

**Department of Defense**  
**Navy Working Capital Fund**  
**CONSOLIDATED BALANCE SHEET**  
**As of June 30, 2007 and 2006**

	<b>2007 Consolidated</b>	<b>2006 Consolidated</b>
	<hr/>	<hr/>
<b>1. ASSETS (Note 2)</b>		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	\$ 952,811,706.59	\$ 490,185,450.51
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	0.00	0.00
2. Investments (Note 4)	0.00	0.00
3. Accounts Receivable (Note 5)	351,849,538.28	186,717,905.28
4. Other Assets (Note 6)	1,780,989.24	5,298,952.26
5. Total Intragovernmental Assets	<hr/> \$ 1,306,442,234.11	<hr/> \$ 682,202,308.05
B. Cash and Other Monetary Assets (Note 7)	\$ 0.00	\$ 0.00
C. Accounts Receivable, Net (Note 5)	76,326,486.58	65,030,677.56
D. Loans Receivable (Note 8)	0.00	0.00
E. Inventory and Related Property, Net (Note 9)	12,824,015,582.82	13,689,533,929.53
F. General Property, Plant and Equipment, Net (Note 10)	3,667,618,204.60	3,712,048,950.44
G. Investments (Note 4)	0.00	0.00
H. Other Assets (Note 6)	348,543,590.80	431,949,104.26
<b>2. TOTAL ASSETS</b>	<hr/> <hr/> \$ 18,222,946,098.91	<hr/> <hr/> \$ 18,580,764,969.84
<b>3. LIABILITIES (Note 11)</b>		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 176,232,908.38	\$ 210,650,489.72
2. Debt (Note 13)	147,534,653.12	265,993,716.00
3. Other Liabilities (Note 15 & 16)	221,048,714.53	249,874,899.63
4. Total Intragovernmental Liabilities	<hr/> \$ 544,816,276.03	<hr/> \$ 726,519,105.35
B. Accounts Payable (Note 12)	\$ 1,510,079,026.35	\$ 1,648,060,610.71
C. Military Retirement and Other Federal Employment Benefits (Note 17)	1,185,039,105.63	1,192,551,548.64
D. Environmental and Disposal Liabilities (Note 14)	0.00	0.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	3,039,709,553.63	3,180,995,256.71
<b>4. TOTAL LIABILITIES</b>	<hr/> \$ 6,279,643,961.64	<hr/> \$ 6,748,126,521.41
<b>5. NET POSITION</b>		
A. Unexpended Appropriations - Earmarked Funds (Note 23)	\$ 0.00	\$ 0.00
B. Unexpended Appropriations - Other Funds	33,796,153.95	11,949,075.74
C. Cumulative Results of Operations - Earmarked Funds	0.00	0.00
D. Cumulative Results of Operations - Other Funds	11,909,505,983.32	11,820,689,372.69
<b>6. TOTAL NET POSITION</b>	<hr/> \$ 11,943,302,137.27	<hr/> \$ 11,832,638,448.43
<b>7. TOTAL LIABILITIES AND NET POSITION</b>	<hr/> <hr/> \$ 18,222,946,098.91	<hr/> <hr/> \$ 18,580,764,969.84

Department of Defense  
Navy Working Capital Fund  
**CONSOLIDATED STATEMENT OF NET COST**  
For the periods ended June 30, 2007 and 2006

	<b>2007 Consolidated</b>	<b>2006 Consolidated</b>
<b>1. Program Costs</b>		
A. Gross Costs	\$ 16,971,097,667.63	\$ 17,757,915,489.27
B. (Less: Earned Revenue)	(15,766,765,355.17)	(15,794,422,147.46)
C. Net Program Costs	<u>\$ 1,204,332,312.46</u>	<u>\$ 1,963,493,341.81</u>
<b>2. Cost Not Assigned to Programs</b>	0.00	0.00
<b>3. (Less: Earned Revenue Not Attributable to Programs)</b>	0.00	0.00
<b>4. Net Cost of Operations</b>	<u><u>\$ 1,204,332,312.46</u></u>	<u><u>\$ 1,963,493,341.81</u></u>

Department of Defense  
Navy Working Capital Fund  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended June 30, 2007 and 2006

	2007 Earmarked Funds	2007 All Other Funds
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 0.00	\$ 12,928,685,207.90
<b>2. Prior Period Adjustments:</b>		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
<b>3. Beginning balances, as adjusted</b>	0.00	12,928,685,207.90
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	84,965,025.50
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00 0.00	0.00 0.00
4.E. Transfers-in/out without reimbursement	0.00	112,504,000.00
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	17,103,671.17
5.C. Imputed financing from costs absorbed by others	0.00	344,501,727.32
5.D. Other (+/-)	0.00	(373,921,336.11)
<b>6. Total Financing Sources</b>	0.00	185,153,087.88
<b>7. Net Cost of Operations (+/-)</b>	0.00	1,204,332,312.46
<b>8. Net Change</b>	0.00	(1,019,179,224.58)
<b>9. Cumulative Results of Operations</b>	0.00	11,909,505,983.32
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 2,896,179.45
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	2,896,179.45
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	116,192,000.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	(327,000.00)
13.D. Appropriations used	0.00	(84,965,025.50)
<b>14. Total Budgetary Financing Sources</b>	0.00	30,899,974.50
<b>15. Unexpended Appropriations</b>	0.00	33,796,153.95
<b>16. Net Position</b>	0.00	11,943,302,137.27

Department of Defense  
Navy Working Capital Fund  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended June 30, 2007 and 2006

	2007 Eliminations	2007 Consolidated
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 0.00	\$ 12,928,685,207.90
<b>2. Prior Period Adjustments:</b>		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
<b>3. Beginning balances, as adjusted</b>	0.00	12,928,685,207.90
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	84,965,025.50
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00 0.00	0.00 0.00
4.E. Transfers-in/out without reimbursement	0.00	112,504,000.00
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	17,103,671.17
5.C. Imputed financing from costs absorbed by others	0.00	344,501,727.32
5.D. Other (+/-)	0.00	(373,921,336.11)
<b>6. Total Financing Sources</b>	0.00	185,153,087.88
<b>7. Net Cost of Operations (+/-)</b>	0.00	1,204,332,312.46
<b>8. Net Change</b>	0.00	(1,019,179,224.58)
<b>9. Cumulative Results of Operations</b>	0.00	11,909,505,983.32
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 2,896,179.45
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	2,896,179.45
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	116,192,000.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	(327,000.00)
13.D. Appropriations used	0.00	(84,965,025.50)
<b>14. Total Budgetary Financing Sources</b>	0.00	30,899,974.50
<b>15. Unexpended Appropriations</b>	0.00	33,796,153.95
<b>16. Net Position</b>	0.00	11,943,302,137.27

Department of Defense  
Navy Working Capital Fund  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended June 30, 2007 and 2006

	2006 Earmarked Funds	2006 All Other Funds
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 0.00	\$ 13,540,238,799.85
<b>2. Prior Period Adjustments:</b>		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
<b>3. Beginning balances, as adjusted</b>	0.00	13,540,238,799.85
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	112,803,938.93
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00 0.00	0.00 0.00
4.E. Transfers-in/out without reimbursement	0.00	3,903,000.00
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	(58,332,852.91)
5.C. Imputed financing from costs absorbed by others	0.00	413,474,404.35
5.D. Other (+/-)	0.00	(227,904,575.72)
<b>6. Total Financing Sources</b>	0.00	243,943,914.65
<b>7. Net Cost of Operations (+/-)</b>	0.00	1,963,493,341.81
<b>8. Net Change</b>	0.00	(1,719,549,427.16)
<b>9. Cumulative Results of Operations</b>	0.00	11,820,689,372.69
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 6,286,014.67
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	6,286,014.67
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	118,467,000.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	0.00
13.D. Appropriations used	0.00	(112,803,938.93)
<b>14. Total Budgetary Financing Sources</b>	0.00	5,663,061.07
<b>15. Unexpended Appropriations</b>	0.00	11,949,075.74
<b>16. Net Position</b>	0.00	11,832,638,448.43

Department of Defense  
Navy Working Capital Fund  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended June 30, 2007 and 2006

	2006 Eliminations	2006 Consolidated
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 0.00	\$ 13,540,238,799.85
<b>2. Prior Period Adjustments:</b>		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
<b>3. Beginning balances, as adjusted</b>	0.00	13,540,238,799.85
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	112,803,938.93
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00 0.00	0.00 0.00
4.E. Transfers-in/out without reimbursement	0.00	3,903,000.00
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	(58,332,852.91)
5.C. Imputed financing from costs absorbed by others	0.00	413,474,404.35
5.D. Other (+/-)	0.00	(227,904,575.72)
<b>6. Total Financing Sources</b>	0.00	243,943,914.65
<b>7. Net Cost of Operations (+/-)</b>	0.00	1,963,493,341.81
<b>8. Net Change</b>	0.00	(1,719,549,427.16)
<b>9. Cumulative Results of Operations</b>	0.00	11,820,689,372.69
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 6,286,014.67
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	6,286,014.67
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	118,467,000.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	0.00
13.D. Appropriations used	0.00	(112,803,938.93)
<b>14. Total Budgetary Financing Sources</b>	0.00	5,663,061.07
<b>15. Unexpended Appropriations</b>	0.00	11,949,075.74
<b>16. Net Position</b>	0.00	11,832,638,448.43

Department of Defense  
Navy Working Capital Fund  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
For the periods ended June 30, 2007 and 2006

	<u>2007 Combined</u>	<u>2006 Combined</u>
<b>BUDGETARY FINANCING ACCOUNTS</b>		
<b>BUDGETARY RESOURCES:</b>		
1. Unobligated balance, brought forward, October 1	\$ 2,547,952,741.29	\$ 2,816,659,416.98
2. Recoveries of prior year unpaid obligations	(3,185.45)	0.00
3. Budget authority		
3.A. Appropriation	116,192,000.00	118,467,000.00
3.B. Borrowing authority	0.00	0.00
3.C. Contract authority	5,932,303,517.75	6,655,602,828.40
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	17,372,958,502.48	17,124,298,059.99
3.D.1.b. Change in receivables from Federal sources	(214,986,989.84)	(210,710,264.76)
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	53,336,810.59	(119,771,980.99)
3.D.2.b. Without advance from Federal sources	3,728,250,822.97	3,625,738,921.66
3.D.3. Anticipated for rest of year, without advances	3,743,265,860.31	15,669,842,864.15
3.D.4. Previously unavailable	0.00	0.00
3.D.5. Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	<u>30,731,320,524.26</u>	<u>42,863,467,428.45</u>
4. Nonexpenditure transfers, net, anticipated and actual	112,504,000.00	3,903,000.00
5. Temporarily not available pursuant to Public Law	0.00	0.00
6. Permanently not available	(4,725,775,574.82)	(4,181,962,995.75)
<b>7. Total Budgetary Resources</b>	<u><u>\$ 28,665,998,505.28</u></u>	<u><u>\$ 41,502,066,849.68</u></u>

**Department of Defense**  
**Navy Working Capital Fund**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
**For the periods ended June 30, 2007 and 2006**

