSAA Special Defense Acquisition Information Management System.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Value of New Obligations

	MILLIONS (\$ X 000,000)				
FY 1997 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	(10.1)	(5.0)	(1.5)	(0.4)	(17.0)
FY 1996 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	(2.1)	1.9	0.0	0.4	0.2
FY 1995 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	1.2	12.3	0.0	5.9	19.4
FY 1994 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	10.5	31.8	15.5	0.1	57.9
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	140.5	66.9	6.7	8.9	223.0

NARRATIVE:

This performance indicator measures new obligations placed during the fiscal year. The amount will decrease in future Fiscal Years (FYs) due to the decapitalization of the fund. The amounts for FY 1997 through FY 1993 are provided for comparison.

SOURCE:

SDAF General Ledger.

**PART III - SUPPLEMENTAL FINANCIAL AND
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A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Value of New Obligations Liquidated, Fiscal Year End Position

	MILLIONS (\$ X 000,000)				
FY 1997 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
VALUE	7.7	4.9	0.7	0.3	13.6
FY 1996 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
VALUE	13.7	13.6	5.4	3.1	35.8
FY 1995 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
VALUE	90.6	54.0	10.8	4.5	159.9
FY 1994 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
VALUE	107.8	58.9	6.0	6.5	179.2
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
VALUE	187.6	46.2	17.9	5.3	257.0

NARRATIVE:

This performance indicator shows the value of obligations liquidated, i.e., disbursements made during the Fiscal Year (FY). The amounts for FY 1997 through 1993 are provided for comparison.

SOURCE:

SDAF General Ledger.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Value of Unsold Purchases (Material/Inventory) as of Fiscal Year End

MILLIONS (\$ X 000,000)

	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>NSA</u>	<u>OTHER</u>	<u>TOTAL</u>
September 30, 1997						
Position:						
Value	7.6	2.6	0.0	0.0	0.0	10.2
September 30, 1996						
Position:						
Value	47.5	2.7	0.0	0.2	0.0	50.4
September 30, 1995						
Position:						
Value	124.1	24.6	2.8	1.4	0.0	152.9
September 30, 1994						
Position:						
Value	170.6	112.1	0.1	3.7	0.0	286.5
September 30, 1993						
Position:						
Value	136.8	37.4	1.5	6.9	0.0	182.6

NARRATIVE:

This performance indicator shows the actual value of finished inventory unsold and held as of the end of the Fiscal Year (FY). The amounts for FY 1997 through FY 1993 represent a physical inventory value as provided by the Military Departments.

SOURCE:

Military Departments

**PART III - SUPPLEMENTAL FINANCIAL AND
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A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Ratio of Unsold Purchases to Total Fund Authority as of Fiscal Year End

MILLIONS (\$ X 000,000)

FY 1997 ACTIVITY	<u>TOTAL</u>
SEPTEMBER 30, 1997 POSITION	
Unsold Purchases (Finished Inventory)	10.2
TOTAL FUND AUTHORITY	34.0
RATIO	29.9%
FY 1996 ACTIVITY	<u>TOTAL</u>
SEPTEMBER 30, 1996 POSITION	
Unsold Purchases (Finished Inventory)	50.4
TOTAL FUND AUTHORITY	200.0
RATIO	25.2%
FY 1995 ACTIVITY	<u>TOTAL</u>
SEPTEMBER 30, 1995 POSITION	
Unsold Purchases (Finished Inventory)	152.9
TOTAL FUND AUTHORITY	522.0
RATIO	29.3%
FY 1994 ACTIVITY	<u>TOTAL</u>
SEPTEMBER 30, 1994 POSITION	
Unsold Purchases (Finished Inventory)	286.5
TOTAL FUND AUTHORITY	1070.0
RATIO	26.8%

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Ratio of Unsold Purchases to Total Fund Authority as of Fiscal Year End (continued)

FY 1993 ACTIVITY	<u>TOTAL</u>
SEPTEMBER 30, 1993 POSITION	
Unsold Purchases (Finished Inventory)	182.6
TOTAL FUND AUTHORITY	1,070.0
RATIO	17.1%

NARRATIVE:

This performance indicator shows the relationship between the unsold purchases and the total fund authority. The ratio is calculated by dividing the value of unsold purchases by the total of fund authority provided under the U.S. Statute. The amounts for FYs 1997 through FY 1993 represent a physical inventory value as provided by the Military Departments.

SOURCE:

Military Departments.

**PART III - SUPPLEMENTAL FINANCIAL AND
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A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Gain or Loss on Cases Closed During the Fiscal Year

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY:	<u>TOTAL</u>
Gross Value (Gain)	50,580.8
Unsalable Inventory Assets Written Off	<u>-1,437.0</u>
Net Gain	49,143.8
FY 1996 ACTIVITY:	<u>TOTAL</u>
Gross Value (Gain)	54,541.8
Unsalable Inventory Assets Written Off	<u>-26,921.8</u>
Net Gain	27,620.0
1995 ACTIVITY:	<u>TOTAL</u>
Gross Value (Gain)	15,545.1
Unsalable Inventory Assets Written Off	<u>-15,545.1</u>
Net Gain	0.0
FY 1994 ACTIVITY:	<u>TOTAL</u>
Gross Value (Gain)	22,256.9
Unsalable Inventory Assets Written Off	<u>-22,256.9</u>
Net Gain	0.0
FY 1993 ACTIVITY:	<u>TOTAL</u>
Gross Value (Gain)	14,804.6
Unsalable Inventory Assets Written Off	<u>-14,804.6</u>
Net Gain	0.0

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

SPECIAL DEFENSE ACQUISITION FUND, ACCOUNT 4116:

Gain or Loss on Cases Closed During the Fiscal Year (Continued)

NARRATIVE: This performance indicator is based on cases closed and gains realized during the Fiscal Year (FY). Due to the decapitalization of the fund, gains of \$1,437,011.93 in FY 1997 and \$26,921,782.83 in FY 1996 were used to write-off unsalable equipment. Additional gains of \$27,620,001.02 in FY 1996 and \$49,143,801.44 in FY 1997 will be returned to the Treasury after the remaining capitalization of the fund has been returned. A FY 1995 gain of \$15,545,063.03 was used to write-off unsalable equipment. In FY 1994, the gain of \$22,256,908.80 was also used to write-off unsalable equipment. There were no funds returned to Treasury in FY 1993, FY 1994 or FY 1995. The amounts for FY 1997 through FY 1993 are provided for comparison.

SOURCE: DSAA Special Defense Acquisition Fund Management Information System.

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION
A. ADDITIONAL PERFORMANCE INDICATORS**Foreign Military Loan Liquidating Account (FMLLA) Financial (Account 4121):****Financial Performance: Reimbursement of DoD for Articles and Services**

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
11X4121 Principal and interest collections on defaulted Financing Bank and Commercial Guaranteed Loans and principal collections on the Guaranteed portion of rescheduled loans.	40,904
112968 Principal collections on Direct Loans and the direct portion of rescheduled loans	653,293
111468 Interest and Late Charges on direct and rescheduled loans and late charges on defaulted Financing Bank and Commercial Guaranteed Loans.	207,611
11X4121 Principal on Financing Bank loans transferred to 20X4521.097.	198,902
11X4121 Interest on Financing Bank loans transferred to 20X4521.	<u>277,042</u>
TOTAL COLLECTIONS	1,377,752

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) Financial (Account 4121):

Financial Performance: Reimbursement of DoD for Articles and Services (Continued)

THOUSANDS (\$ X 000)

FY 1996 ACTIVITY, END OF YEAR POSITION		<u>TOTAL</u>
11X4121	Principal and interest collections on defaulted Financing Bank and Commercial Guaranteed Loans and principal collections on the Guaranteed portion of rescheduled loans.	42,839
112968	Principal collections on Direct Loans and the direct portion of rescheduled loans.	660,588
111468	Interest and Late Charges on direct and rescheduled loans and late charges on defaulted Financing Bank and Commercial Guaranteed Loans.	244,575
11X4121	Principal on Financing Bank loans transferred to 20X4521.097.	245,833
11X4121	Interest on Financing Bank loans transferred to 20X4521.	<u>298,143</u>
TOTAL COLLECTIONS		1,491,978

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A. ADDITIONAL PERFORMANCE INDICATORS
Foreign Military Loan Liquidating Account (FMLLA) Financial (Account 4121):
Financial Performance: Reimbursement of DoD for Articles and Services (Continued)

THOUSANDS (\$ X 000)

FY 1995 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
11X4121 Principal and interest collections on defaulted Financing Bank and Commercial Guaranteed Loans and principal collections on the Guaranteed portion of rescheduled loans.	149,870
112968 Principal collections on Direct Loans and the direct portion of rescheduled loans.	673,622
111468 Interest and Late Charges on direct and rescheduled loans and late charges on defaulted Financing Bank and Commercial Guaranteed Loans.	262,683
11X4121 Principal on Financing Bank loans transferred to 20X4521.097.	292,387
11X4121 Interest on Financing Bank loans transferred to 20X4521.	<u>320,763</u>
TOTAL COLLECTIONS	1,699,325

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) Financial (Account 4121):

Financial Performance: Reimbursement of DoD for Articles and Services (Continued)

THOUSANDS (\$ X 000)

FY 1994 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
11X4121 Principal and interest collections on defaulted Financing Bank and Commercial Guaranteed Loans and principal collections on the Guaranteed portion of rescheduled loans.	34,423
112968 Principal collections on Direct Loans and the direct portion of rescheduled loans.	544,704
111468 Interest and Late Charges on direct and rescheduled loans and late charges on defaulted Financing Bank and Commercial Guaranteed Loans.	273,480
11X4121 Principal on Financing Bank loans transferred to 20X4521.097.	297,949
11X4121 Interest on Financing Bank loans transferred to 20X4521.	<u>346,131</u>
TOTAL COLLECTIONS	1,496,687