	<b>2007 Combined</b>	<b>2006 Combined</b>
<b>Status of Budgetary Resources:</b>		
8. Obligations incurred:		
8.A. Direct	\$ 397,325.50	\$ 0.00
8.B. Reimbursable	14,316,085,526.84	17,112,064,528.00
8.C. Subtotal	<u>14,316,482,852.34</u>	<u>17,112,064,528.00</u>
9. Unobligated balance:		
9.A. Apportioned	11,995,258,747.75	10,425,857,282.72
9.B. Exempt from apportionment	(580,361,987.68)	(124,484,391.26)
9.C. Subtotal	<u>11,414,896,760.07</u>	<u>10,301,372,891.46</u>
10. Unobligated balance not available	2,934,618,892.87	14,088,629,430.22
<b>11. Total status of budgetary resources</b>	<u>\$ 28,665,998,505.28</u>	<u>\$ 41,502,066,849.68</u>
<b>Change in Obligated Balance:</b>		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	12,112,506,938.92	12,667,319,650.50
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	<u>\$ (7,376,260,847.66)</u>	<u>\$ (7,638,228,489.28)</u>
12.C. Total unpaid obligated balance	4,736,246,091.26	5,029,091,161.22
13. Obligations incurred net (+/-)	<u>\$ 14,316,482,852.34</u>	<u>\$ 17,112,064,528.00</u>
14. Less: Gross outlays	(17,918,550,096.00)	(17,496,283,602.62)
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	<u>0.00</u>	<u>0.00</u>
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	<u>3,185.45</u>	<u>0.00</u>
17. Change in uncollected customer payments from Federal sources (+/-)	(3,513,263,833.13)	(3,415,028,656.90)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	8,510,442,880.71	12,283,100,575.88
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	<u>(10,889,524,680.79)</u>	<u>(11,053,257,146.18)</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>(2,379,081,800.08)</u>	<u>1,229,843,429.70</u>
<b>Net Outlays</b>		
<b>19. Net Outlays:</b>		
19.A. Gross outlays	17,918,550,096.00	17,496,283,602.62
19.B. Less: Offsetting collections	(17,426,295,313.07)	(17,004,526,079.00)
19.C. Less: Distributed Offsetting receipts	0.00	0.00
<b>19.D. Net Outlays</b>	<u>\$ 492,254,782.93</u>	<u>\$ 491,757,523.62</u>

Department of Defense  
Navy Working Capital Fund  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
For the periods ended June 30, 2007 and 2006

	2007 Combined	2006 Combined
	<hr/>	<hr/>
<b>NONBUDGETARY FINANCING ACCOUNTS</b>		
<b>BUDGETARY RESOURCES</b>		
1. Unobligated balance, brought forward, October 1	\$ 0.00	\$ 0.00
2. Recoveries of prior year unpaid obligations	0.00	0.00
3. Budget authority		
3.A. Appropriation	0.00	0.00
3.B. Borrowing authority	0.00	0.00
3.C. Contract authority	0.00	0.00
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	0.00	0.00
3.D.1.b. Change in receivables from Federal sources	0.00	0.00
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	0.00	0.00
3.D.2.b. Without advance from Federal sources	0.00	0.00
3.D.3 Anticipated for rest of year, without advances	0.00	0.00
3.D.4 Previously unavailable	0.00	0.00
3.D.5 Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	<hr/> 0.00	<hr/> 0.00
4. Nonexpenditure transfers, net, anticipated and actual	0.00	0.00
5. Temporarily not available pursuant to Public Law	0.00	0.00
6. Permanently not available	0.00	0.00
<b>7. Total Budgetary Resources</b>	<hr/> <hr/> \$ 0.00	<hr/> <hr/> \$ 0.00

Department of Defense  
Navy Working Capital Fund  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
For the periods ended June 30, 2007 and 2006

	2007 Combined	2006 Combined
<b>Status of Budgetary Resources:</b>		
8. Obligations incurred:		
8.A. Direct	\$ 0.00	\$ 0.00
8.B. Reimbursable	0.00	0.00
8.C. Subtotal	<u>0.00</u>	<u>0.00</u>
9. Unobligated balance:		
9.A. Apportioned	0.00	0.00
9.B. Exempt from apportionment	0.00	0.00
9.C. Subtotal	<u>0.00</u>	<u>0.00</u>
10. Unobligated balance not available	0.00	0.00
<b>11. Total Status of Budgetary Resources</b>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>
<b>Change in Obligated Balance:</b>		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	0.00	0.00
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	<u>\$ 0.00</u>	<u>\$ 0.00</u>
12.C. Total unpaid obligated balance	0.00	0.00
13. Obligations incurred net (+/-)	<u>\$ 0.00</u>	<u>\$ 0.00</u>
14. Less: Gross outlays	0.00	0.00
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	<u>0.00</u>	<u>0.00</u>
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	0.00	0.00
17. Change in uncollected customer payments from Federal sources (+/-)	0.00	0.00
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	0.00	0.00
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	<u>0.00</u>	<u>0.00</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>0.00</u>	<u>0.00</u>
<b>Net Outlays</b>		
<b>19. Net Outlays:</b>		
19.A. Gross outlays	0.00	0.00
19.B. Less: Offsetting collections	0.00	0.00
19.C. Less: Distributed Offsetting receipts	<u>0.00</u>	<u>0.00</u>
<b>19.D. Net Outlays</b>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>

Department of Defense  
Navy Working Capital Fund  
**CONSOLIDATED STATEMENT OF FINANCING**  
For the periods ended June 30, 2007 and 2006

	<b>2007 Consolidated</b>	<b>2006 Consolidated</b>
	<hr/>	<hr/>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
1. Obligations incurred	\$ 14,316,482,852.34	\$ 17,112,064,528.00
2. Less: Spending authority from offsetting collections and recoveries (-)	(20,939,555,960.75)	(20,419,554,735.90)
3. Obligations net of offsetting collections and recoveries	(6,623,073,108.41)	(3,307,490,207.90)
4. Less: Offsetting receipts (-)	0.00	0.00
5. Net obligations	<hr/> (6,623,073,108.41)	<hr/> (3,307,490,207.90)
Other Resources		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	17,103,671.17	(58,332,852.91)
8. Imputed financing from costs absorbed by others	344,501,727.32	413,474,404.35
9. Other (+/-)	(373,921,336.11)	(227,904,575.72)
10. Net other resources used to finance activities	<hr/> (12,315,937.62)	<hr/> 127,236,975.72
<b>11. Total resources used to finance activities</b>	<hr/> \$ (6,635,389,046.03)	<hr/> \$ (3,180,253,232.18)
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>		
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
12a. Undelivered Orders (-)	3,005,081,738.95	(378,402,972.31)
12b. Unfilled Customer Orders	3,781,587,633.56	3,505,966,940.67
13. Resources that fund expenses recognized in prior periods	0.00	0.00
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	0.00	0.00
15. Resources that finance the acquisition of assets	(3,347,440,942.74)	(2,954,511,736.91)
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations		
16a. Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)	0.00	0.00
16b. Other (+/-)	356,817,664.94	286,237,428.63
<b>17. Total resources used to finance items not part of the net cost of operations</b>	<hr/> \$ 3,796,046,094.71	<hr/> \$ 459,289,660.08
<b>18. Total resources used to finance the net cost of operations</b>	<hr/> \$ (2,839,342,951.32)	<hr/> \$ (2,720,963,572.10)

Department of Defense  
Navy Working Capital Fund  
**CONSOLIDATED STATEMENT OF FINANCING**  
For the periods ended June 30, 2007 and 2006

	2007 Consolidated	2006 Consolidated
	<hr/>	<hr/>
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Period:		
19. Increase in annual leave liability	0.00	0.00
20. Increase in environmental and disposal liability	0.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	0.00	0.00
23. Other (+/-)	0.00	0.00
24. Total components of Net Cost of Operations that will require or generate resources in future periods	<hr/> 0.00	<hr/> 0.00
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	163,422,647.86	166,370,507.73
26. Revaluation of assets or liabilities (+/-)	1,451,674,279.34	1,084,698,800.73
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	8,311,532,280.50	3,433,193,362.28
27c. Operating Material & Supplies Used	0.00	0.00
27d. Other	(5,882,953,943.92)	194,243.17
28. Total components of Net Cost of Operations that will not require or generate resources	<hr/> 4,043,675,263.78	<hr/> 4,684,456,913.91
<b>29. Total components of net cost of operations that will not require or generate resources in the current period</b>	<hr/> \$ 4,043,675,263.78	<hr/> \$ 4,684,456,913.91
<b>30. Net Cost of Operations</b>	<hr/> <hr/> \$ 1,204,332,312.46	<hr/> <hr/> \$ 1,963,493,341.81

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

These financial statements have been prepared to report the financial position and results of operations of the Navy Working Capital Fund (NWCF), as required by the “Chief Financial Officers (CFO) Act of 1990,” expanded by the “Government Management Reform Act of 1994,” and other appropriate legislation. The financial statements have been prepared from the books and records of the NWCF in accordance with the “Department of Defense (DoD) Financial Management Regulation,” Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, and to the extent possible generally accepted accounting principles (GAAP). Effective 4th Quarter FY 2006, DoD no longer published consolidating/combined financial statements. The accompanying financial statements account for all resources for which the NWCF is responsible unless otherwise noted. Information relative to classified assets, programs, and operations is aggregated and reported in such a manner that it is not discernable.

The NWCF is unable to fully implement all elements of GAAP and the OMB Circular A-136, due to limitations of its financial management processes and systems and nonfinancial systems and processes that feed into the financial statements. The NWCF derives its reported values and information for major asset and liability categories, largely from nonfinancial systems, such as inventory and logistic systems. These systems were designed to support reporting requirements for maintaining accountability over assets and reporting the status of Federal appropriations rather than preparing financial statements in accordance with GAAP. The NWCF continues to implement processes and system improvements addressing these limitations many of which are detailed below.

The NWCF currently has two material departures from GAAP. Auditor identified material weaknesses from the financial statements include: (1) valuation of inventory and operating materials and supplies and (2) fund balance with treasury.

**1.B. Mission of the Reporting Entity**

The Department of the Navy (DON) was created on April 30, 1798 by an act of Congress (I Stat.533; 5 U.S.C. 411-12). The overall mission of DON is to maintain, train, and equip combat-ready Navy and Marine Corps forces capable of winning wars, deterring aggression and maintaining freedom of the seas. The NWCF provides goods, services, and infrastructure to DON and other DoD customers to help ensure our military forces are mobile, ready, and have the most advanced technology.

The NWCF has prepared annual financial statements pursuant to the CFO Act of 1990, as amended, for the past seventeen years. The Act requires that financial statements be prepared and audited for each revolving fund and account that performed substantial commercial functions, such as those performed by the NWCF.

**1.C. Appropriations and Funds**

The NWCF receives its appropriations and funds as working capital (revolving) funds. The NWCF uses these appropriations and funds to execute their missions and report on resource usage.

Working capital funds (WCF) receive their initial funding through an appropriation or a transfer of resources from existing appropriations or funds and use those capital resources to finance the initial startup. The WCF entities provide goods and services on a reimbursable basis. Reimbursable receipts fund ongoing operations and generally are available in their entirety for use without further congressional action.

Some NWCF budgetary accounts are not transaction driven. In certain cases proprietary and statistical accounts are used to generate the budgetary accounts required to produce the Report on Budget Execution (SF 133) and Statement of Budgetary Resources. Therefore, amounts between the two will not necessarily align. This is an auditor identified material weakness that DON is working to correct.

#### **1.D. Basis of Accounting**

For FY 2007, the NWCF's financial management systems are unable to meet all of the requirements for full accrual accounting. Many of the NWCF's financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of GAAP for federal agencies. These systems were not designed to collect and record financial information on the full accrual accounting basis as required by GAAP.

The DoD has undertaken efforts to determine the actions required to bring its financial and nonfinancial feeder systems and processes into compliance with GAAP. One such action is the current revision of its accounting systems to record transactions based on the U.S. Standard General Ledger (USSGL). Until all of the NWCF's financial and nonfinancial feeder systems and processes are updated to collect and report financial information as required by GAAP, the NWCF's financial data will be based on transactions from nonfinancial feeder systems, and adjustments for known accruals of major items such as payroll expenses and accounts payable.

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

#### **1.E. Revenues and Other Financing Sources**

Depot Maintenance and Ordnance WCF activities recognize revenue according to the percentage of completion method for depot maintenance activities. Research and Development activities recognize revenue according to the percentage of completion method or as actual costs are incurred and billed. Supply Management WCF activities recognize revenue from the sale of inventory items. Revenue is recognized at the time service is rendered for Base Support WCF activities. The Transportation WCF activity, Military Sealift Command (MSC), recognizes revenue on either a reimbursable or per

diem basis. The preponderance of per diem projects are billed and collected in the month services are rendered. In the case of reimbursables, some per diems, and point-to-point voyages, the revenue is accrued in the month services are rendered and collection is made the following month.