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) Financial (Account 4121):

Financial Performance: Reimbursement of DoD for Articles and Services (Continued)

THOUSANDS (\$ X 000)

FY 1993 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
11X4121 Principal and interest collections on defaulted Financing Bank and Commercial Guaranteed Loans and principal collections on the Guaranteed portion of rescheduled loans.	30,213
112968 Principal collections on Direct Loans and the direct portion of rescheduled loans.	461,654
111468 Interest and Late Charges on direct and rescheduled loans and late charges on defaulted Financing Bank and Commercial Guaranteed Loans.	290,988
11X4121 Principal on Financing Bank loans transferred to 20X4521.097.	260,910
11X4121 Interest on Financing Bank loans transferred to 20X4521.	<u>368,684</u>
TOTAL COLLECTIONS	1,412,449

NARRATIVE:

This performance indicator compares the collections made to various accounts for several types of loans. The collections are made for: (a) repayments of guaranty disbursements made by DSAA for defaults or rescheduling and collected back into 11X4121 for new default disbursements; (b) repayments for direct loans and deposited into Treasury's miscellaneous receipt accounts 2968 and 1468; (c) repayments for Federal Finance Bank (FFB) loans and returned to FFB for borrowings from FFB. Collections of miscellaneous receipts (2968 and 1468) have increased over the past years due to increased principal collections for direct loans. Collections into 11X4121 have decreased the past three years due to rescheduling of certain countries which were primarily in arrears.

SOURCE:

General ledgers, Undisbursed Appropriation Account Report (TFS 6653), and Undisbursed Appropriation Accounts - Trial Balance (TFS 6654).

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) - Financial (Account 4121):

FINANCIAL CONDITION: Assets to Liabilities Ratio

	MILLIONS (\$ X 000,000)	
FY 1997 END OF YEAR POSITION		<u>TOTAL</u>
Assets		6,883
Liabilities		<u>6,274</u>
Equity		609
Assets to Liabilities Ratio		1:09:1
FY 1996 END OF YEAR POSITION		<u>TOTAL</u>
Assets		7,676
Liabilities		<u>7,065</u>
Equity		611
Assets to Liabilities Ratio		1:08:1
FY 1995 END OF YEAR POSITION		<u>TOTAL</u>
Assets		8,501
Liabilities		<u>7,882</u>
Equity		619
Assets to Liabilities Ratio		1.07:1
FY 1994 END OF YEAR POSITION		<u>TOTAL</u>
Assets		9,560
Liabilities		<u>7,996</u>
Equity		1,564
Assets to Liabilities Ratio		1.2:1

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) - Financial (Account 4121):

FINANCIAL CONDITION: Assets to Liabilities Ratio (Continued)

	MILLIONS (\$ X 000,000)	
FY 1993 END OF YEAR POSITION		<u>TOTAL</u>
Assets		10,287
Liabilities		<u>4,148</u>
Equity		6,139
Assets to Liabilities Ratio		2.5:1

NARRATIVE:

This performance indicator represents the assets to liabilities ratio. Included in the asset balance are receivables for Federal Financing Bank (FFB) loans which equal the total liabilities which are borrowings from FFB.

SOURCE:

General Ledgers.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) - Financial (Account 4121):

Operating Costs

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Interest Expense on Federal Finance Bank Borrowings	<u>(273,885)</u>
Total Operating Expenses	(273,885)
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Interest Expense on Federal Finance Bank Borrowings	<u>(293,490)</u>
Total Operating Expenses	(293,490)
FY 1995 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Interest Expense on Federal Finance Bank Borrowings	<u>(316,554)</u>
Total Operating Expenses	(316,554)
FY 1994 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Interest Expense on Federal Finance Bank Borrowings	<u>(341,534)</u>
Total Operating Expenses	(341,534)
FY 1993 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Interest Expense on Federal Finance Bank Borrowings	<u>(364,534)</u>
Total Operating Expenses	(364,534)

NARRATIVE:

This performance indicator represents the costs associated with the liquidating account. The only cost was interest expense paid to the Federal Financing Bank (FFB) for borrowings on FFB loans administered by DSAA. The drop in interest expense is due to the decrease in loan principal as FFB loans are paid off by the customers. There are no new FFB loan receivables to increase the principal balance thus increasing the interest expenses

SOURCE:

General Ledgers.

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) - Financial (Account 4121):

Operating Results

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY	<u>TOTAL</u>
Revenues less Funds Returned to Treasury	322,119
Less: Expenses	<u>330,824</u>
Operating Results	(8,705)
 FY 1996 ACTIVITY	 <u>TOTAL</u>
Revenues less Funds Returned to Treasury	282,387
Less: Expenses	<u>293,490</u>
Operating Results	(11,103)
 FY 1995 ACTIVITY	 <u>TOTAL</u>
Revenues less Funds Returned to Treasury	(105,367)
Less: Expenses	<u>364,832</u>
Operating Results	(470,199)
 FY 1994 ACTIVITY	 <u>TOTAL</u>
Revenues less Funds Returned to Treasury	(125,713)
Less: Expenses	<u>341,535</u>
Operating Results	(467,248)
 FY 1993 ACTIVITY	 <u>TOTAL</u>
Revenues less Funds Returned to Treasury	(47,538)
Less: Expenses	<u>364,534</u>
Operating Results	(412,072)

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) - Financial (Account 4121):

Operating Results (Continued)

NARRATIVE:

This performance indicator represents the difference between revenue and expenses in the account. The revenue is offset by the amount of collections that was returned to the Treasury which includes principal and interest.

SOURCE:

General Ledgers.

**PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT
INFORMATION**

A. ADDITIONAL PERFORMANCE INDICATORS

**Foreign Military Loan Liquidating Account (FMLLA) - Financial
(Account 4121):**

FINANCIAL CONDITION: Asset and Liability Account Balances And Ratio

MILLIONS (\$ X 000,000)

FY 1997, YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	0
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Non-Federal	729
Loans Receivable	<u>6,154</u>
TOTAL ASSETS	6,883
 LIABILITIES	
Accounts Payable, Non-Federal	0
Other Liabilities	6,274
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	6,274
 Assets to Liabilities Ratio	 1.09:1
 FY 1996, YEAR END POSITION	
<u>TOTAL</u>	
ASSETS	
Cash/Fund Balance with Treasury	0
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Non-Federal	655
Loans Receivable	<u>7,021</u>
TOTAL ASSETS	7,676
 LIABILITIES	
Accounts Payable, Non-Federal	0
Other Liabilities	7,065
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	7,065
 Assets to Liabilities Ratio	 1.08:1

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) - Financial (Account 4121):

FINANCIAL CONDITION: Asset and Liability Account Balances And Ratio (Continued)

MILLIONS (\$ X 000,000)

FY 1995, YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	11
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Non-Federal	579
Loans Receivable	<u>7,911</u>
TOTAL ASSETS	8,501
LIABILITIES	
Accounts Payable, Non-Federal	0
Other Liabilities	7,882
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	7,882
Assets to Liabilities Ratio	1.07:1
FY 1994, YEAR END POSITION	
<u>TOTAL</u>	
ASSETS	
Cash/Fund Balance with Treasury	433
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Non-Federal	500
Loans Receivable	<u>8,627</u>
TOTAL ASSETS	9,560
LIABILITIES	
Accounts Payable, Non-Federal	0
Other Liabilities	7,996
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	7,996
Assets to Liabilities Ratio	1.2:1

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Loan Liquidating Account (FMLLA) - Financial (Account 4121):

FINANCIAL CONDITION: Asset and Liability Account Balances And Ratio (Continued)

MILLIONS (\$ X 000,000)

FY 1993, YEAR END POSITION	<u>TOTAL</u>
ASSETS	
Cash/Fund Balance with Treasury	901
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Non-Federal	426
Loans Receivable	<u>8,958</u>
TOTAL ASSETS	10,285
LIABILITIES	
Accounts Payable, Non-Federal	0
Other Liabilities	4,148
Accounts Payable, Federal	<u>0</u>
TOTAL LIABILITIES	4,148
 Assets to Liabilities Ratio	 2.5:1

NARRATIVE:

This performance indicator shows the make up of the assets and liabilities of the account. The loan receivables are lower due to the increase in principal collections in FY 1997.

SOURCE: General Ledgers.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Account (FMFDLFA) (Account 4122):

FINANCIAL PERFORMANCE: Reimbursement for Articles and Services

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	182,409
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	140,096
FY 1995 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	93,698
FY 1994 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	50,666
FY 1993 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Total Collections	0

NARRATIVE:

This account was established in FY 1992.

SOURCE:

General ledgers, Undisbursed Appropriation Account Report (TFS 6653), and Undisbursed Appropriation Accounts - Trial Balance (TFS 6654).