The NWCF does not include nonmonetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost and the Statement of Financing. The U.S. has cost sharing agreements with other countries. Examples include countries where there is a mutual or reciprocal defense agreement, where U.S. troops are stationed, or where the U.S. fleet is in a port.

#### **1.F. Recognition of Expenses**

For financial reporting purposes, DoD policy requires the recognition of operating expenses in the period incurred. However, because the NWCF's financial and nonfinancial feeder systems were not designed to collect and record financial information on the full accrual accounting basis, accrual adjustments are made for major items such as payroll expenses, accounts payable, and unbilled revenue. The NWCF's expenditures for capital and other long-term assets are recognized as operating expenses based on depreciation. In the case of operating materials and supplies (OM&S), operating expenses are generally recognized when the items are purchased. Efforts are underway to migrate towards the consumption method for recognizing OM&S expenses.

#### **1.G. Accounting for Intragovernmental Activities**

The DON, as an agency of the Federal Government, interacts with and is dependent upon the financial activities of the Federal Government as a whole. Therefore, these financial statements do not necessarily reflect the results of all financial decisions that impact DON. For example, DON's share of public debt at the U.S. Treasury is not included in these statements.

Preparation of reliable financial statements requires the elimination of transactions occurring among entities within DoD or between two or more federal agencies. However, the NWCF cannot accurately match buyer and seller transactions by customer because the NWCF's systems do not track at the buyer/seller level of detail. Generally, seller entities within the DoD provide summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal DoD accounting offices. In most cases, where the numbers do not match, buyer-side records are adjusted to agree with DoD seller-side balances. IntraDoD intragovernmental balances are then eliminated. The volume of intragovernmental transactions is so large that after-the-fact reconciliation cannot be accomplished effectively with existing or foreseeable resources. The DoD is developing long-term system improvements that will ensure intragovernmental information is accurate and will include sufficient up-front edits and controls to eliminate the need for after-the-fact reconciliations.

The U.S. Treasury Financial Management Service (FMS) is responsible for eliminating transactions between the DoD and other federal agencies. The U.S. Treasury Financial Manual, Part 2 – Chapter 4700, “Agency Reporting Requirements for the Financial Report of the United States Government” and the U.S. Treasury's “Federal

Intragovernmental Transactions Accounting Policy Guide,” provide guidance for reporting and reconciling intragovernmental balances. While the NWCF is unable to fully reconcile intragovernmental transactions with all federal partners, the NWCF is able to reconcile balances pertaining to investments in federal securities, borrowings from the U.S. Treasury and the Federal Financing Bank, Federal Employees’ Compensation Act transactions with the Department of Labor (DOL), and benefit program transactions with the Office of Personnel Management (OPM). The DoD’s proportionate share of public debt and related expenses to the federal government are not included. The Federal Government does not apportion debt and its related costs to federal agencies. The DoD’s financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

Financing for the construction of DoD facilities is obtained through appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the U.S. Treasury does not allocate such interest costs to the benefiting agencies.

#### **1.H. Transactions with Foreign Governments and International Organizations**

Each year, the NWCF sells defense articles and services to foreign governments and international organizations under the provisions of the “Arms Export Control Act of 1976.” Under the provisions of the Act, DoD has authority to sell defense articles and services to foreign countries and international organizations generally at no profit or loss to the U.S. Government. Payment in U.S. dollars is required in advance. Beginning in FY 2007, the DoD reports in its basic financial statements the Foreign Military Sales Program DoD executed on behalf of the Executive Office of the President. This program was previously reported as “Other Accompanying Information.”

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

The NWCF’s monetary financial resources are maintained in U.S. Treasury accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), the Military Services, the U.S. Army Corps of Engineers (USACE) and the Department of State’s financial service centers process the majority of the NWCF’s cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports that provide information to the U.S. Treasury on check issues, electronic fund transfers, interagency transfers, and deposits.

In addition, these disbursing offices submit reports to the U.S. Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records this information to the applicable fund balance with treasury (FBWT) account. Differences between the NWCF’s recorded balance in the FBWT accounts and U.S. Treasury’s FBWT accounts sometimes result and are subsequently reconciled.

#### **1.J. Foreign Currency**

Not Applicable.

### **1.K. Accounts Receivable**

As presented in the Balance Sheet, accounts receivable includes three categories: accounts receivables, claims, and refunds receivable from other federal entities or from the public. Allowances for doubtful accounts due from the public are based upon analysis of collection experience by fund type. The NWCF does not recognize an allowance for estimated doubtful amounts from other federal agencies. Claims against other federal agencies are to be resolved between the agencies in accordance with dispute resolution procedures defined in the Intragovernmental Business Rules published in the Treasury Financial Manual at <http://www.fms.treas.gov/tfm/vol1/07-03.pdf>.

### **1.L. Direct Loans and Loan Guarantees**

Not Applicable.

### **1.M. Inventories and Related Property**

All of NWCF's inventories are currently reported at an approximation of historical cost using latest acquisition cost adjusted for holding gains and losses. The latest acquisition cost method is used because legacy inventory systems were designed for materiel management rather than accounting. Although these systems provide visibility and accountability over inventory items, they do not maintain historical cost data necessary to comply with the SFFAS No. 3, "Accounting for Inventory and Related Property." Additionally, these systems cannot produce financial transactions using the USSGL, as required by the Federal Financial Management Improvement Act of 1996 (P.L. 104-208). At the current time, NWCF does not report any inventory using the moving average cost method. However, by utilizing new system development processes, the NWCF will be transitioning to the moving average cost method with the implementation of the Navy Enterprise Resource Planning (ERP).

The NWCF manages only military or government specific materiel and not normal consumables. Materiel is a unique term that relates to military force management, and includes items such as weapons systems, spare parts and repair parts necessary to equip, operate, maintain, and support military activities without distinction as to its application for administrative or combat purposes. Items commonly used in and available from the commercial sector are not managed in the NWCF materiel management activities. Operational cycles are irregular and the military risks associated with stock-out positions have no commercial parallel. The NWCF holds materiel based on military need and support for contingencies. The DoD does not attempt to account separately for "inventory held for sale" and "inventory held in reserve for future sale" based on SFFAS No. 3 definitions.

Related property includes OM&S and stockpile materials. The OM&S, including munitions not held for sale, are valued at standard purchase price. The DoD uses both the consumption method and the purchase method of accounting for OM&S. Items that are centrally managed and stored, such as ammunition and engines, are generally recorded using the consumption method and are reported on the Balance Sheet as OM&S. When current systems cannot fully support the consumption method, NWCF uses the purchase method. Under this method, materiel and supplies are expensed when purchased. During FY 2007, NWCF expensed significant amounts using the purchase method because the systems could not support the consumption method or management deemed

that the item was in the hands of the end user. This is a DoD-wide material weakness and long-term system corrections are in process. Once the proper systems are in place, these items will be accounted for under the consumption method of accounting.

The NWCF determined that the recurring high dollar value of OM&S in need of repair is material to the financial statements and requires a separate reporting category. Many high dollar items, such as aircraft engines, are categorized as OM&S rather than military equipment.

The NWCF recognizes condemned materiel as “excess, obsolete or unserviceable.” The cost of disposal is greater than the potential scrap value; therefore, the net value of condemned material is zero. Potentially redistributed materiel, presented in previous years as “excess, obsolete, and unserviceable,” is included in the “held for use” or “held for repair” categories according to its condition.

Past audits identified uncertainties about completeness and existence of reported values of inventory. Inventory available and purchased for resale includes consumable spare and repair parts and repairable items owned and managed by the NWCF. This inventory is retained to support military or national contingencies. Inventory held for repair is damaged inventory that requires repair to make suitable for sale. Often, it is more economical to repair these inventory items than to procure these items. Because the NWCF often relies on weapon systems and machinery no longer in production, the NWCF supports a process that encourages the repair and rebuilding of certain items. This repair cycle is essential to maintaining a ready, mobile, and armed military force.

Work in process balances include costs related to the production or servicing of items, including direct material, direct labor, applied overhead and other direct costs. Work in process also includes the value of finished products or completed services pending the submission of bills to the customer. The work in process designation may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts including amounts withheld from payment to ensure performance, and amounts paid to other government plants for accrued costs of end items of materiel ordered but not delivered. Work in process includes munitions in production and depot maintenance work with its associated labor, applied overhead, and supplies used in the delivery of maintenance services.

**1.N. Investments**

Not Applicable.

**1.O. General Property, Plant and Equipment**

In FY 2006, the capitalization threshold was revised from \$100 thousand to \$20 thousand for real property. The DON has not implemented the \$20 thousand real property capitalization threshold yet pending an evaluation of real property systems, processes, and procedures that will have to be revised in order to implement the lowered threshold. The \$100 thousand capitalization threshold remains unchanged for the remaining General PP&E categories.

General PP&E assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years and the acquisition cost equals or exceeds the DoD capitalization threshold of \$100 thousand. The DoD also requires capitalization of improvement costs over the DoD capitalization threshold of \$100 thousand for General PP&E. The DoD depreciates all General PP&E, other than land, on a straight-line basis.

Prior to FY 1996, General PP&E was capitalized if it had an acquisition cost of \$15 thousand, \$25 thousand, and \$50 thousand for fiscal years 1993, 1994, and 1995, respectively, and an estimated useful life of two or more years. No adjustment was made for NWCF assets. These assets remain capitalized and reported on NWCF financial statements. For WCF activities, all General PP&E used in the performance of their mission is categorized as General PP&E, whether or not it meets the definition of any other General PP&E categories.

When it is in the best interest of the government, the NWCF provides government property to contractors to complete contract work. The NWCF either owns or leases such property, or it is purchased directly by the contractor for the government based on contract terms. When the value of contractor-procured General PP&E exceeds the DoD capitalization threshold, Federal accounting standards require that it be reported on the NWCF's Balance Sheet.

The DoD is developing new policies and a contractor reporting process for government furnished equipment that will provide appropriate General PP&E information for future financial statement reporting purposes. Accordingly, the NWCF reports only government property in the possession of contractors that is maintained in the NWCF's property systems. The DoD has issued new property accountability and reporting requirements that require NWCF Components to maintain, in their property systems, information on all property furnished to contractors. This action and other DoD proposed actions are structured to capture and report the information necessary for compliance with Federal accounting standards.

#### **1.P. Advances and Prepayments**

It is DoD policy to record payments in advance of the receipt of goods and services as advances or prepayments and report the advances as an asset on the Balance Sheet, and to recognize the expense and/or proper asset classification when it receives the related goods and services.

#### **1.Q. Leases**

Lease payments for the rental of equipment and operating facilities are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease), the NWCF records the applicable asset and liability if the value equals or exceeds the current capitalization threshold. The NWCF records the amounts as the lesser of the present value of the rental and other lease payments during the lease term (excluding portions representing executory costs paid to the lessor) or the asset's fair market value. The discount rate for the present value calculation is either the lessor's implicit interest rate or the government's

incremental borrowing rate at the inception of the lease. The NWCF as the lessee receives the use and possession of leased property, for example real estate or equipment, from a lessor in exchange for a payment of funds. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are charged to expense over the lease term as they become payable.

Office space and leases entered into by the NWCF in support of contingency operations are the largest component of operating leases. These costs were gathered from existing leases, General Service Administration (GSA) bills, and Interservice Support Agreements. Future year projections use the Consumer Price Index (CPI) rather than the DoD inflation factor. The CPI impacts increases to the leases, especially those at commercial lease sites. Equipment leases have a variety of lease terms which are not expected to be renewed upon expiration. Other operating leases are generally one-year leases. The NWCF is working to replace commercial leases with more economical GSA leases.

#### **1.R. Other Assets**

Other assets include those assets, such as military and civil service employee pay advances, travel advances and certain contract financing payments that are not reported elsewhere on the Department's Balance Sheet.

The NWCF conducts business with commercial contractors under two primary types of contracts: fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, the NWCF may provide financing payments. Contract financing payments are defined in the Federal Acquisition Regulations (FAR), Part 32, as authorized disbursements of monies to a contractor prior to acceptance of supplies or services by the Federal Government. Contract financing payments clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advance and interim payments, progress payments based on cost, and interim payments under certain cost-reimbursement contracts. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, or progress payments based on a percentage or stage of completion, which the Defense Federal Acquisitions Regulations Supplement authorizes only for construction of real property, shipbuilding, and ship conversion, alteration, or repair. Progress payments for real property are reported as construction in progress.