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Account (FMFDLFA)(Account 4122):

FINANCIAL CONDITION: Assets to Liabilities Ratio

	THOUSANDS (\$ X 000)
FY 1997, END OF YEAR POSITION	<u>TOTAL</u>
Assets	3,171,824
Liabilities	<u>3,171,806</u>
Equity	18
Asset to Liabilities Ratio	1:1
FY 1996, END OF YEAR POSITION	<u>TOTAL</u>
Assets	2,946,635
Liabilities	<u>2,946,571</u>
Equity	64
Asset to Liabilities Ratio	1:1
FY 1995, END OF YEAR POSITION	<u>TOTAL</u>
Assets	2,465,785
Liabilities	<u>2,465,739</u>
Equity	46
Asset to Liabilities Ratio	1:1
FY 1994, END OF YEAR POSITION	<u>TOTAL</u>
Assets	1,946,779
Liabilities	<u>1,946,733</u>
Equity	46
Asset to Liabilities Ratio	1:1

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FINANCIAL CONDITION: Assets to Liabilities Ratio (Continued)

THOUSANDS (\$ X 000)

FY 1993, END OF YEAR POSITION	<u>TOTAL</u>
Assets	1,200,046
Liabilities	<u>1,200,000</u>
Equity	46
 Asset to Liabilities Ratio	 1:1

NARRATIVE:

This performance indicator represents the difference between assets and liabilities. The ratio remains constant from FY 1996 to FY 1997. The dollars increased by the new loan agreements signed in FY 1997. Equity consists of unobligated appropriated funds.

SOURCE:

General Ledgers.

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION
A. ADDITIONAL PERFORMANCE INDICATORS**Foreign Military Financing Direct Loan Financing Account (FMFDLFA)(Account 4122):****Operating Costs:**

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Subsidy Expense	71,662
Administrative Expenses	<u>0</u>
Total Operating Expenses	71,662
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Subsidy Expense	59,382
Administrative Expenses	<u>0</u>
Total Operating Expenses	59,382
FY 1995 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Subsidy Expense	42,774
Administrative Expenses	<u>0</u>
Total Operating Expenses	42,774
FY 1994 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Subsidy Expense	38,118
Administrative Expenses	<u>0</u>
Total Operating Expenses	38,118
FY 1993 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Subsidy Expense	136,746
Administrative Expenses	<u>200</u>
Total Operating Expenses	136,946

NARRATIVE:

This performance indicator measures the operating expenses for the account.

SOURCE:

General Ledgers.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Accounting (FMFDLFA)(Account 4122):

Operating Results

	THOUSANDS (\$ X 000)
FY 1997 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	170,903
Less: Operating Expenses	<u>(170,903)</u>
Operating Results	0
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	136,310
Less: Operating Expenses	<u>(136,310)</u>
Operating Results	0
FY 1995 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	98,243
Less: Operating Expenses	<u>(98,243)</u>
Operating Results	0
FY 1994 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	65,566
Less: Operating Expenses	<u>(65,566)</u>
Operating Results	0
FY 1993 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
Appropriations Expensed Plus Revenues	136,946
Less: Operating Expenses	<u>(136,946)</u>
Operating Results	0

NARRATIVE:

This performance indicator measures the operating results of the account. Net results from operations must equal zero for credit reform loans. The dollars increased from FY 1993 to FY 1997 due to increase in loan agreements signed.

SOURCE:

General Ledgers.

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Account (FMFDLFA)(Account 4122):

FINANCIAL CONDITION: Asset And Liability Account Balances And Ratio

	THOUSANDS (\$ X 000)	<u>TOTAL</u>
FY 1997 ACTIVITY, END OF YEAR POSITION		
ASSETS		
Fund Balance with Treasury		332,528
Inventory		0
Advances and Prepayments		0
Accounts Receivable, Federal Intra-government		1,561,769
Non-Federal Accounts Receivable		15,788
Credit Program Receivables		<u>1,261,739</u>
Total Assets		3,171,824
LIABILITIES-		
Accounts Payable, Non-Federal		0
Debt		1,407,544
Other Liabilities		0
Accounts Payable, Federal		<u>1,764,262</u>
Total Liabilities		3,171,806
Assets to Liabilities Ratio		1:1

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Account (FMFDLFA)(Account 4122):

FINANCIAL CONDITION: Asset And Liability Account Balances And Ratio
(continued)

THOUSANDS (\$ X 000)	
FY 1996 ACTIVITY, END OF YEAR POSITION	<u>TOTAL</u>
ASSETS	
Fund Balance with Treasury	343,744
Inventory	0
Advances and Prepayments	0
Accounts Receivable, Federal Intra-government	1,628,851
Loans Receivable	12,255
Subsidy	<u>961,785</u>
Total Assets	2,946,635
LIABILITIES	
Accounts Payable, Non-Federal	0
Debt	1,133,783
Other Liabilities	0
Accounts Payable, Federal	<u>1,182,788</u>
Total Liabilities	2,946,571
Assets to Liabilities Ratio	1:1

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Account (FMFDLFA)(Account 4122):

FINANCIAL CONDITION: Asset And Liability Account Balances And Ratio (continued)

	THOUSANDS (\$ X 000)	<u>TOTAL</u>
FY 1995 ACTIVITY, END OF YEAR POSITION		
ASSETS		
Fund Balance with Treasury		500,186
Inventory		0
Advances and Prepayments		0
Accounts Receivable, Federal Intra-government		1,487,195
Loans Receivable		9,355
Subsidy		<u>469,049</u>
Total Assets		2,465,785
LIABILITIES		
Accounts Payable, Non-Federal		0
Debt		788,328
Other Liabilities		0
Accounts Payable, Federal		<u>1,677,411</u>
Total Liabilities		2,465,739
Assets to Liabilities Ratio		1:1

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Account (FMFDLFA)(Account 4122):

FINANCIAL CONDITION: Asset and Liability Account Balances and Ratio
(Continued)

	THOUSANDS (\$ X 000)	
FY 1994 ACTIVITY, END OF YEAR POSITION		<u>TOTAL</u>
ASSETS		
Fund Balance with Treasury		357,397
Inventory		0
Advances and Prepayments		0
Accounts Receivable, Federal Intra-government		1,339,104
Loans Receivable		4,151
Subsidy		<u>246,127</u>
Total Assets		1,946,779
LIABILITIES		
Accounts Payable, Non-Federal		0
Debt		413,167
Other Liabilities		0
Accounts Payable, Federal		<u>1,533,566</u>
Total Liabilities		1,946,733
Assets to Liabilities Ratio		1:1

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

Foreign Military Financing Direct Loan Financing Account (FMFDLFA)(Account 4122):

FINANCIAL CONDITION: Asset and Liability Account Balances & Ratio (Continued)

THOUSANDS (\$ X 000)		
FY 1993 ACTIVITY, END OF YEAR POSITION		<u>TOTAL</u>
ASSETS		
Fund Balance with Treasury		186,894
Inventory		0
Advances and Prepayments		0
Accounts Receivable, Federal Intra-government		1,013,152
Loans Receivable		<u>0</u>
Total Assets		1,200,046
LIABILITIES		
Accounts Payable, Non-Federal		0
Other Liabilities		0
Accounts Payable, Federal		<u>1,200,000</u>
Total Liabilities		1,200,000
Assets to Liabilities Ratio		1:1

NARRATIVE:

This performance indicator compares the makeup of the assets and liabilities in the account. The dollar figures increased from FY 1996 to FY 1997 due to the new loan agreements signed in FY 1997.

SOURCE:

General Ledgers.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

New Sales Cases Accepted and Amendments Processed

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NEW FY 1997 SALES CASES	632	529	495	183	1839
CASE AMENDMENTS-ALL YEARS	<u>211</u>	<u>162</u>	<u>179</u>	<u>14</u>	<u>566</u>
TOTAL	843	691	674	197	2,405

FY1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NEW FY 1996 SALES CASES	744	513	579	192	2,028
CASE AMENDMENTS-ALL YEARS	<u>241</u>	<u>128</u>	<u>177</u>	<u>7</u>	<u>553</u>
TOTAL	985	641	756	199	2,581

FY1995 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NEW FY 1995 SALES CASES	745	625	600	250	2,220
CASE AMENDMENTS-ALL YEARS	<u>246</u>	<u>159</u>	<u>151</u>	<u>20</u>	<u>576</u>
TOTAL	991	784	751	270	2,796

FY1994 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NEW FY 1994 SALES CASES	732	632	556	228	2,148
CASE AMENDMENTS-ALL YEARS	<u>194</u>	<u>109</u>	<u>133</u>	<u>7</u>	<u>443</u>
TOTAL	926	741	689	235	2,591

FY 1993 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NEW FY 1993 SALES CASES	793	630	576	277	2,276
CASE AMENDMENTS-ALL YEARS	<u>175</u>	<u>126</u>	<u>97</u>	<u>2</u>	<u>400</u>
TOTAL	968	756	673	279	2,676

NARRATIVE:

This performance indicator shows the number of new sales cases implemented and the number of case amendments processed to existing cases during each fiscal year. While amendments are identified to the original case, they are not identified to the fiscal year of the original case/sale. Several amendments during the multiple-year life of any case is considered reasonable.

SOURCE: DSAA 1200 System

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Ordered Value of New Sales Cases Accepted and Amendments Processed

THOUSANDS (\$ X 000)

FY 1997	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
New Cases and Amend.	2,506,079	3,226,144	3,026,854	49,473	8,808,550
FY 1996	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
New Cases and Amend.	3,893,414	2,168,369	4,335,101	72,515	10,469,399
FY 1995	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
New Cases and Amend.	2,635,293	3,355,558	2,988,144	75,222	9,054,217
FY 1994	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
New Cases and Amend.	2,013,972	3,545,795	6,946,138	359,451	12,865,356
FY 1993	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
New Cases and Amend.	7,587,235	4,446,413	21,135,646	46,699	33,215,993

NARRATIVE:

This performance indicator describes the dollar value for new sales cases and amendments to existing sales cases. This dollar value, taken with the level of activity in the indicator, "New Sales Cases Accepted and Amendments Processed," provides an appreciation of the relative amounts of activity among the implementing agencies.