#### **1.S. Contingencies and Other Liabilities**

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The NWCF recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses. Examples of loss contingencies include the collectibility of receivables, pending, or threatened litigation, and possible claims and assessments. The NWCF's loss contingencies arise as a result of pending or threatened litigation or claims and assessments occur due to events such as aircraft, ship and vehicle accidents; medical malpractice, property or environmental damages; and contract disputes.

**1.T. Accrued Leave**

The NWCF reports as liabilities military leave and civilian earned leave, except sick leave, that has been accrued and not used as of the Balance Sheet date. Sick leave is expensed as taken. The liability reported at the end of the accounting period reflects the current pay rates.

**1.U. Net Position**

Net Position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amounts of authority that are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred. Cumulative results of operations represent the net difference, since inception of an activity, between expenses and losses and financing sources (including appropriations, revenue, and gains). Beginning with FY 1998, the cumulative results also include donations and transfer in and out of assets without reimbursement.

**1.V. Treaties for Use of Foreign Bases**

The DoD has the use of the land, buildings, and other overseas facilities that are obtained through various international treaties and agreements negotiated by the Department of State. The NWCF purchases capital assets overseas with appropriated funds; however, the host country retains title to land and improvements. Generally, treaty terms allow the NWCF continued use of these properties until the treaties expire. In the event treaties or other agreements are terminated, whereby use of the foreign bases is prohibited, losses are recorded for the value of any nonretrievable capital assets. This takes place after negotiations between the U.S. and the host country have determined the amount to be paid the U.S. for such capital investments.

**1.W. Comparative Data**

Not Applicable.

**1.X. Unexpended Obligations**

The NWCF obligates funds to provide goods and services for outstanding orders not yet delivered. The financial statements do not reflect this liability for payment for goods and services not yet delivered.

**1.Y. Undistributed Disbursements and Collection**

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to a specific obligation, payable, or receivable in the activity field records as opposed to those reported by the U.S. Treasury. These amounts should agree with the undistributed amounts reported on

the departmental accounting reports. In-transit payments are those payments that have been made by other agencies or entities that have not been recorded in NWCF's accounting records. These payments are applied to the NWCF's outstanding accounts payable balance. In-transit collections are those collections from other agencies or entities that have not been recorded in the NWCF's accounting records. These collections are also applied to the NWCF's accounts receivable balance.

The DoD policy is to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of distributed federal and nonfederal accounts payable and accounts receivable. Unsupported undistributed disbursements are recorded in accounts payable. Unsupported undistributed collections are recorded in other liabilities. The NWCF follows this procedure.

<b>Note 2.</b>	<b>Nonentity Assets</b>
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As of June 30	2007	2006
<b>1. Intragovernmental Assets</b>		
A. Fund Balance with Treasury	\$ 0.00	\$ 0.00
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 0.00	\$ 0.00
<b>2. Nonfederal Assets</b>		
A. Cash and Other Monetary Assets	\$ 0.00	\$ 0.00
B. Accounts Receivable	2,924,416.38	2,887,233.97
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 2,924,416.38	\$ 2,887,233.97
<b>3. Total Nonentity Assets</b>	\$ 2,924,416.38	\$ 2,887,233.97
<b>4. Total Entity Assets</b>	\$ 18,220,021,682.53	\$ 18,577,877,735.87
<b>5. Total Assets</b>	\$ 18,222,946,098.91	\$ 18,580,764,969.84

**Standard Disclosures**

Nonentity accounts are assets that are held by Navy Working Capital Fund (NWCF), but not available for use in the operations of NWCF. The Nonentity Accounts Receivable amount represents interest, penalties, fines and administrative fees. These fees do not belong to NWCF and will be distributed directly to the U.S. Treasury.

<b>Note 3.</b>	<b>Fund Balance with Treasury</b>
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As of June 30	2007	2006
<b>1. Fund Balances</b>		
A. Appropriated Funds	\$ 0.00	\$ 0.00
B. Revolving Funds	952,811,706.59	490,185,450.51
C. Trust Funds	0.00	0.00
D. Special Funds	0.00	0.00
E. Other Fund Types	0.00	0.00
F. Total Fund Balances	\$ 952,811,706.59	\$ 490,185,450.51
<b>2. Fund Balances Per Treasury Versus Agency</b>		
A. Fund Balance per Treasury	\$ 952,811,706.59	\$ 490,185,450.51
B. Fund Balance per NWCF	952,811,706.59	490,185,450.51
<b>3. Reconciling Amount</b>	\$ 0.00	\$ 0.00

**Other Disclosures**

As a part of the Department of the Navy's (DON) Financial Management Strategic Plan, the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OUSD(C)) conducted a review of Navy Working Capital Fund (NWCF) cash management practices. The review identified NWCF cash management challenges and inconsistencies throughout NWCF for reconciling cash.

One of the primary outcomes of this review was insight into how to level the NWCF cash balance throughout the fiscal year to eliminate extreme spikes in the cash balance. Short and long-term tasks were identified to improve the timeliness of cash reporting. An evaluation of the risk of maintaining separate cash balances at the NWCF activity level vice a consolidated cash balance at the overall NWCF level determined that a consolidated balance avoids increases to the total cash requirement. This finding supports implementation of the Department of Defense (DoD) Management Initiative Decision 903.

The focus during FY 2007 is to complete the initial deployment of cash forecasting and cash reconciliation processes across NWCF activities. Furthermore, cash will be baselined via the write-off of historical unsupported undistributed values, and via the rebalancing of activity cash levels. Preliminary identification of cash related competencies will be made, and initial training will be developed for the workforce.

<b>Status of Fund Balance with Treasury</b>
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As of June 30	2007	2006
<b>1. Unobligated Balance</b>		
A. Available	\$ 10,546,076,961.54	\$ 8,527,838,016.91
B. Unavailable	114,717,404.50	192,321,440.62
<b>2. Obligated Balance not yet Disbursed</b>	\$ 8,510,442,880.71	\$ 12,283,100,575.88
<b>3. Nonbudgetary FBWT</b>	\$ 0.00	\$ 0.00
<b>4. NonFBWT Budgetary Accounts</b>	\$ (18,218,425,540.16)	\$ (20,512,975,057.63)
<b>5. Total</b>	<b>\$ 952,811,706.59</b>	<b>\$ 490,284,975.78</b>

**Standard Disclosures**

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

Unobligated Balance represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Unobligated Balance is classified as available or unavailable and is associated with appropriations expiring at fiscal year end that remain available only for obligation adjustments until the account is closed.

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

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

NonFBWT Budgetary Accounts include budgetary accounts that do not affect FBWT. This amount is comprised of contract authority, accounts receivable, and unfilled orders without advance from customers for the NWCF. This category reduces the Status of FBWT.

All unobligated unavailable balances are restricted to future use and are not apportioned for current use. The unavailable balances are restricted due to the accrual of the debt that is attributable to Transportation, Military Sealift Command.

The NWCF does not report a difference between Status of Fund Balance with Treasury and Total Fund Balance with Treasury at the overall NWCF level. However, there are differences internal to the NWCF at the major command levels, as is evidenced in the stand alone financial statements of the NWCF - Marine Corps. These differences are a result of various system issues and NWCF's internal weakness of creating budgetary accounts from the proprietary accounts. The NWCF and Defense Finance and Accounting Service are researching these internal command level differences and plan to resolve them during FY 2007.

**Disclosures Related to Suspense/Budget Clearing Accounts**

As of June 30	2005	2006	2007	(Decrease)/ Increase from FY 2006 - 2007
<b>Account</b>				
F3845 – Personal Property Proceeds	\$ 0.00	\$ 0.00	\$ 0.00	0.00
F3875 – Disbursing Officer Suspense	0.00	0.00	0.00	0.00
F3880 – Lost or Cancelled Treasury Checks	0.00	0.00	0.00	0.00
F3882 – Uniformed Services Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
F3885 – Interfund/IPAC Suspense	0.00	0.00	0.00	0.00
F3886 – Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>0.00</b>

Per the OUSD(C) direction, the NWCF Suspense/Budget Clearing Accounts are being reported under Department of the Navy General Funds, Index 17.

<b>Disclosures Related to Problem Disbursements</b>
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As of June 30	2005	2006	2007	(Decrease)/ Increase from FY 2006 to 2007
<b>1. Total Problem Disbursements, Absolute Value</b>				
A. Unmatched Disbursements (UMDs)	\$ 726,294,808.88	\$ 112,860,456.20	\$ 80,905,575.55	(31,954,880.65)
B. Negative Unliquidated Obligations (NULO)	825,548.62	260,537.61	696,517.63	435,980.02
C. In-Transit Disbursements	39,986,422.64	730,408,911.90	556,696,811.95	(173,712,099.95)
<b>Total</b>	<b>\$ 767,106,780.14</b>	<b>\$ 843,529,905.71</b>	<b>\$ 638,298,905.13</b>	<b>(205,231,000.58)</b>

**Standard Disclosures**

An Unmatched Disbursement (UMD) occurs when a payment is not matched to a corresponding obligation in the accounting system. Absolute value is the sum of the positive values of debit and credit transactions without regard to the sign (plus or minus).

A Negative Unliquidated Obligation (NULO) occurs when a payment is made against a valid obligation, but the payment is greater than the amount of the obligation recorded in the official accounting system. These payments have been made using available funds and are based on valid receiving reports for goods and services delivered under valid contracts.

The In-transits represent the net value of disbursements and collections made by a DoD disbursing activity on behalf of an accountable activity and have not yet been posted to the accounting system.

A portion of the amounts reported on the metric furnished by DFAS Arlington is not supported by NWCF accounting systems. These discrepancies exist within DFAS Columbus reports. In the current period, discrepancies in In-transit Disbursements amount to \$1.1 million.

Starting 2nd Quarter, FY 2007, in-transit disbursements have been reported as absolute value as opposed to net amounts disclosed in prior years. This reporting change applies to amounts in the note schedule for both the current and comparative years.

<b>Note 4.</b>	<b>Investments and Related Interest</b>
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As of June 30	2007				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
<b>1. Intragovernmental Securities</b>					
A. Nonmarketable, Market-Based					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	0.00		0.00	0.00	0.00
4. Other Funds	0.00		0.00	0.00	0.00
5. Total Nonmarketable, Market-Based	0.00		0.00	0.00	0.00
B. Accrued Interest	0.00			0.00	0.00
C. Total Intragovernmental Securities	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
<b>2. Other Investments</b>					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A
<b>3. Intragovernmental Securities</b>					
A. Nonmarketable, Market-Based					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	0.00		0.00	0.00	0.00
4. Other Funds	0.00		0.00	0.00	0.00
5. Total Nonmarketable, Market-Based	0.00		0.00	0.00	0.00
B. Accrued Interest	0.00			0.00	0.00
C. Total Intragovernmental Securities	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
<b>4. Other Investments</b>					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A

Not Applicable

<b>Note 5.</b>	<b>Accounts Receivable</b>
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As of June 30	2007			2006
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
<b>1. Intragovernmental Receivables</b>	\$ 351,849,538.28	N/A	\$ 351,849,538.28	\$ 186,717,905.28
<b>2. Nonfederal Receivables (From the Public)</b>	\$ 76,355,843.69	\$ (29,357.11)	\$ 76,326,486.58	\$ 65,030,677.56
<b>3. Total Accounts Receivable</b>	\$ 428,205,381.97	\$ (29,357.11)	\$ 428,176,024.86	\$ 251,748,582.84