SOURCE: DSAA 1200 System.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Ordered Value of New & Amended Sales Cases by Major Category

	THOUSANDS (\$ X 000)				
<u>FY 1997</u>	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Aircraft	316,338	429,845	1,295,450	1	2,041,634
Missiles	483,330	910,037	56,526	0	1,449,893
Ships	388	181,424	0	133	181,945
Veh & Wpns	294,985	528,682	661	0	824,328
Ammunition	166,448	94,519	43,232	0	304,198
Training	145,852	145,423	229,262	719	521,256
Misc/Other	<u>1,098,738</u>	<u>936,214</u>	<u>1,401,723</u>	<u>48,620</u>	<u>3,485,296</u>
TOTAL	2,506,079	3,226,144	3,026,854	49,473	8,808,550
<u>FY 1996</u>	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Aircraft	209,467	518,330	2,411,449	0	3,139,246
Missiles	892,268	386,450	335,090	7,566	1,621,374
Ships	515	192,612	0	1,320	194,447
Veh & Wpns	433,952	68,879	5,941	1,333	510,105
Ammunition	124,475	41,357	91,960	419	258,211
Training	137,620	109,585	181,212	1,129	429,546
Misc/Other	<u>2,095,118</u>	<u>851,156</u>	<u>1,309,449</u>	<u>60,748</u>	<u>4,316,471</u>
TOTAL	3,893,415	2,168,369	4,335,101	72,515	10,469,400
<u>FY 1995</u>	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Aircraft	958,217	704,069	1,036,860	381	2,699,527
Missiles	213,719	506,127	261,747	0	981,593
Ships	1,223	165,292	0	651	167,166
Veh & Wpns	112,767	186,228	145,916	127	445,038
Ammunition	57,460	123,480	55,120	976	237,036
Training	105,128	116,097	198,456	5,725	425,406
Misc/Other	<u>1,186,779</u>	<u>1,554,265</u>	<u>1,290,045</u>	<u>67,362</u>	<u>4,098,451</u>
TOTAL	2,635,293	3,355,558	2,988,144	75,222	9,054,217

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Ordered Value of New & Amended Sales Cases by Major Category (Continued)

THOUSANDS (\$ X 000)

<u>FY 1994</u>	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Aircraft	374,306	1,081,437	4,074,339	2,376	5,532,458
Missiles	326,507	670,295	367,869	721	1,365,392
Ships	538	187,630	0	2,616	190,784
Veh & Wpns	310,128	81,344	196,315	6,131	593,918
Ammunition	154,499	149,370	52,893	4,545	361,307
Training	57,345	273,770	192,795	542	524,452
Misc/Other	<u>790,559</u>	<u>1,101,949</u>	<u>2,061,897</u>	<u>342,520</u>	<u>4,296,925</u>
TOTAL	2,013,882	3,545,795	6,946,108	359,451	12,865,236

<u>FY 1993</u>	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Aircraft	328,092	1,817,228	14,818,453	564	16,964,337
Missiles	2,706,077	523,590	578,892	4,979	3,813,538
Ships	2,552	230,271	0	1,881	234,704
Veh & Wpns	1,600,214	265,207	520,085	435	2,385,941
Ammunition	168,050	101,190	82,171	800	352,211
Training	254,532	209,366	1,077,233	14	1,541,145
Misc/Other	<u>2,527,718</u>	<u>1,299,561</u>	<u>4,058,812</u>	<u>38,026</u>	<u>7,924,117</u>
TOTAL	7,587,235	4,446,413	21,135,646	46,699	33,215,993

NARRATIVE:

This indicator classifies the various kinds of execution activities and shows the distribution of major weapons sales cases among the implementing agencies.

SOURCE:

DSAA 1200 System.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Sales Cases Closed

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
CASES CLOSED FOR ALL YEARS	738	390	566	296	1,990
FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
CASES CLOSED FOR ALL YEARS	991	648	768	174	2,581
FY 1995 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
CASES CLOSED FOR ALL YEARS	1,299	809	736	323	3,167
FY 1994 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
CASES CLOSED FOR ALL YEARS	1,301	763	774	346	3,184
FY 1993 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
CASES CLOSED FOR ALL YEARS	1,344	731	723	328	3,126

NARRATIVE:

This indicator demonstrates the number of Sales Cases "Closed" during the fiscal year. The "closure" of a sales case, like the completion of a legal contract, occurs when all the terms have been met. Sales Cases must be legally, logistically, and financially "complete" prior to closure.

SOURCE:

DSAA 1200 System.

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Ordered Value of Sales Cases Closed

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Closed Cases -					
All Years	1,298,115	805,818	1,401,816	337,568	3,843,317
FY 1996 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Closed Cases -					
All Years	3,083,999	2,076,129	3,872,552	129,377	9,162,057
FY 1995 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Closed Cases -					
All Years	3,844,904	2,367,114	3,762,098	100,263	10,074,379
FY 1994 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Closed Cases -					
All Years	3,057,325	2,090,171	1,921,989	156,189	7,225,674
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Closed Cases -					
All Years	1,458,137	516,151	1,129,447	109,591	3,213,326

NARRATIVE:

This indicator shows the dollar value of all sales cases closed during each fiscal year. These dollar values, taken with the level of activity in the previous indicator "Sales Cases Closed," demonstrates one of several complexities in comparing numbers of cases with their dollar values and by implementing agency.

SOURCE:

DSAA 1200 System.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Aged Number of Sales Cases Closed

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	343	98	149	176	766
AGE: 6-10 Years	299	194	307	79	879
AGE: 11-15 Years	71	78	83	40	272
AGE: 16-20 Years	19	18	22	1	60
AGE: 20+ Years	<u>6</u>	<u>2</u>	<u>5</u>	<u>0</u>	<u>13</u>
TOTAL	738	390	566	296	1,990

FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	347	148	186	132	813
AGE: 6-10 Years	426	308	355	38	1,127
AGE: 11-15 Years	156	152	179	3	490
AGE: 16-20 Years	56	39	41	1	137
AGE: 20+ Years	<u>6</u>	<u>1</u>	<u>7</u>	<u>0</u>	<u>14</u>
TOTAL	991	648	768	174	2,581

FY 1995 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	463	172	222	239	1,096
AGE: 6-10 Years	584	377	350	67	1,378
AGE: 11-15 Years	196	198	131	16	541
AGE: 16-20 Years	50	51	29	1	131
AGE: 20+ Years	<u>6</u>	<u>11</u>	<u>4</u>	<u>0</u>	<u>21</u>
TOTAL	1,299	809	736	323	3,167

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Aged Number of Sales Cases Closed (Continued)

FY 1994 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	518	210	247	253	1,228
AGE: 6-10 Years	619	352	369	79	1,419
AGE: 11-15 Years	130	154	135	13	432
AGE: 16-20 Years	29	39	20	1	89
AGE: 20+ Years	<u>5</u>	<u>8</u>	<u>3</u>	<u>0</u>	<u>16</u>
TOTAL	1,301	763	774	346	3,184

FY 1993 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	620	212	281	204	1,317
AGE: 6-10 Years	592	401	326	109	1,428
AGE: 11-15 Years	107	104	102	13	326
AGE: 16-20 Years	23	14	11	2	50
AGE: 20+ Years	<u>2</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>5</u>
TOTAL	1,344	731	723	328	3,126

NARRATIVE:

This performance indicator reveals the age or "life cycle" of the sales cases closed. The average 6+ year life of a case is directly attributable to its complexity. Major weapon system procurements, such as aircraft and construction cases, require more time to execute and complete financial close-out than does logistics and training cases.

SOURCE:

DSAA 1200 System.

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PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Aged Value of Sales Closed

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	123,394	41,235	64,151	16,657	245,437
AGE: 6-10 Years	418,732	162,286	417,500	181,853	1,180,371
AGE: 11-15 Years	233,459	105,392	347,155	126,696	812,702
AGE: 16-20 Years	156,397	437,694	450,771	12,360	1,057,222
AGE: 20+ Years	<u>366,134</u>	<u>59,211</u>	<u>122,240</u>	<u>0</u>	<u>547,585</u>
TOTAL	1,298,116	805,818	1,401,817	337,566	3,843,317

FY 1996 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	126,740	29,621	65,948	29,571	251,880
AGE: 6-10 Years	671,915	318,486	465,443	95,311	1,551,155
AGE: 11-15 Years	936,400	466,750	1,000,808	3,476	2,407,434
AGE: 16-20 Years	1,069,890	960,295	1,891,813	1,018	3,923,016
AGE: 20+ Years	<u>279,054</u>	<u>300,977</u>	<u>448,540</u>	<u>0</u>	<u>1,028,571</u>
TOTAL	3,083,999	2,076,129	3,872,552	129,376	9,162,056

FY 1995 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	210,680	54,187	95,249	13,448	373,564
AGE: 6-10 Years	1,018,180	420,114	546,797	79,726	2,064,817
AGE: 11-15 Years	1,517,359	695,596	647,682	6,621	2,867,258
AGE: 16-20 Years	1,070,080	884,882	2,164,623	468	4,120,053
AGE: 20+ Years	<u>28,604</u>	<u>312,335</u>	<u>307,748</u>	<u>0</u>	<u>648,687</u>
TOTAL	3,844,903	2,367,114	3,762,099	100,263	10,074,379

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Aged Value of Sales Cases Closed (continued)

THOUSANDS (\$ X 000)

FY 1994 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	195,796	36,932	76,530	16,662	325,920
AGE: 6-10 Years	1,573,045	178,180	431,065	119,191	2,301,481
AGE: 11-15 Years	764,210	598,934	714,291	20,317	2,097,752
AGE: 16-20 Years	388,742	586,179	449,542	19	1,424,482
AGE: 20+ Years	<u>135,532</u>	<u>689,945</u>	<u>250,561</u>	<u>0</u>	<u>1,076,038</u>
TOTAL	3,057,325	2,090,170	1,921,989	156,189	7,225,673

FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
AGE: 0-5 Years	195,797	33,289	56,567	9,477	295,130
AGE: 6-10 Years	564,434	176,896	316,279	88,586	1,146,195
AGE: 11-15 Years	440,231	198,906	259,611	11,328	910,076
AGE: 16-20 Years	249,487	107,059	143,431	199	500,176
AGE: 20+ Years	<u>8,188</u>	<u>0</u>	<u>353,559</u>	<u>0</u>	<u>361,747</u>
TOTAL	1,458,137	516,150	1,129,447	109,590	3,213,324

NARRATIVE:

This performance indicator shows the age and value of cases closed by implementing agency. The higher valued procurement and construction cases require more time to close, have a greater procurement and construction lead time requirement, and have a higher price due to the required complexities and the amount of labor involved.

SOURCE:

DSAA 1200 System.

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A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Value of Defense Articles and Services Delivered

MILLIONS (\$ X 000,000)

FY 1997 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Delivered Value	5,282.6	2,136.9	11,707.6	203.9	19,331.0
FY 1996 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Delivered Value	4,196.3	4,437.1	3,984.3	113.5	12,731.2
FY 1995 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Delivered Value	5,149.3	2,633.7	3,972.7	79.0	11,834.7
FY 1994 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Delivered Value	2,649.7	2,588.7	4,941.2	132.9	10,312.5
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Delivered Value	2,935.1	2,940.0	5,581.1	126.6	11,582.8

NARRATIVE:

This performance indicator shows the value of articles and services provided to customer countries during the year. These transactions are generated by the DoD Form 250. "Delivered Value" includes case activities for all years and all cases.

SOURCE:

DSAA 1200 System.

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Ratio of Deliveries to Ending Undelivered Balance

MILLIONS (\$ X 000,000)

FY 1997 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beginning					
Undelivered Bal.	25,914	27,788	45,987	1,089	100,778
New Orders	<u>2,506</u>	<u>3,226</u>	<u>3,027</u>	<u>49</u>	<u>8,808</u>
Total Undelivered Orders	28,420	31,014	49,014	1,138	109,586
Less:					
All Deliveries	<u>5,283</u>	<u>2,137</u>	<u>11,708</u>	<u>204</u>	<u>19,332</u>
End Undelivered Balance	23,137	28,877	37,306	934	90,254
Ratios by IA and					
Total:	22.83%	7.40%	31.38%	21.81%	21.42%
FY 1996 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beginning					
Undelivered Bal.	26,216	30,057	45,636	1,130	103,039
New Orders	<u>3,893</u>	<u>2,168</u>	<u>4,335</u>	<u>37</u>	<u>10,433</u>
Total Undelivered Orders	30,109	32,225	49,971	1,167	113,472
Less:					
All Deliveries	<u>4,196</u>	<u>4,437</u>	<u>3,984</u>	<u>114</u>	<u>12,731</u>
End Undelivered Balance	25,913	27,788	45,987	1,053	100,741
Ratios by IA and					
Total:	16.19%	15.97%	8.66%	10.42%	12.63%
FY 1995 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beginning					
Undelivered Bal.	28,730	29,335	46,621	1,134	105,820
New Orders	<u>2,635</u>	<u>3,356</u>	<u>2,988</u>	<u>75</u>	<u>9,054</u>
Total Undelivered Orders	31,365	32,691	49,609	1,209	114,874
Less:					
All Deliveries	<u>5,149</u>	<u>2,634</u>	<u>3,973</u>	<u>79</u>	<u>11,835</u>
End Undelivered Balance	26,216	30,057	45,636	1,130	103,039
Ratios by IA and					
Total:	19.64%	8.76%	8.71%	6.99%	11.49%

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FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Ratio of Deliveries to Ending Undelivered Balance (Continued)

MILLIONS (\$ X 000,000)

FY 1994 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beginning					
Undelivered Bal.	29,366	28,378	44,616	908	103,268
New Orders	<u>2,014</u>	<u>3,546</u>	<u>6,946</u>	<u>359</u>	<u>12,865</u>
Total Undelivered Orders	31,380	31,924	51,562	1,267	116,133
Less:					
All Deliveries	<u>2,650</u>	<u>2,589</u>	<u>4,941</u>	<u>133</u>	<u>10,313</u>
End Undelivered Balance	28,730	29,335	46,621	1,134	105,820
Ratios by IA and					
Total:	9.22%	8.82%	10.60%	11.72%	9.75%
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beginning					
Undelivered Bal.	24,714	26,871	29,061	987	81,633
New Orders	<u>7,587</u>	<u>4,446</u>	<u>21,135</u>	<u>46</u>	<u>33,214</u>
Total Undelivered Orders	32,301	31,317	50,196	1,033	114,847
Less:					
All Deliveries	<u>2,935</u>	<u>2,940</u>	<u>5,581</u>	<u>126</u>	<u>11,582</u>
End Undelivered Balance	29,366	28,377	44,615	907	103,265
Ratios by IA and					
Total:	9.99%	10.36%	12.51%	13.95%	11.22%

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Ratio of Deliveries to Ending Undelivered Balance (Continued)

NARRATIVE:

This performance indicator displays the "Ratio of Deliveries to Ending Balance". The FY 1997 deliveries (execution) were 21.42% of the ending balance of undelivered orders. The FY 1996 deliveries were 12.63% of the ending balance of undelivered orders while FY 1995 was 11.49%. The FY 1994 deliveries were 9.75% of the ending balance of undelivered orders. This ratio also indicates that FY 1993 deliveries were 11.2% of the ending balance of undelivered orders.

SOURCE:

DSAA 1200 System.

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FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Value of New Obligations

	MILLIONS (\$ X 000,000)				
FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	3,474.6	5,281.5	4,725.5	417.0	13,898.6
FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	3,824.8	5,813.7	5,201.7	459.0	15,299.2
FY 1995 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	3,717.0	5,649.9	5,055.2	446.2	14,868.3
FY 1994 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	3,242.4	4,928.5	4,409.7	389.0	12,969.6
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	3,338.4	5,074.3	4,540.2	400.6	13,353.5

NARRATIVE:

This performance indicator demonstrates the value of procurement contracts awarded and/or orders placed during each of the fiscal years. These values represent new orders of goods and services which the production and delivery may require considerable logistical and financial planning and several years to fully execute.

SOURCE:

FMS Trust Fund General Ledger.

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Value of New Obligations Liquidated - All Years

	MILLIONS (\$ X 000,000)				
FY 1997 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	5,585.6	3,472.1	5,434.6	603.9	15,096.2
FY 1996 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	5,299.4	3,294.2	5,156.2	572.9	14,322.7
FY 1995 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	4,964.2	3,085.9	4,830.1	536.8	13,417.0
FY 1994 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	4,902.9	3,090.9	4,849.3	377.7	13,220.8
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value	4,553.3	3,623.8	4,657.2	327.5	13,161.8

NARRATIVE:

Values represent all disbursements paid to contractors for work performed and reimbursements paid to the military departments for articles and services provided.

SOURCE:

FMS Trust Fund General Ledger.

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FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Ratio of Unliquidated Obligations to Open Case Values as of Fiscal Year End

MILLIONS (\$ X 000,000)

Sep 30, 1997	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value of Open Cases	62,968.3	59,494.6	100,279.3	1,467.1	224,209.3
DFAS- Unliquidated Obligations				24,029.3	
Ratio of Unliquidated Obligations to Open Cases				10.72%	
Sep 30, 1996	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value of Open Cases	59,619.1	57,213.0	101,412.0	1,683.5	219,927.6
DFAS- Unliquidated Obligations				25,227.0	
Ratio of Unliquidated Obligations to Open Cases				11.47%	
Sep 30, 1995	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value of Open Cases	58,910.4	58,263.1	105,091.0	1,751.9	224,016.4
DFAS- Unliquidated Obligations				24,250.3	
Ratio of Unliquidated Obligations to Open Cases				10.83%	
Sep 30, 1994	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value of Open Cases	60,503.0	57,438.1	106,407.5	1,826.1	226,174.7
DFAS- Unliquidated Obligations				22,799.0	
Ratio of Unliquidated Obligations to Open Cases				10.0%	

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**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Ratio of Unliquidated Obligations to Open Case Values as of Fiscal Year End

MILLIONS (\$ X 000,000)

Sep 30, 1993	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Value of Open Cases	61,775.8	56,573.8	101,818.2	1,641.4	221,809.2
DFAS - Unliquidated Obligations				23,050.1	
Ratio of Unliquidated Obligations to Open Cases				10.4%	

NARRATIVE:

This compares the value of unliquidated obligations to the value of the open cases at fiscal year-end. No adjustment has been made for previous execution or prior obligations liquidated.

Note: Defense Finance and Accounting Service (DFAS), Denver Center, case values are included in "OTHER".

SOURCE:

DSAA 1200 System and SF133 (Report on Budget Execution).