## Aged Accounts Receivable

As of June 30	2007		4th Quarter 2006	
	Intragovernmental	Nonfederal	Intragovernmental	Nonfederal
CATEGORY				
<b>Nondelinquent</b>				
Current	\$ 519,123,654.87	\$ 35,884,311.09	\$ 699,169,758.09	\$ 40,406,575.25
Noncurrent	0.00	6,118,633.25	0.00	0.00
<b>Delinquent</b>				
1 to 30 days	\$ 2,762,512.06	\$ 2,832,961.26	\$ 2,764,983.94	\$ 2,419,102.39
31 to 60 days	511,039.11	3,218,606.77	1,220,270.97	3,792,197.68
61 to 90 days	2,335,522.80	1,799,388.48	3,094,999.42	953,105.12
91 to 180 days	1,690,148.85	6,816,935.46	2,118,462.56	2,134,844.70
181 days to 1 year	1,778,749.49	4,220,722.96	470,233.48	2,030,877.37
Greater than 1 year and less than or equal to 2 years	495,844.83	2,054,039.14	698,849.43	3,262,108.05
Greater than 2 years and less than or equal to 6 years	22,763.65	3,600,708.68	2,503.25	2,409,803.62
Greater than 6 years and less than or equal to 10 years	0.00	1,548,098.10	0.00	1,844,952.89
Greater than 10 years	0.00	4,698,241.05	0.00	4,597,167.93
<b>Subtotal</b>	<b>\$ 528,720,235.66</b>	<b>\$ 72,792,646.24</b>	<b>\$ 709,540,061.14</b>	<b>\$ 63,850,735.00</b>
Less Supported Undistributed Collections	(191,947,969.33)	2,027,952.80	(148,182,152.92)	(8,724,020.61)
Less Eliminations	13,159,815.26	0.00	(106,135,868.79)	0.00
Less Other	1,917,456.69	1,535,244.65	(10,970,998.96)	14,255,551.47
<b>Total</b>	<b>\$ 351,849,538.28</b>	<b>\$ 76,355,843.69</b>	<b>\$ 444,251,040.47</b>	<b>\$ 69,382,265.86</b>

### Standard Disclosures

The nondelinquent noncurrent nonfederal accounts receivable represents the remaining balance of the Guam Water Authority (GWA) debt to Base Support, Navy. The Department of the Navy (DON) filed a civil suit against the Government of Guam and GWA for failure to pay for water from January 1995 to October 1999. The court ordered final settlement allowed the Government of Guam and GWA to pay the debt of \$9 million plus interest by making 105 monthly payments beginning October 1, 2003. Base Support, Navy has received the scheduled monthly payments to date and the account is current.

The DON is taking various collection actions to eliminate intragovernmental and nonfederal receivable older than 30 days. The NWCF and Defense Finance and Accounting Service (DFAS) are working together to ensure timely collection/resolution of delinquent receivables, as well as timely submission of receivables to debt collection in accordance with guidance. The NWCF Commands are also actively contacting agencies by phone, email or one-on-one visits to resolve disputed accounts receivable. The DFAS is setting up a Government Receivables Debt Collection Office to act as a liaison between government agencies, ensuring timely collection of government receivables.

In the aging schedule above, the other consists of required adjustments to reconcile account totals with the Seller Elimination Report. The NWCF is working with DFAS as part of the DON's Financial Improvement Program to correct this issue.

<b>Note 6.</b>	<b>Other Assets</b>
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As of June 30	2007	2006
<b>1. Intragovernmental Other Assets</b>		
A. Advances and Prepayments	\$ 1,780,989.24	\$ 5,298,952.26
B. Other Assets	0.00	0.00
C. Total Intragovernmental Other Assets	\$ 1,780,989.24	\$ 5,298,952.26
<b>2. Nonfederal Other Assets</b>		
A. Outstanding Contract Financing Payments	\$ 27,481,547.28	\$ 0.00
B. Other Assets (With the Public)	321,062,043.52	431,949,104.26
C. Total Nonfederal Other Assets	\$ 348,543,590.80	\$ 431,949,104.26
<b>3. Total Other Assets</b>	\$ 350,324,580.04	\$ 437,248,056.52

**Standard Disclosures**

Other Assets (With the Public) consists of outstanding debt principal, prepayments made to vendors, and travel advances.

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

The Contract Financing Payment balance of \$27.5 million is entirely comprised of estimated future funded payments that will be paid to the contractor upon future delivery and Federal Government acceptance of a satisfactory product. (See additional discussion in Note 16, Commitments and Contingencies).

**Other Disclosures**

The outstanding debt principal amount in Other Assets (With the Public) is reported in order to reconcile with the amount incorrectly reported by the Federal Financing Bank (FFB). As required by the Office of Under Secretary of Defense (Comptroller) memorandum of January 22, 1999, Transportation, Military Sealift Command is correctly recording payments to FFB as operating expense. The misclassification by FFB has generated this long-standing reporting problem. See additional discussion in Note 13, Debt.

<b>Note 7.</b>	<b>Cash and Other Monetary Assets</b>
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As of June 30	2007	2006
<b>1. Cash</b>	\$ 0.00	\$ 0.00
<b>2. Foreign Currency</b>	0.00	0.00
<b>3. Other Monetary Assets</b>	0.00	0.00
<b>4. Total Cash, Foreign Currency, &amp; Other Monetary Assets</b>	\$ 0.00	\$ 0.00

Not Applicable

<b>Note 8.</b>	<b>Direct Loan and/or Loan Guarantee Programs</b>
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As of June 30

**Direct Loan and/or Loan Guarantee Programs**

Not Applicable

<b>Summary of Direct Loans and Loan Guarantees</b>
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As of June 30	2007	2006
<b>Loans Receivable</b>		
<u>Direct Loans</u>		
1. Foreign Military Loan Liquidating Account	\$ 0.00	\$ 0.00
2. Military Housing Privatization Initiative	0.00	0.00
3. Foreign Military Financing Account	0.00	0.00
4. Military Debt Reduction Financing Account	0.00	0.00
<u>Defaulted Loan Guarantees</u>		
5. A. Foreign Military Financing Account	0.00	0.00
B. Military Housing Privatization Initiative	0.00	0.00
C. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
<b>6. Total Loans Receivable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

As of June 30	2007	2006
<b>Loan Guarantee Liability</b>		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
2. Military Housing Privatization Initiative	0.00	0.00
3. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
<b>4. Total Loan Guarantee Liability</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

<b>Direct Loans Obligated</b>
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As of June 30	2007	2006
<b>Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):</b>		
<b>1. Foreign Military Loan Liquidating Account</b>		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Loan Losses	0.00	0.00
E. Value of Assets Related to Direct Loans, Net	\$ 0.00	\$ 0.00
<b>Direct Loans Obligated After FY 1991 (Present Value Method):</b>		
<b>2. Military Housing Privatization Initiative</b>		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans	\$ 0.00	\$ 0.00
<b>3. Foreign Military Financing Account</b>		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans	\$ 0.00	\$ 0.00
<b>4. Military Debt Reduction Financing Account</b>		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans, Net	\$ 0.00	\$ 0.00
<b>5. Total Direct Loans Receivable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

<b>Total Amount of Direct Loans Disbursed</b>
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As of June 30	2007	2006
<b>Direct Loan Programs</b>		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Foreign Military Financing Account	0.00	0.00
3. Military Debt Reduction Financing Account	0.00	0.00
<b>4. Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

## Subsidy Expense for Post FY 1991 Direct Loan

As of June 30

2007	Interest Differential	Defaults	Fees	Other	Total
<b>1. New Direct Loans Disbursed:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
2006	Interest Differential	Defaults	Fees	Other	Total
<b>2. New Direct Loans Disbursed:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
2007	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>3. Direct Loan Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>4. Direct Loan Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
		2007	2006		
<b>5. Total Direct Loan Subsidy Expense:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00			
Foreign Military Financing Account	0.00		0.00		
Military Debt Reduction Financing Account	0.00		0.00		
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>			

## Subsidy Rate for Direct Loans by Program

As of June 30	Interest Differential	Defaults	Fees and other Collections	Other	Total
<b>Budget Subsidy Rates for Direct Loans:</b>					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Foreign Military Financing Account	0.00%	0.00%	0.00%	0.00%	0.00%
3. Military Debt Reduction Financing Account	0.00%	0.00%	0.00%	0.00%	0.00%

## Schedule for Reconciling Subsidy Cost Allowance Balances for Post FY1991 Direct Loans

As of June 30	2007		2006	
<b>Beginning Balances, Changes and Ending Balance:</b>				
<b>1. Beginning Balance of the Subsidy Cost Allowance</b>	\$	0.00	\$	0.00
<b>2. Add: Subsidy Expense for Direct Loans Disbursed during the Reporting Years by Component</b>				
A. Interest Rate Differential Costs	\$	0.00	\$	0.00
B. Default Costs (Net of Recoveries)		0.00		0.00
C. Fees and Other Collections		0.00		0.00
D. Other Subsidy Costs		0.00		0.00
<b>E. Total of the above Subsidy Expense Components</b>	\$	0.00	\$	0.00
<b>3. Adjustments</b>				
A. Loan Modifications	\$	0.00	\$	0.00
B. Fees Received		0.00		0.00
C. Foreclosed Property Acquired		0.00		0.00
D. Loans Written Off		0.00		0.00
E. Subsidy Allowance Amortization		0.00		0.00
F. Other		0.00		0.00
<b>G. Total of the above Adjustment Components</b>	\$	0.00	\$	0.00
<b>4. Ending Balance of the Subsidy Cost Allowance before Re-estimates</b>	\$	0.00	\$	0.00
<b>5. Add or Subtract Subsidy Re-estimates by Component</b>				
A. Interest Rate Re-estimate	\$	0.00	\$	0.00
B. Technical/Default Reestimate		0.00		0.00
<b>C. Total of the above Reestimate Components</b>	\$	0.00	\$	0.00
<b>6. Ending Balance of the Subsidy Cost Allowance</b>	\$	0.00	\$	0.00

<b>Defaulted Guaranteed Loans</b>
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As of June 30

	2007	2006
<b>Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees (Allowance for Loss Method):</b>		
<b>1. Foreign Military Liquidating Account</b>		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Loan Losses	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
<b>Defaulted Guaranteed Loans from Post-FY 1991 Guarantees (Present Value Method):</b>		
<b>2. Military Housing Privatization Initiative</b>		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
<b>3. Armament Retooling &amp; Manufacturing Support Initiative</b>		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
<b>4. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable</b>		
	\$ 0.00	\$ 0.00

<b>Guaranteed Loans Outstanding</b>
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As of June 30	Outstanding Principal of Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed	
<b>Guaranteed Loans Outstanding</b>				
1. Military Housing Privatization Initiative	\$	0.00	\$	0.00
2. Armament Retooling & Manufacturing Support Initiative		0.00		0.00
3. Foreign Military Liquidating Account		0.00		0.00
<b>4. Total</b>	<b>\$</b>	<b>0.00</b>	<b>\$</b>	<b>0.00</b>
<b>2007</b>				
<b>New Guaranteed Loans Disbursed</b>				
1. Military Housing Privatization Initiative	\$	0.00	\$	0.00
2. Armament Retooling & Manufacturing Support Initiative		0.00		0.00
3. Foreign Military Liquidating Account		0.00		0.00
<b>4. Total</b>	<b>\$</b>	<b>0.00</b>	<b>\$</b>	<b>0.00</b>
<b>2006</b>				
<b>New Guaranteed Loans Disbursed</b>				
1. Military Housing Privatization Initiative	\$	0.00	\$	0.00
2. Armament Retooling & Manufacturing Support Initiative		0.00		0.00
3. Foreign Military Liquidating Account		0.00		0.00
<b>4. Total</b>	<b>\$</b>	<b>0.00</b>	<b>\$</b>	<b>0.00</b>

<b>Liabilities for Post FY 1991 Loan Guarantees, Present Value</b>
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As of June 30	2007	2006
<b>Liabilities for Loan Guarantee Programs from Pre-FY 1992 (Allowance for Loss):</b>		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
<b>2. Total Loan Guarantee Liability (Pre-FY 1992)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Liabilities for Loan Guarantee Programs Post-FY 1991 (Present Value):</b>		
3. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
4. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
<b>5. Total Loan Guarantee Liability (Post-FY 1991)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>6. Total Loan Guarantee Liability</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

## Subsidy Expense for Loan Guarantees by Program

As of June 30

2007	Interest Differential	Defaults	Fees	Other	Total
<b>1. New Loan Guarantees Disbursed:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2006	Interest Differential	Defaults	Fees	Other	Total
<b>2. New Loan Guarantees Disbursed:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>3. Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>4. Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	2006				
<b>5. Total Loan Guarantee:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00			
Armament Retooling & Manufacturing Support Initiative	0.00	0.00			
<b>Total</b>	\$ 0.00	\$ 0.00			

## Subsidy Rates for Loan Guarantees by Program

As of June 30	Interest Supplements	Defaults	Fees and other Collections	Other	Total
<b>Budget Subsidy Rates for Loan Guarantees:</b>					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Armament Retooling & Manufacturing Support Initiative	0.00%	0.00%	0.00%	0.00%	0.00%

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

As of June 30	2007		2006	
<b>Beginning Balance, Changes, and Ending Balance:</b>				
<b>1. Beginning Balance of the Loan Guarantee Liability</b>	\$	0.00	\$	0.00
<b>2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component</b>				
A. Interest Supplement Costs	\$	0.00	\$	0.00
B. Default Costs (Net of Recoveries)		0.00		0.00
C. Fees and Other Collections		0.00		0.00
D. Other Subsidy Costs		0.00		0.00
<b>E. Total of the above Subsidy Expense Components</b>	\$	0.00	\$	0.00
<b>3. Adjustments</b>				
A. Loan Guarantee Modifications	\$	0.00	\$	0.00
B. Fees Received		0.00		0.00
C. Interest Supplements Paid		0.00		0.00
D. Foreclosed Property and Loans Acquired		0.00		0.00
E. Claim Payments to Lenders		0.00		0.00
F. Interest Accumulation on the Liability Balance		0.00		0.00
G. Other		0.00		0.00
<b>H. Total of the above Adjustments</b>	\$	0.00	\$	0.00
<b>4. Ending Balance of the Loan Guarantee Liability before Reestimates</b>	\$	0.00	\$	0.00
<b>5. Add or Subtract Subsidy Reestimates by Component</b>				
A. Interest Rate Reestimate		0.00		0.00
B. Technical/default Reestimate		0.00		0.00
<b>C. Total of the above Reestimate Components</b>	\$	0.00	\$	0.00
<b>6. Ending Balance of the Loan Guarantee Liability</b>	\$	0.00	\$	0.00

**Administrative Expenses**

<b>Note 9.</b>	<b>Inventory and Related Property</b>
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As of June 30	2007	2006
1. Inventory, Net	\$ 12,380,971,140.43	\$ 13,097,936,764.51
2. Operating Materials & Supplies, Net	443,044,442.39	591,597,165.02
3. Stockpile Materials, Net	0.00	0.00
<b>4. Total</b>	<b>\$ 12,824,015,582.82</b>	<b>\$ 13,689,533,929.53</b>

## Inventory, Net

As of June 30	2007			2006	Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
<b>1. Inventory Categories</b>					
A. Available and Purchased for Resale	\$ 22,260,516,419.64	\$ (18,234,165,578.51)	4,026,350,841.13	\$ 824,905,815.37	LAC,MAC
B. Held for Repair	10,987,617,146.09	(3,023,176,495.17)	7,964,440,650.92	11,887,825,055.27	LAC,MAC
C. Excess, Obsolete, and Unserviceable	1,052,167,749.73	(1,052,167,749.73)	0.00	0.00	NRV
D. Raw Materials	0.00	0.00	0.00	0.00	MAC,SP,LAC
E. Work in Process	390,179,648.38	0.00	390,179,648.38	385,205,893.87	AC
<b>F. Total</b>	<b>\$ 34,690,480,963.84</b>	<b>\$ (22,309,509,823.41)</b>	<b>12,380,971,140.43</b>	<b>\$ 13,097,936,764.51</b>	

### Legend for Valuation Methods:

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

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

### Standard Disclosures

There are no restrictions on the use, sale, or disposition of inventory except in the following situations:

- 1) Distributions without reimbursement are made when authorized by Department of Defense (DoD) directives;
- 2) War reserve material includes petroleum products and subsistence items that are considered restricted; and
- 3) Inventory, with the exception of safety stocks, may be sold to foreign, state, and local governments; private parties; and contractors in accordance with current policies and guidance or at the direction of the President.

There are no known restrictions on disposition of inventory as related to environmental or other liabilities.

Inventory available and purchased for resale includes consumable spare and repair parts as well as repairable items owned and managed by the Navy Working Capital Fund (NWCF) and includes all material available for customer purchase. Inventory held for repair consists of damaged material that requires repair to make it usable and includes all economically repairable material. Excess inventory includes scrap materials or items that cannot be economically repaired and are awaiting disposal. Work in process includes costs related to the production or servicing of items, including direct material, direct labor, applied overhead, and other direct costs. Work in process also includes the value of finished products or completed services pending the submission of bills to the customer.

Federal Accounting Standards require disclosure of the amount of inventory held for "future sale." The NWCF currently has no inventory held for future sale reported for 3rd Quarter, FY 2007 in Inventory Held for Sale, Net. All inventory is currently planned for sale next fiscal year.

Inventory is assigned to categories based on guidance in the DoD Financial Management Regulation, Volume 11B, Chapter 55.

#### **Other Disclosures**

The general ledger values in the accounting system do not reconcile with the supporting detail record in Supply Management, Navy's (NAVSUP) logistics system. NAVSUP has determined that program changes must be made to the Material Financial Control System to correct systemic posting problems, which contribute to a reconciling difference between the systems. Once the adjustments posting logic system change requests and required journal vouchers are approved, funded, and developed, the final adjustments will be made to inventory and financial systems to align data. Adjustments are planned to occur in FY 2007.

The NAVSUP inventory is currently being reported at an approximation of historical cost using the latest acquisition cost adjusted for holding gains and losses. The latest acquisition cost method is used because legacy inventory systems were designed to capture material management information rather than accounting data. Although these systems provide visibility and accountability over inventory items, they do not maintain historical cost data necessary to comply with the Statement of Federal Financial Accounting Systems (SFFAS) No. 3, "Accounting for Inventory and Related Property." Since the implementation of the Office of Under Secretary of Defense, Comptroller (OUSD(C)) Cost Of Goods Sold Model, prior year values in equity, inventory, and inventory allowance accounts have been impacted and remain noncompliant with SFFAS No. 3 and generally accepted accounting practices. The Navy Enterprise Resource Planning will value inventory at moving average cost and will be compliant with necessary guidance.

<b>Operating Materials and Supplies, Net</b>
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As of June 30	2007			2006		Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net		
<b>1. OM&amp;S Categories</b>						
A. Held for Use	\$ 443,044,442.39	\$ 0.00	\$ 443,044,442.39	\$ 591,597,165.02		SP, LAC, MAC
B. Held for Repair	0.00	0.00	0.00	0.00		SP, LAC, MAC
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00		NRV
<b>D. Total</b>	<b>\$ 443,044,442.39</b>	<b>\$ 0.00</b>	<b>\$ 443,044,442.39</b>	<b>\$ 591,597,165.02</b>		

**Legend for Valuation Methods:**

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses

SP = Standard Price

AC = Actual Cost

NRV = Net Realizable Value

O = Other

MAC = Moving Average Cost

**Standard Disclosures**

Operating Materials and Supplies (OM&S) held for use consists of property that is consumed during normal operations and includes consumable spare and repair parts for use on customer work by various activities.

Federal Accounting Standards require disclosure of the amount of OM&S held for "future use." The NWCF reports that \$12.6 million of OM&S is held for future use and is included in the "held for use" category.

There are no restrictions with regard to the use, sale, or disposition of OM&S applicable to NWCF activities.

In order to standardize reporting of the categories held for use, held for repair, and excess, obsolete, unserviceable, the Department of the Navy implemented the OUSD(C) condition code crosswalk as defined in the memorandum, "Accounting for Excess, Unserviceable, and Obsolete Inventory and Operating Materials and Supplies," of August 12, 2002. In addition, the condition code crosswalk was amended to include code "V" in the excess, obsolete, unserviceable category in September 2002.

## Stockpile Materials, Net

As of June 30	2007			2006		Valuation Method
	Stockpile Materials Amount	Allowance for Gains (Losses)	Stockpile Materials, Net	Stockpile Materials, Net		
<b>1. Stockpile Materials Categories</b>						
A. Held for Sale	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00	AC, LCM
B. Held in Reserve for Future Sale	0.00	0.00	0.00	0.00	0.00	AC, LCM
C. Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00	

**Legend for Valuation Methods:**

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

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

Not Applicable

**Note 10. General PP&E, Net**

As of June 30	2007					2006
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
<b>1. Major Asset Classes</b>						
A. Land	N/A	N/A	\$ 42,987,819.74	N/A	\$ 42,987,819.74	\$ 45,822,108.76
B. Buildings, Structures, and Facilities	S/L	20 Or 40	6,156,613,161.17	\$ (4,141,362,494.26)	2,015,250,666.91	2,023,270,853.47
C. Leasehold Improvements	S/L	lease term	302,302.82	(246,880.62)	55,422.20	85,652.48
D. Software	S/L	2-5 Or 10	481,374,290.18	(320,338,283.53)	161,036,006.65	202,460,382.25
E. General Equipment	S/L	5 or 10	3,345,261,823.79	(2,604,721,150.79)	740,540,673.00	726,198,736.09
F. Military Equipment	S/L	Various	0.00	0.00	0.00	0.00
G. Assets Under Capital Lease	S/L	lease term	0.00	0.00	0.00	0.00
H. Construction-in- Progress	N/A	N/A	703,731,924.70	N/A	703,731,924.70	706,022,293.39
I. Other			4,015,691.40	0.00	4,015,691.40	8,188,924.00
J. Total General PP&E			<u>\$ 10,734,287,013.80</u>	<u>\$ (7,066,668,809.20)</u>	<u>\$ 3,667,618,204.60</u>	<u>\$ 3,712,048,950.44</u>

<sup>1</sup> Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

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

**Standard Disclosures**

There are no known restrictions on the use or convertibility of General Plant, Property and Equipment (PP&E), nor are there any adjustments resulting from changes in the accounting standards.

Military equipment is reported on the financial statements of the Department of the Navy (DON) General Fund.

General PP&E, Other consists of assets awaiting disposal.

Heritage assets and stewardship land are reported on the financial statements of the DON General Fund.

<b>Assets Under Capital Lease</b>
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As of June 30	2007	2006
<b>1. Entity as Lessee, Assets Under Capital Lease</b>		
A. Land and Buildings	\$ 0.00	\$ 0.00
B. Equipment	0.00	0.00
C. Accumulated Amortization	0.00	0.00
D. Total Capital Leases	\$ 0.00	\$ 0.00

**Standard Disclosures**

Navy Working Capital Fund has no assets under capital lease.

<b>Note 11.</b>	<b>Liabilities Not Covered by Budgetary Resources</b>
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As of June 30	2007	2006
<b>1. Intragovernmental Liabilities</b>		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	0.00	0.00
C. Other	2,924,764.64	2,887,233.97
<b>D. Total Intragovernmental Liabilities</b>	<b>\$ 2,924,764.64</b>	<b>\$ 2,887,233.97</b>
<b>2. Nonfederal Liabilities</b>		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement and Other Federal Employment Benefits	1,185,039,105.63	1,192,551,548.64
C. Environmental Liabilities	0.00	0.00
D. Other Liabilities	0.00	0.00
<b>E. Total Nonfederal Liabilities</b>	<b>\$ 1,185,039,105.63</b>	<b>\$ 1,192,551,548.64</b>
<b>3. Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 1,187,963,870.27</b>	<b>\$ 1,195,438,782.61</b>
<b>4. Total Liabilities Covered by Budgetary Resources</b>	<b>\$ 5,091,680,091.37</b>	<b>\$ 5,552,687,738.80</b>
<b>5. Total Liabilities</b>	<b>\$ 6,279,643,961.64</b>	<b>\$ 6,748,126,521.41</b>

**Standard Disclosures**

Other Intragovernmental Liabilities consists of interest, penalties, fines and administrative fees. These fees do not belong to Navy Working Capital Fund (NWCF), but are assessed to contracts and legal documents that cite NWCF lines of accounting. These fees will be distributed directly to the U.S. Treasury.