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A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Trust Fund and Interest Bearing Account Balances as of Fiscal Year End

MILLIONS (\$ X 000,000)

BALANCES AS OF SEPTEMBER 30, 1997	<u>TOTAL</u>
Treasury Cash Balance for Account 8242	5,918.8
Cash and Monetary Assets	7,694.7
Accounts Receivable	1,870.0
Accounts Payable	<u>-1,638.8</u>
TOTAL	13,844.7
BALANCES AS OF SEPTEMBER 30, 1996	<u>TOTAL</u>
Treasury Cash Balance for Account 8242	5,586.6
Cash and Monetary Assets	8,605.3
Accounts Receivable	4,482.3
Accounts Payable	<u>-1,076.8</u>
TOTAL	17,597.4
BALANCES AS OF SEPTEMBER 30, 1995	<u>TOTAL</u>
Treasury Cash Balance for Account 8242	5,462.0
Cash and Monetary Assets	7,794.1
Accounts Receivable	2,538.1
Accounts Payable	<u>-182.1</u>
TOTAL	15,612.1
BALANCES AS OF SEPTEMBER 30, 1994	<u>TOTAL</u>
Treasury Cash Balance for Account 8242	6,409.6
Cash and Monetary Assets	6,641.0
Accounts Receivable	4,117.8
Accounts Payable	<u>-142.5</u>
TOTAL	17,025.9

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**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

**Trust Fund and Interest Bearing Account Balances as of Fiscal Year End
(Continued)**

MILLIONS (\$ X 000,000)

BALANCES AS OF SEPTEMBER 30, 1993		<u>TOTAL</u>
Treasury Cash Balance for Account 8242		6,594.6
Cash and Monetary Assets		6,612.6
Accounts Receivable	1,444.2	
Accounts Payable		<u>-485.0</u>
TOTAL		14,166.4

NARRATIVE:

Foreign Military Sales (FMS) Trust Fund Accounting is managed by the Defense Finance and Accounting Service (DFAS), Denver Center to ensure sufficient customer funds are on hand to meet the daily cash requirements of the military departments.

During FY 1997, approximately \$15,096.2 million was disbursed to implement customers' orders. This requirement, compared to the cash and interest bearing account balances, yields a "quick cash ratio" of 1.01:1 for the fund (cash to requirements). The liquidity ratio was 1.21:1 and was calculated as total cash available, plus receivables, minus payables, compared to FY 1997 cash disbursements requirements. The change in accounts payable is due to negative accounts receivables as payables based on DODIG Audit Findings on the 1995 Chief Financial Officer (CFO) Report (project no. 5LG-2029.01, dtd June 28, 1996).

SOURCE:

FMS Trust Fund General Ledger.

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FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Cumulative Value of Reconciled Accounts as of Fiscal Year End

September 30, 1997	<u>DFAS</u>
Unreconciled Accounts	-0-
September 30, 1996	<u>DFAS</u>
Unreconciled Accounts	-0-
September 30, 1995	<u>DFAS</u>
Unreconciled Accounts	-0-
September 30, 1994	<u>DFAS</u>
Unreconciled Accounts	-0-
September 30, 1993	<u>DFAS</u>
Unreconciled Accounts	-0-

NARRATIVE:

As of September 30, 1997 there were no unreconciled accounts for any country.

SOURCE:

FMS Trust Fund General Ledger.

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A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Number of Open Cases as of Fiscal Year End

SEPTEMBER 30, 1997 POSITION	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NUMBER OF CASES OPEN	4,929	5,070	4,129	974	15,102
SEPTEMBER 30, 1996 POSITION	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NUMBER OF CASES OPEN	5,029	4,909	4,188	1,083	15,209
SEPTEMBER 30, 1995 POSITION	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NUMBER OF CASES OPEN	5,333	5,070	4,436	1,077	15,916
SEPTEMBER 30, 1994 POSITION	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NUMBER OF CASES OPEN	5,757	5,210	4,536	1,142	16,645
SEPTEMBER 30, 1993 POSITION	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
NUMBER OF CASES OPEN	6,245	5,298	4,706	1,232	17,481

NARRATIVE:

This performance indicator shows the number of active FMS cases at the end of each fiscal year

SOURCE:

DSAA 1200 System.

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FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Value of Country Accounts in Arrearage Status as of Fiscal Year End

(WHOLE DOLLARS)

COUNTRY AND VALUE, SEPTEMBER 30, 1997:	<u>ARREARAGE</u>
Organization of American States (OAS)	<u>595,639</u>
TOTAL	595,639

COUNTRY AND VALUE, SEPTEMBER 30, 1996:	<u>ARREARAGE</u>
Nigeria	29,962
Organization of American States (OAS)	<u>596,097</u>
TOTAL	626,059

COUNTRY AND VALUE, SEPTEMBER 30, 1995:	<u>ARREARAGE</u>
Nigeria	28,343
Organization of American States (OAS)	<u>557,569</u>
TOTAL	585,912

COUNTRY AND VALUE, SEPTEMBER 30, 1994:	<u>ARREARAGE</u>
Nigeria	27,108
Organization of American States (OAS)	<u>465,787</u>
TOTAL	492,895

COUNTRY AND VALUE, SEPTEMBER 30, 1993:	<u>ARREARAGE</u>
Nicaragua	26,491
Organization of American States (OAS)	<u>516,419</u>
TOTAL	542,910

NARRATIVE:

One country account was placed in an arrearage status due to non-payment, as of current fiscal year end.

SOURCE:

Treasury TFS Form 4503 Report (Current Status of Accounts Receivable (Original Maturity of Less than 90 Days from Foreign Obligors) as of June 30, 1997 and Treasury Reports on Accounts and Loans Receivables due from the Public as of September 30, 1997.

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**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

Net Outlays to Plan End of Fiscal Year

MILLIONS (\$ X 000,000)

FY 1997 ACTIVITY:	<u>Budget</u>	<u>Actual</u>	<u>Ratio</u>
Disbursements	\$13,660.0	\$15,096.2	110.5%
Collections	<u>-13,760.0</u>	<u>-15,128.4</u>	<u>109.9%</u>
Net Outlays	\$-100.0	\$-32.2	N/A
FY 1996 ACTIVITY:	<u>Budget</u>	<u>Actual</u>	<u>Ratio</u>
Disbursements	\$13,150.0	\$14,323.0	108.9%
Collections	<u>-13,020.0</u>	<u>-14,747.2</u>	<u>113.3%</u>
Net Outlays	\$130.0	\$-424.2	N/A
FY 1995 ACTIVITY:	<u>Budget</u>	<u>Actual</u>	<u>Ratio</u>
Disbursements	\$13,450.0	\$13,417.0	99.8%
Collections	<u>-13,350.0</u>	<u>-12,469.4</u>	<u>93.4%</u>
Net Outlays	\$100.0	\$947.6	N/A
FY 1994 ACTIVITY:	<u>Budget</u>	<u>Actual</u>	<u>Ratio</u>
Disbursements	\$13,440.0	\$13,220.8	98.4%
Collections	<u>-13,370.0</u>	<u>-13,035.8</u>	<u>97.6%</u>
Net Outlays	\$70.0	\$185.0	N/A
FY 1993 ACTIVITY:	<u>Budget</u>	<u>Actual</u>	<u>Ratio</u>
Disbursements	\$12,850.0	\$13,161.8	102.4%
Collections	<u>-12,720.0</u>	<u>-13,239.4</u>	<u>104.1%</u>
Net Outlays	\$130.0	\$-77.6	N/A

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FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Net Outlays to Plan End of Fiscal Year (Continued)

NARRATIVE:

Disbursement estimates are based on prior unliquidated balances as carried forward from previous years, plus an estimate for the new year's obligations, and are adjusted by a historical experience (spend out rate) factor. Receipts estimates are based on historical experience from new and prior year sales. (Hundreds of thousands of transactions make up each year's outlay experience.) The combination of receipts and disbursements, called the net outlay, will be close to zero when measured over many years. In any one year, there can be significant differences between receipts and disbursements. The FY 1997 actuals for receipts and disbursements are within a normal range for estimating accuracy.

SOURCE:

President's Budget and SF133 (Report on Budget Execution)

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**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

**Work Years (WY) Used for Administration of Security Assistance Program During
the Fiscal Year**

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS-DE</u>	<u>OTHER</u>	<u>TOTAL</u>
CONUS Mil WY	38	50	204	12	38	342
CONUS Civ WY	<u>1,370</u>	<u>731</u>	<u>1,545</u>	<u>583</u>	<u>147</u>	<u>4,376</u>
Total CONUS WY	1,408	781	1,749	595	185	4,718

	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FNS</u>	<u>TOTAL</u>
CONUS WY	342	4,376	0	4,718
Overseas WY	<u>221</u>	<u>47</u>	<u>134</u>	<u>402</u>
Total WY	563	4,423	134	5,120

FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS-DE</u>	<u>OTHER</u>	<u>TOTAL</u>
CONUS Mil WY	39	49	198	12	36	334
CONUS Civ WY	<u>1,378</u>	<u>786</u>	<u>1,649</u>	<u>691</u>	<u>134</u>	<u>4,638</u>
Total CONUS WY	1,417	835	1,847	703	170	4,972

	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FNS</u>	<u>TOTAL</u>
CONUS WY	334	4,638	0	4,972
Overseas WY	<u>226</u>	<u>53</u>	<u>135</u>	<u>414</u>
Total WY	560	4,691	135	5,386

FY 1995 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS-DE</u>	<u>OTHER</u>	<u>TOTAL</u>
CONUS Mil WY	48	49	179	2	36	314
CONUS Civ WY	<u>1,531</u>	<u>906</u>	<u>1,791</u>	<u>728</u>	<u>135</u>	<u>5,091</u>
Total CONUS WY	1,579	955	1,970	730	171	5,405

	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FNS</u>	<u>TOTAL</u>
CONUS WY	314	5,091	0	5,405
Overseas WY	<u>262</u>	<u>61</u>	<u>168</u>	<u>491</u>
Total WY	576	5,152	168	5,896

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FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Work Years (WY) Used for Administration of Security Assistance Program During
the Fiscal Year (Continued)

FY 1994 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS-DE</u>	<u>OTHER</u>	<u>TOTAL</u>
CONUS Mil WY	61	50	161	2	36	310
CONUS Civ WY	<u>1,552</u>	<u>958</u>	<u>1,366</u>	<u>819</u>	<u>41</u>	<u>4,736</u>
Total CONUS WY	1,613	1,008	1,527	821	77	5,046

	<u>MILITARY</u>	<u>U. S. CIV</u>	<u>FSN</u>	<u>TOTAL</u>
CONUS WY	310	4,836	0	5,146
Overseas WY	<u>261</u>	<u>64</u>	<u>172</u>	<u>497</u>
Total WY	571	4,900	172	5,643

FY 1993 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS-DE</u>	<u>OTHER</u>	<u>TOTAL</u>
CONUS Mil WY	41	48	87	2	39	217
CONUS Civ WY	<u>1,658</u>	<u>977</u>	<u>1,286</u>	<u>622</u>	<u>165</u>	<u>4,708</u>
Total CONUS WY	1,699	1,025	1,373	624	204	4,925

	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FSN</u>	<u>TOTAL</u>
CONUS WY	217	4,708	0	4,925
Overseas WY	<u>245</u>	<u>58</u>	<u>161</u>	<u>464</u>
Total WY	462	4,766	161	5,389

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**FOREIGN MILITARY SALES (FMS) TRUST FUND,
ACCOUNT 8242:**

**Work Years (WY) Used for Administration of Security Assistance Program During the Fiscal
Year (Continued)**

NARRATIVE: Work years are an estimate obtained from budget data. No specific manpower accounting system exists for Security Assistance work years.

CONUS: The civilian and military work years are assigned to provide logistical, financial, training, and other types of administrative support to the Foreign Military Sales Program. Civilian pay is funded from FMS administrative funds. Military pay is financed from the Military Pay Appropriations.

OVERSEAS: There are FMS administrative work years at overseas Security Assistance Offices (SAO's) that are in support of FMS activities. U.S. Military and Civilians are stationed in Foreign Countries to provide administrative support for Security Assistance Program implementation. Foreign Service Nationals (FSNs) are also hired to provide administrative support.

SOURCE:

DSAA Blue Book.

Supplemental

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND, ACCOUNT 8242:

Cost of Work Years Used for Administration of the Security Assistance Program

THOUSANDS (\$ X 000)

FY 1997 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS</u>	<u>OTHER</u>	<u>TOTAL</u>
Actual Cost	88.4	60.2	95.2	40.5	70.7	355.0
Budget	87.9	58.0	94.3	40.5	74.3	355.0
FY 1996 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS</u>	<u>OTHER</u>	<u>TOTAL</u>
Actual Cost	91.7	61.2	98.7	41.3	62.1	355.0
Budget	91.7	60.9	98.3	41.3	62.8	355.0
FY 1995 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS</u>	<u>OTHER</u>	<u>TOTAL</u>
Actual Cost	93.6	64.0	99.2	45.6	46.0	348.4
Budget	93.7	64.3	99.6	45.6	47.8	351.0
FY 1994 ACTIVITY	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS</u>	<u>OTHER</u>	<u>TOTAL</u>
Actual Cost	91.8	62.9	86.6	44.5	17.6	303.4
Budget	92.7	63.7	87.3	45.0	18.9	307.6
FY 1993 ACTIVITY:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>DFAS</u>	<u>DSAA & OTHER</u>	<u>TOTAL</u>
Actual Cost	90.4	60.3	76.5	36.5	17.8	281.5
Budget	91.5	65.5	74.5	24.0	17.5	273.0

NARRATIVE:

Costs include direct payroll costs, benefits, moving costs, automatic data processing, other services, and etc.

SOURCE:

DSAA Blue Book and Monthly DoD Status of Allotment Report.

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION
A. ADDITIONAL PERFORMANCE INDICATORS
FOREIGN MILITARY SALES (FMS) TRUST FUND (ACCOUNT 8242):
Reconciliation of the Number of Cases Open at Fiscal Year End:

SEP 30, 1997	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>MISC</u>	<u>TOTAL</u>
POSITION:						
Beg. Balance(Open)	5,029	4,909	4,188	1,083	0	15,209
Add: New & Mod Cases	<u>632</u>	<u>529</u>	<u>495</u>	<u>183</u>	<u>0</u>	<u>1,839</u>
Subtotal	5,661	5,438	4,683	1,266	0	17,048
Less: Cases Closed	<u>738</u>	<u>390</u>	<u>566</u>	<u>296</u>	<u>0</u>	<u>1,990</u>
Subtotal	4,923	5,048	4,117	970	0	15,058
+/- Mods & Adj	<u>6</u>	<u>22</u>	<u>12</u>	<u>4</u>	<u>0</u>	<u>44</u>
End. Balance (Open)	4,929	5,070	4,129	974	0	15,102

SEP 30, 1996	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>MISC</u>	<u>TOTAL</u>
POSITION:						
Beg. Balance(Open)	5,333	5,070	4,436	1,077	0	15,916
Add: New & Mod Cases	<u>744</u>	<u>513</u>	<u>579</u>	<u>192</u>	<u>0</u>	<u>2,028</u>
Subtotal	6,077	5,583	5,015	1,269	0	17,944
Less: Cases Closed	<u>991</u>	<u>648</u>	<u>768</u>	<u>174</u>	<u>0</u>	<u>2,581</u>
Subtotal	5,086	4,935	4,247	1,095	0	15,363
+/- Mods & Adj	<u>-57</u>	<u>-26</u>	<u>-59</u>	<u>-12</u>	<u>0</u>	<u>-154</u>
End. Balance (Open)	5,029	4,909	4,188	1,083	0	15,209

SEP 30, 1995	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>MISC</u>	<u>TOTAL</u>
POSITION:						
Beg. Balance(Open)	5,757	5,210	4,536	1,142	0	16,645
Add: New & Mod Cases	<u>745</u>	<u>625</u>	<u>600</u>	<u>250</u>	<u>0</u>	<u>2,220</u>
Subtotal	6,502	5,835	5,136	1,392	0	18,865
Less: Cases Closed	<u>1,299</u>	<u>809</u>	<u>736</u>	<u>323</u>	<u>0</u>	<u>3,167</u>
Subtotal	5,203	5,026	4,400	1,069	0	15,698
+/- Mods & Adj	<u>130</u>	<u>44</u>	<u>36</u>	<u>8</u>	<u>0</u>	<u>218</u>
End. Balance (Open)	5,333	5,070	4,436	1,077	0	15,916

Supplemental

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND (ACCOUNT 8242):

Reconciliation of the Number of Cases Open at Fiscal Year End:
(Continued)

SEP 30, 1994	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>MISC</u>	<u>TOTAL</u>
POSITION:						
Beg. Balance(Open)	6,245	5,298	4,706	1,232	0	17,481
Add: New & Mod Cases	<u>732</u>	<u>632</u>	<u>556</u>	<u>228</u>	<u>0</u>	<u>2,148</u>
Subtotal	6,977	5,930	5,262	1,460	0	19,629
Less: Cases Closed	<u>1,301</u>	<u>763</u>	<u>774</u>	<u>346</u>	<u>0</u>	<u>3,184</u>
Subtotal	5,676	5,167	4,488	1,114	0	16,445
+/- Mods & Adj	<u>81</u>	<u>43</u>	<u>48</u>	<u>28</u>	<u>0</u>	<u>200</u>
End. Balance (Open)	5,757	5,210	4,536	1,142	0	16,645

SEP 30, 1993	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>MISC</u>	<u>TOTAL</u>
POSITION:						
Beg. Balance(Open)	6,733	5,360	4,810	1,287	0	18,190
Add: New & Mod Cases	<u>793</u>	<u>630</u>	<u>576</u>	<u>277</u>	<u>0</u>	<u>2,276</u>
Subtotal	7,526	5,990	5,386	1,564	0	20,466
Less: Cases Closed	<u>1,344</u>	<u>731</u>	<u>723</u>	<u>328</u>	<u>0</u>	<u>3,126</u>
Subtotal	6,182	5,259	4,663	1,236	0	17,340
+/- Mods & Adj	<u>63</u>	<u>39</u>	<u>43</u>	<u>-4</u>	<u>0</u>	<u>141</u>
End. Balance (Open)	6,245	5,298	4,706	1,232	0	17,481

NARRATIVE:

This performance indicator reconciles the number of active FMS sales cases at the end of each fiscal year.

SOURCE:

DSAA 1200 System.