Military Retirement and Other Federal Employment Benefits not covered by budgetary resources is comprised of various employee actuarial liabilities. Refer to Note 17, Military Retirement and Other Federal Employment Benefits, for additional details and disclosures.

<b>Note 12.</b>	<b>Accounts Payable</b>
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As of June 30	2007			2006
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 176,232,908.38	\$ N/A	\$ 176,232,908.38	\$ 210,650,489.72
2. Nonfederal Payables (to the Public)	1,510,079,026.35	0.00	1,510,079,026.35	1,648,060,610.71
<b>3. Total</b>	<b>\$ 1,686,311,934.73</b>	<b>\$ 0.00</b>	<b>\$ 1,686,311,934.73</b>	<b>\$ 1,858,711,100.43</b>

<b>Note 13.</b>	<b>Debt</b>
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As of June 30	2007			2006	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
<b>1. Agency Debt (Intragovernmental)</b>					
A. Debt to the Treasury	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Debt to the Federal Financing Bank	173,224,071.82	(25,689,418.70)	147,534,653.12	(115,524,674.03)	265,993,716.00
C. Total Agency Debt	\$ 173,224,071.82	\$ (25,689,418.70)	\$ 147,534,653.12	\$ (115,524,674.03)	\$ 265,993,716.00
<b>2. Total Debt</b>	<b>\$ 173,224,071.82</b>	<b>\$ (25,689,418.70)</b>	<b>\$ 147,534,653.12</b>	<b>\$ (115,524,674.03)</b>	<b>\$ 265,993,716.00</b>

**Standard Disclosures**

The Afloat Positioning Force program, with congressional approval, provides ships for time charter to meet requirements not available in the marketplace. These ships are built or converted by private interim vessel owners using private, nongovernment financing obtained from various banking institutions. There were no payments made by the government during the building/conversion phase. Afloat Positioning Force program time charters are for five years with four option renewal periods of five years each, for a total of 25 years. At the end of the contract, each ship returns to the vessel's owner.

The Federal Financing Bank (FFB) is one of the institutions that provided loans to the vessel owners. The FFB reports that Transportation, Military Sealift Command (MSC) has a debt in the amount of \$147.5 million, which represents an outstanding principal balance of \$142.8 million and accrued interest payable of \$4.7 million. The MSC does not owe this debt to FFB. This debt is a public debt owed by the private vessel owners. In order to simplify the payments to FFB and to meet its requirements, FFB cross disburses the semi-annual principal and interest payments directly from the Navy Working Capital Fund (NWCF). This is done instead of having MSC make capital hire payments to the vessel owners, who would in turn make loan obligation payments to FFB. It is not uncommon for the Federal Government to make payments directly to the bank (FFB) and mirrors other time charters where payment is assigned directly to a bank. However, when establishing the loan, FFB coded the loan as a government debt instead of a public debt.

As required by the Office of Under Secretary of Defense (Comptroller) memorandum of January 22, 1999, MSC is correctly recording these payments as an operating expense. The outstanding debt principal amount is reported on NWCF Balance Sheet as an other asset in order to reconcile with the amount incorrectly reported by FFB. The misclassification by FFB has generated this long-standing reporting problem. See Note 6 for additional disclosures.

As required by the Department of Defense Appropriations Act passed in December 1985, ten percent of the fifth year termination value of the vessels must be obligated from Operation and Maintenance, Navy funds. This was completed as each vessel was delivered.

**Other Disclosures**

The FY 2006 ending balance amount in the above schedule represents the ending balance for 3rd Quarter, FY 2006. The beginning balance amount represents the balance at the beginning of FY 2007.

<b>Note 14.</b>	<b>Environmental Liabilities and Disposal Liabilities</b>
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As of June 30	2007			2006	
	Current Liability	Noncurrent Liability	Total	Total	
<b>1. Environmental Liabilities-- Nonfederal</b>					
A. Accrued Environmental Restoration Liabilities					
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ 0.00	\$ 0.00	\$ 0.00	\$	0.00
2. Active Installations—Military Munitions Response Program (MMRP)	0.00	0.00	0.00	0.00	0.00
3. Formerly Used Defense Sites— IRP and BD/DR	0.00	0.00	0.00	0.00	0.00
4. Formerly Used Defense Sites-- MMRP	0.00	0.00	0.00	0.00	0.00
B. Other Accrued Environmental Liabilities—Active Installations					
1. Environmental Corrective Action	0.00	0.00	0.00	0.00	0.00
2. Environmental Closure Requirements	0.00	0.00	0.00	0.00	0.00
3. Environmental Response at Operational Ranges	0.00	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00	0.00
C. Base Realignment and Closure (BRAC)					
1. Installation Restoration Program	0.00	0.00	0.00	0.00	0.00
2. Military Munitions Response Program	0.00	0.00	0.00	0.00	0.00
3. Environmental Corrective Action / Closure Requirements	0.00	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00	0.00
D. Environmental Disposal for Weapons Systems Programs					
1. Nuclear Powered Aircraft Carriers	0.00	0.00	0.00	0.00	0.00
2. Nuclear Powered Submarines	0.00	0.00	0.00	0.00	0.00
3. Other Nuclear Powered Ships	0.00	0.00	0.00	0.00	0.00
4. Other National Defense Weapons Systems	0.00	0.00	0.00	0.00	0.00
5. Chemical Weapons Disposal Program	0.00	0.00	0.00	0.00	0.00
6. Other	0.00	0.00	0.00	0.00	0.00
<b>2. Total Environmental Liabilities</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$</b>	<b>0.00</b>

Not Applicable

## Environmental Disclosures

As of June 30	2007	2006
A. The unrecognized portion of the estimated total cleanup costs associated with general property, plant, and equipment.	0.00	0.00
B. Changes in total cleanup costs due to changes in laws, regulations, and/or technology.	0.00	0.00
C. Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods.	0.00	0.00

<b>Note 15.</b>	<b>Other Liabilities</b>
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As of June 30	2007			2006
	Current Liability	Noncurrent Liability	Total	Total
<b>1. Intragovernmental</b>				
A. Advances from Others	\$ 201,922,963.24	\$ 0.00	\$ 201,922,963.24	\$ 228,581,739.68
B. Deposit Funds and Suspense Account Liabilities	0.00	0.00	0.00	0.00
C. Disbursing Officer Cash	0.00	0.00	0.00	0.00
D. Judgment Fund Liabilities	0.00	0.00	0.00	0.00
E. FECA Reimbursement to the Department of Labor	0.00	0.00	0.00	0.00
F. Other Liabilities	19,125,751.29	0.00	19,125,751.29	21,293,159.95
<b>G. Total Intragovernmental Other Liabilities</b>	<b>\$ 221,048,714.53</b>	<b>\$ 0.00</b>	<b>\$ 221,048,714.53</b>	<b>\$ 249,874,899.63</b>
<b>2. Nonfederal</b>				
A. Accrued Funded Payroll and Benefits	\$ 641,266,627.96	\$ 0.00	\$ 641,266,627.96	\$ 741,071,355.84
B. Advances from Others	248,543,626.15	0.00	248,543,626.15	209,784,278.69
C. Deferred Credits	0.00	0.00	0.00	11,800,000.00
D. Deposit Funds and Suspense Accounts	89,039,522.50	0.00	89,039,522.50	94,849,351.94
E. Temporary Early Retirement Authority	0.00	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities				
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	0.00	0.00	0.00
G. Accrued Unfunded Annual Leave	0.00	0.00	0.00	0.00
H. Capital Lease Liability	0.00	0.00	0.00	0.00
I. Other Liabilities	2,033,378,229.74	27,481,547.28	2,060,859,777.02	2,123,490,270.24
<b>J. Total Nonfederal Other Liabilities</b>	<b>\$ 3,012,228,006.35</b>	<b>\$ 27,481,547.28</b>	<b>\$ 3,039,709,553.63</b>	<b>\$ 3,180,995,256.71</b>
<b>3. Total Other Liabilities</b>	<b>\$ 3,233,276,720.88</b>	<b>\$ 27,481,547.28</b>	<b>\$ 3,260,758,268.16</b>	<b>\$ 3,430,870,156.34</b>

**Standard Disclosures**

Intragovernmental Other Liabilities consists of retirement benefits, health benefits, custodial liabilities and life insurance.

Nonfederal Other Liabilities consists of accrued contractual services; liabilities for depot level repairable carcass returns; and liability for future contract financing payments.

Contingent Liabilities balance includes \$27.5 million in estimated future contract financing payments that will be paid to the contractor upon delivery and Federal Government acceptance of a satisfactory product. In accordance with contract terms, specific rights to the contractor's work vests with the Federal Government when a specific type of contract financing payments is made; thereby protecting taxpayer funds in the event of contract nonperformance. These rights should not be misconstrued as the rights of ownership. The Department of the Navy (DON) is under no obligation to pay the contractor for amounts greater than the amounts authorized in the contract until delivery and Federal Government acceptance of a satisfactory product. Because it is probable that the contractor will complete its efforts and deliver a satisfactory product to DON and the amount of potential future payments are estimable; DON has recognized a contingent liability for estimated future payments, which are conditional pending delivery and Federal Government acceptance of a satisfactory product. Per the Department of the Defense, Inspector General (DoDIG) Audit, "Financial Management: Report on Recording and Accounting for DoD Contract Financing Payment," of May 10, 2005, and the Office of Under Secretary of Defense, (Comptroller) (OUSD(C)) direction, a contingent liability for outstanding contract financing payments based on cost in excess of progress payments was recognized for the first time in 4th Quarter, FY 2006. The recognized data was derived from an OUSD(C) query of the Mechanization of Contract Administration System (MOCAS). The Navy Working Capital Fund (NWCF) field level account data does not reconcile with the MOCAS data; therefore, NWCF cannot support this OUSD(C) directed adjustment. Also, current business processes and contract clauses do not support this OUSD(C) directed adjustment.

## Capital Lease Liability

As of June 30	2007				2006	
	Asset Category					
	Land and Buildings	Equipment	Other	Total	Total	
<b>1. Future Payments Due</b>						
A. 2007	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. 2008	0.00	0.00	0.00	0.00	0.00	0.00
C. 2009	0.00	0.00	0.00	0.00	0.00	0.00
D. 2010	0.00	0.00	0.00	0.00	0.00	0.00
E. 2011	0.00	0.00	0.00	0.00	0.00	0.00
F. 2012	0.00	0.00	0.00	0.00	0.00	0.00
G. After 5 Years	0.00	0.00	0.00	0.00	0.00	0.00
H. Total Future Lease Payments Due	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
I. Less: Imputed Interest Executory Costs	0.00	0.00	0.00	0.00	0.00	0.00
J. Net Capital Lease Liability	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>2. Capital Lease Liabilities Covered by Budgetary Resources</b>				\$ 0.00	\$ 0.00	\$ 0.00
<b>3. Capital Lease Liabilities Not Covered by Budgetary Resources</b>				\$ 0.00	\$ 0.00	\$ 0.00

Not Applicable

**Note 16. Commitments and Contingencies****Standard Disclosures**

The Department of the Navy (DON) is a party in various administrative proceedings and legal actions, with claims including environmental damage claims, equal opportunity matters, and contractual bid protests. These proceedings and actions arise in the normal course of operations and their ultimate disposition is unknown. The DON will accrue contingent liabilities for legal actions in those instances where DON's Office of General Counsel considers an adverse decision probable and the amount of loss is measurable. In the event of an adverse judgment against the Federal Government, some of the liabilities may be payable from the Judgment Fund. Others may be payable from DON's resources, either directly or by reimbursement to the Judgment Fund. The DON General Fund (GF) records all Judgment Fund liabilities, including any related to Navy Working Capital Fund (NWCF), in Note 11, Liabilities not Covered by Budgetary Resources, and Note 12, Accounts Payable. See DON General Fund Notes 11 and 12 for details.

The NWCF currently has five cases that meet the existing FY 2006 NWCF materiality threshold of \$5.0 million. All five cases are against the NWCF and none are against the NWCF - Marine Corps. DON legal counsel was unable to express an opinion concerning the likely outcome of these cases. This declaration is fully supported by the preliminary and final Legal Representation letters and the subsidiary management summary schedule.

For FY 2007, NWCF materiality threshold for reporting litigation, claims, or assessments is \$4.5 million. The Office of Navy General Counsel conducts a review of litigation and claims threatened or asserted involving NWCF to which Office of General Counsel attorney's devoted substantial attention in the form of legal consultation or representation. However, the FY 2007 preliminary and final Legal Representation letters are not due until the 4th Quarter.

Due to the inherent uncertainties of litigation, lawyers generally refrain from expressing judgments as to outcomes except in those relatively few clear cases. In response to a Department of Defense, Inspector General Audit, "DoD Process for Reporting Contingent Legal Liabilities," DON developed a methodology to determine an estimate for contingent legal liabilities. Beginning with 1st Quarter, FY 2007 DON GF recognized and disclosed an estimate for contingent legal liabilities. The methodology considers the likelihood of an unfavorable outcome or potential liability and is provided as an overall assessment of all cases currently pending and not on an individual case basis. The likelihood of an unfavorable or potential liability was determined by using an average of the data from the preceding three years and the current year to date. This average was calculated by taking the total dollar amount of closed cases and dividing it by the total dollar amount claimed in those closed cases for each of the last three years plus current quarter. This average represents the percentage that has historically been paid on claims. It is based entirely on historical data. The merits of each individual case have not been taken into consideration. Until sufficient historical data can be collected for NWCF, the estimate recorded on the DON GF financial statements will consider all DON funding sources together.

**Other Commitments and Contingencies**

The NWCF does not have obligations related to cancelled appropriations for which the reporting entity has a contractual commitment for payment.

The NWCF has contractual arrangements which may require future financial obligations (i.e. undelivered orders). These undelivered orders are estimated at \$4.7 billion as of June 30, 2007. Included in this total is \$27.5 million that is also included in the balance for nonfederal other liabilities related to contracting financing payments. No budgetary adjustments were considered in the Office of the Under Secretary Defense (Comptroller) direction for the Journal Voucher to adjust contingent liabilities. The NWCF also has difficulties creating budgetary accounts from proprietary accounts. This has been reported as an internal weakness. Defense Finance and Accounting Service is working with DON in the Financial Improvement Program to correct this weakness. In FY 2007, the NWCF plans to start reporting budgetary accounts from the field level accounting systems.

<b>Note 17.</b>	<b>Military Retirement and Other Federal Employment Benefits</b>
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As of June 30	2007				2006
	Present Value of Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liability	Present Value of Benefits
<b>1. Pension and Health Actuarial Benefits</b>					
A. Military Retirement Pensions	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits	0.00		0.00	0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	0.00		0.00	0.00	0.00
D. Total Pension and Health Actuarial Benefits	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
<b>2. Other Actuarial Benefits</b>					
A. FECA	\$ 1,185,039,105.63		\$ 0.00	\$ 1,185,039,105.63	\$ 1,192,551,548.64
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00	0.00
C. DoD Education Benefits Fund	0.00		0.00	0.00	0.00
D. Total Other Actuarial Benefits	\$ 1,185,039,105.63		\$ 0.00	\$ 1,185,039,105.63	\$ 1,192,551,548.64
<b>3. Other Federal Employment Benefits</b>	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
<b>4. Total Military Retirement and Other Federal Employment Benefits:</b>	\$ 1,185,039,105.63		\$ 0.00	\$ 1,185,039,105.63	\$ 1,192,551,548.64

Actuarial Cost Method Used:

Assumptions:

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

**Standard Disclosures**

The Department of the Navy (DON) actuarial liability for workers' compensation benefits is developed by the Department of Labor and provided to DON at the end of each fiscal year. The liability is distributed between the Navy Working Capital Fund and DON General Fund based upon the number of civilian employees funded in each entity as reported in the Navy Budget Tracking System. The liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns to predict the ultimate payments.

The assumptions relate to Federal Employees' Compensation Act (FECA). The projected annual benefit payments are discounted to the present value using Office of Management and Budget's economic assumptions for ten year U.S. Treasury notes and bonds. Cost of living adjustments and medical inflation factors are also taken into consideration when calculating projected future benefits.

The interest rate assumptions utilized when discounting were as follows:

2006

5.170% in Year 1

5.313% in Year 2 and thereafter

To provide more specificity concerning the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living adjustments or COLAs) or medical inflation factors (consumer price index medical or CPIMs) were applied to the calculation of projected future benefits. The actual rates for these factors for the charge back year (CBY) 2006 were also used to adjust the methodology's historical payments to current year constant dollars.

The compensation COLAs and CPIMs used in the projections for various CBYs were as follows:

<u>CBY</u>	<u>COLA</u>	<u>CPIM</u>
2006	3.50%	4.00%
2007	3.13%	4.01%
2008	2.40%	4.01%
2009	2.40%	4.013%
2010+	2.43%	4.09%

The model's resulting projections were analyzed to ensure that the estimates were reliable. The analysis was based on four tests: (1) a sensitivity analysis of the model to economic assumptions, (2) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual incremental payments, (3) a comparison of the incremental paid losses per case (a measure of case-severity) in CBY 2006 to the average pattern observed during the most current three charge back years, and (4) a comparison of the estimated liability per case in the 2006 projection to the average pattern for the projections of the most recent three years.

There have been no changes in the calculation of actuarial liability since last reporting period.

<b>Note 18.</b>	<b>General Disclosures Related to the Statement of Net Cost</b>
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Intragovernmental Costs and Exchange Revenue		
As of June 30	2007	2006

As of June 30	2007	2006
1. Intragovernmental Costs	\$ 3,408,455,307.94	\$ 3,465,522,592.26
2. Public Costs	13,562,642,359.69	14,292,392,897.01
<b>3. Total Costs</b>	<b>\$ 16,971,097,667.63</b>	<b>\$ 17,757,915,489.27</b>
4. Intragovernmental Earned Revenue	\$ (15,033,287,615.99)	\$ (15,067,837,520.82)
5. Public Earned Revenue	(733,477,739.18)	(726,584,626.64)
<b>6. Total Earned Revenue</b>	<b>\$ (15,766,765,355.17)</b>	<b>\$ (15,794,422,147.46)</b>
<b>7. Net Cost of Operations</b>	<b>\$ 1,204,332,312.46</b>	<b>\$ 1,963,493,341.81</b>

**Standard Disclosures**

Intragovernmental costs and revenues are related to transactions made between two reporting entities within the Federal Government.

Public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity.

The Statement of Net Cost is unique because its principles are driven by an understanding of net cost of programs and or organizations that the Federal Government supports through appropriations. This Statement provides gross and net cost information that can relate to the amount of output for a given program and or organization administered by a responsible reporting entity.

The Navy Working Capital Fund's (NWCF) financial management systems are unable to meet all of the requirements for full accrual accounting. Many of the NWCF's financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of generally accepted accounting principles (GAAP) for federal agencies. These systems were not designed to collect and record financial information as required by GAAP. The NWCF has undertaken efforts to determine the actions required to bring its financial and nonfinancial feeder systems and processes into compliance. Until all of NWCF's financial and nonfinancial feeder systems and processes are corrected, NWCF's financial data will be based on transactions from nonfinancial feeder systems, and adjustments for known accruals of major items such as payroll expenses and accounts payable.

Current processes and systems do not capture and report accumulated costs for major programs based upon the performance measures as required by the Government Performance and Results Act (GPRA). The NWCF identifies program costs based upon business areas. The NWCF is reviewing available data and developing a cost reporting methodology that balances the need for cost

information, as required by the Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," with the need to keep the financial statements from being voluminous.

<b>Note 19.</b>	<b>Disclosures Related to the Statement of Changes in Net Position</b>
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As of June 30	2007		2006	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance</b>				
A. Changes in Accounting Standards	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Errors and Omissions in Prior Year Accounting Reports	0.00	0.00	0.00	0.00
<b>C. Total Prior Period Adjustments</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>2. Imputed Financing</b>				
A. Civilian CSRS/FERS Retirement	\$ 123,847,640.48	\$ 0.00	\$ 165,292,468.08	\$ 0.00
B. Civilian Health	220,019,748.00	0.00	247,434,264.00	0.00
C. Civilian Life Insurance	634,338.84	0.00	747,672.27	0.00
D. Judgment Fund	0.00	0.00	0.00	0.00
E. IntraEntity	0.00	0.00	0.00	0.00
<b>F. Total Imputed Financing</b>	<b>\$ 344,501,727.32</b>	<b>\$ 0.00</b>	<b>\$ 413,474,404.35</b>	<b>\$ 0.00</b>

**Standard Disclosures**

The Cumulative Results of Operations, Other Financing Sources, Other consists of gains and losses associated with the financial closure of Navy Working Capital Fund activities.

The Cumulative Results of Operations, Budgetary Financing Sources, Other adjustments (rescissions, etc) consists of a rescission of an appropriation.

<b>Note 20.</b>	<b>Disclosures Related to the Statement of Budgetary Resources</b>
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As of June 30	2007	2006
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 4,694,137,556.55	\$ 7,964,253,216.11
2. Available Borrowing and Contract Authority at the End of the Period	7,328,900,859.37	9,459,717,911.45

**Standard Disclosures**

The Navy Working Capital Fund (NWCF) reports all amounts for obligations incurred under apportionment category B. Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories. The NWCF direct and reimbursable obligations incurred totaled \$397 thousand and \$14.3 million, respectively.

The Statement of Budgetary Resources (SBR) includes intraentity transactions, which have not been eliminated because the statements are presented as combined and combining.

The SBR is an image of the monthly Report on Budget Execution, Standard Form 133 (SF 133). In 1st Quarter, FY 2007, some of the NWCF field activities began reporting budgetary accounts directly from field level accounting systems. This direct feed reports balances at each field activity separately and produces a net balance of Anticipated for Rest of Year, without Advance for the SF 133 monthly. When the SBR is created quarterly, the normal balance for each field site is placed in Anticipated for Rest of Year, without Advance and any abnormal balance is placed in Unobligated Balance, not Available. This resulted in a difference of \$2.9 billion between the amounts reported on the SBR and SF 133 for Anticipated for Rest of Year, without Advance and Unobligated Balance, not Available. The abnormal balances at the field activity level are both invalid and valid. The invalid amounts are a result of system calculation and reporting deficiencies. NWCF and Defense Finance and Accounting Service are working to resolve these system deficiencies in 4th Quarter, FY 2007. Since the Anticipated for Rest of Year, without Advance is allocated at the business area level each fiscal year, the individual field level may report a valid abnormal balance while the business area level remains normal. NWCF is working on improving business processes to correct this issue.

<b>Note 21.</b>	<b>Disclosures Related to the Statement of Financing</b>
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**Standard Disclosures**

The Statement of Financing is designed to provide information about the total resources used by an entity, to explain how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's net cost of operations. It is designed to report the differences and facilitate the reconciliation of accrual based amounts used in the Statement of Net Cost and obligation-based amounts used in the Statement of Budgetary Resources (SBR). The computations and presentation of items in the Statement of Financing demonstrate that the budgetary and proprietary information in an entity's financial management system is in agreement.

The accounting systems of Defense Finance and Accounting Service (DFAS), and Navy Working Capital Fund (NWCF), as well as, the Navy Enterprise Resource Planning include budgetary accounts. However, some of the legacy accounting systems do not compute or report the budgetary accounts correctly. Therefore, NWCF budgetary data is not in agreement with proprietary expenses and assets capitalized. The detailed level of information required to appropriately complete the SBR is being developed for those activities that cannot provide the data due to system deficiencies. As a result, the SBR is generated using data extracted from the proprietary accounts.

As a result of these system deficiencies, resources that finance the acquisition of assets on the Statement of Financing was adjusted upward by \$16.7 billion (absolute amount) at the end of 3rd Quarter, FY 2007 to bring it into balance with the Statement of Net Cost.

The following Statement of