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION
A. ADDITIONAL PERFORMANCE INDICATORS**FOREIGN MILITARY SALES (FMS) TRUST FUND (ACCOUNT 8242):****Reconciliation of the Value of Cases Open at Fiscal Year End:**

THOUSANDS (\$ x 000)

SEPTEMBER**30, 1997**

POSITION:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beg Balance	59,619,060	57,213,032	101,412,014	1,682,536	219,926,642
Add: New Cases**	<u>2,506,079</u>	<u>3,226,144</u>	<u>3,026,854</u>	<u>49,473</u>	<u>8,808,550</u>
Subtotal	62,125,139	60,439,176	104,438,868	1,732,009	228,735,192
Less: Cases Closed	<u>1,298,115</u>	<u>805,818</u>	<u>1,401,816</u>	<u>337,568</u>	<u>3,843,317</u>
Subtotal	60,827,024	59,633,358	103,037,052	1,394,441	224,891,875
+/- Mods & Adj	<u>2,141,263</u>	<u>-138,734</u>	<u>-2,757,795</u>	<u>72,638</u>	<u>-682,628</u>
End Balance	62,968,287	59,494,624	100,279,257	1,467,079	224,209,247

SEPTEMBER**30, 1996**

POSITION:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beg Balance	58,910,398	58,263,100	105,091,007	1,751,921	224,016,426
Add: New Cases**	<u>3,893,414</u>	<u>2,168,369</u>	<u>4,335,101</u>	<u>72,515</u>	<u>10,469,399</u>
Subtotal	62,803,812	60,431,469	109,426,108	1,824,436	234,485,825
Less: Cases Closed	<u>3,083,999</u>	<u>2,076,129</u>	<u>3,872,552</u>	<u>129,377</u>	<u>9,162,057</u>
Subtotal	59,719,813	58,355,340	105,553,556	1,695,059	225,323,768
+/- Mods & Adj	<u>-100,753</u>	<u>-1,142,308</u>	<u>-4,141,542</u>	<u>-12,524</u>	<u>-5,397,127</u>
End Balance	59,619,060	57,213,032	101,412,014	1,682,535	219,926,641

Supplemental

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND (ACCOUNT 8242):

Reconciliation of the Value of Cases Open at Fiscal Year End: (Continued)

THOUSANDS (\$ X 000)

SEPTEMBER

30, 1995

POSITION:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beg Balance	60,503,037	57,438,130	106,407,482	1,826,104	226,174,753
Add: New	<u>2,635,293</u>	<u>3,355,558</u>	<u>2,988,144</u>	<u>75,222</u>	<u>9,054,218</u>
Cases**					
Subtotal	63,138,330	60,793,688	109,395,626	1,901,326	235,228,971
Less: Cases	<u>3,844,904</u>	<u>2,367,114</u>	<u>3,762,098</u>	<u>100,263</u>	<u>10,074,379</u>
Closed					
Subtotal	59,293,426	58,426,574	105,633,528	1,801,063	225,154,592
+/- Mods & Adj	<u>-393,028</u>	<u>-163,474</u>	<u>-542,521</u>	<u>-49,142</u>	<u>-1,148,165</u>
End Balance	58,900,398	58,263,100	105,091,007	1,751,921	224,006,426

SEPTEMBER

30, 1994

POSITION:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beg Balance	61,775,801	56,573,801	101,818,196	1,641,405	221,809,203
Add: New	<u>2,013,972</u>	<u>3,545,795</u>	<u>6,946,138</u>	<u>359,451</u>	<u>12,865,356</u>
Cases**					
Subtotal	63,789,773	60,119,596	108,764,334	2,000,856	234,674,559
Less: Cases	<u>3,057,325</u>	<u>2,090,171</u>	<u>1,921,989</u>	<u>156,189</u>	<u>7,225,674</u>
Closed					
Subtotal	60,732,448	58,029,425	106,842,345	1,844,667	227,448,885
+/- Mods & Adj	<u>-229,411</u>	<u>-591,295</u>	<u>-434,863</u>	<u>-18,563</u>	<u>-1,274,132</u>
End Balance	60,503,037	57,438,130	106,407,482	1,826,104	226,174,753

**PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT
INFORMATION**

A. ADDITIONAL PERFORMANCE INDICATORS

**FOREIGN MILITARY SALES (FMS) TRUST FUND (ACCOUNT
8242):**

Reconciliation of the Value of Cases Open at Fiscal Year End: (Continued)

THOUSANDS (\$ X 000)

SEPTEMBER

30, 1993

POSITION:	<u>ARMY</u>	<u>NAVY</u>	<u>USAF</u>	<u>OTHER</u>	<u>TOTAL</u>
Beg Balance	58,821,935	52,829,811	82,884,064	1,740,046	196,275,856
Add: New Cases**	<u>7,587,235</u>	<u>4,446,413</u>	<u>21,135,646</u>	<u>46,699</u>	<u>33,215,993</u>
Subtotal	66,409,170	57,276,224	104,019,710	1,786,745	229,491,849
Less: Cases Closed	<u>1,458,137</u>	<u>516,151</u>	<u>1,129,447</u>	<u>109,591</u>	<u>3,213,326</u>
Subtotal	64,951,033	56,760,073	102,890,263	1,677,154	226,278,523
+/- Mods & Adj	<u>-3,175,232</u>	<u>-186,272</u>	<u>-1,072,067</u>	<u>-35,748</u>	<u>-4,469,319</u>
End Balance	61,775,801	56,573,801	101,818,196	1,641,406	221,809,204

NARRATIVE:

This performance indicator reconciles the value of active FMS cases at the end of each fiscal year. **These values include all "new cases" for FY 1997, FY 1996, FY 1995, FY 1994, and FY 1993 and all case amendments and modifications for all fiscal years.

SOURCE:

DSAA 1200 System.

Supplemental

PART III - SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

A. ADDITIONAL PERFORMANCE INDICATORS

FOREIGN MILITARY SALES (FMS) TRUST FUND (ACCOUNT 8242):

Overseas Work Years Used for Administration of the Security Assistance Program by Fiscal Year:

FY 1997 ACTIVITY	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FSN</u>	<u>TOTAL</u>
Work Years Used	221	47	134	402
FY 1996 ACTIVITY	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FSN</u>	<u>TOTAL</u>
Work Years Used	226	53	135	414
FY 1995 ACTIVITY	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FSN</u>	<u>TOTAL</u>
Work Years Used	262	61	168	491
FY 1994 ACTIVITY	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FSN</u>	<u>TOTAL</u>
Work Years Used	261	64	172	497
FY 1993 ACTIVITY	<u>MILITARY</u>	<u>U.S. CIV</u>	<u>FSN</u>	<u>TOTAL</u>
Work Years Used	245	58	161	464

NARRATIVE:

This represents military, U.S. Civilian, and Foreign Service Nationals (FSNs) work years used by fiscal year.

SOURCE:

DSAA Blue Book.

***DEFENSE SECURITY
ASSISTANCE AGENCY***

AUDIT OPINION

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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

February 27, 1998

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
AND CHIEF FINANCIAL OFFICER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
DIRECTOR, DEFENSE SECURITY ASSISTANCE
AGENCY**

**SUBJECT: Disclaimer of Opinion on the Defense Security Assistance Agency
Financial Statements for FY 1997 (Project No. 7FD-2011)**

The Chief Financial Officers (CFO) Act of 1990, as amended by the Federal Financial Management Act of 1994, requires financial statement audits by the Inspectors General and prescribes the responsibilities of management and the auditors for the financial statements, internal controls, and compliance with laws and regulations. The Defense Security Assistance Agency (DSAA) is responsible for establishing and maintaining an internal control structure and for complying with laws and regulations applicable to DSAA funds. The Defense Finance and Accounting Service (DFAS) is responsible for establishing and maintaining the accounting system for DSAA funds. Our responsibility is to render an opinion on the financial statements based on our audit, and to determine whether internal controls are adequate and whether DSAA complied with applicable laws and regulations.

Disclaimer of Opinion. We were unable to render an opinion on the DSAA Financial Statements for FYs 1997 and 1996. Major deficiencies still exist, as identified in our audits of the DSAA Financial Statements for FYs 1992, 1995, and 1996. Because of deficiencies in the accounting systems and control procedures, DSAA could not provide reasonable assurance that the financial statements were reliable. Specifically, DSAA did not account for revenues and expenses from the sales of goods and services to foreign customers. Accounts receivable were overstated and inventories were not recorded. DSAA and DFAS provided management representation letters, but did not attest to the accuracy or completeness of the financial statements.

Internal Controls. Internal controls were not adequate. DFAS did not use a double-entry accounting system to account for DSAA foreign military sales transactions, and the systems used by the DFAS and the Military Departments were not transaction-driven. DFAS posted summary totals to individual accounts instead of using double-entry methods to record transactions. As a result, controls were not sufficient to detect accounting errors.

Controls did not adequately ensure that sufficient foreign customer funds were available before disbursements were made on behalf of those customers. In FY 1997, DFAS acknowledged that it disbursed \$450 million on behalf of DSAA customers without assurance that customer funds were available.

In our audit reports on the DSAA Financial Statements for FYs 1992, 1995, and 1996, we reported that the DFAS accounting system did not have adequate audit trails for disbursements. DFAS officials disagreed with our conclusion and stated that we would find the disbursement trails to be adequate if we took our sample from the Military Department systems rather than the DFAS system. In preliminary tests of FY 1997 data, we were able to follow the audit trails for foreign military sales disbursements of the Army and Air Force. However, we could not follow the audit trail for Navy foreign military sales disbursements.

Compliance with Laws and Regulations. The FY 1997 DSAA Financial Statements continued to be noncompliant with laws and regulations. The FY 1997 DSAA Financial Statements were not consolidated into the DoD financial statements. Revenues, expenses, and equity for the sales of goods and services to foreign customers were not reported as required by the Chief Financial Officers Act of 1990 (as amended by the Federal Financial Management Act of 1994) and OMB accounting standards. Other instances of noncompliance with OMB accounting standards included the overstatement of accounts receivable by \$1.87 billion and the omission of up to \$459 million of inventories purchased with foreign customer funds. Also, when reporting \$560 million of revenues and \$559 million of expenses applicable to the surcharges placed on foreign military sales, DFAS used cash accounting instead of accrual accounting methods.

Under the Federal Financial Management Improvement Act of 1996 and OMB Bulletin No. 93-06, Addendum 1, "Audit Requirements for Federal Financial Statements," January 16, 1998, our work disclosed that financial management systems did not comply with Federal financial management system requirements; applicable Federal accounting standards; and the United States Government Standard General Ledger at the transaction level.

Additional Reports. This memorandum briefly summarizes the major deficiencies affecting DSAA. We will issue subsequent reports with more details on internal controls and compliance with laws and regulations.



David K. Steensma
Deputy Assistant Inspector General
for Auditing

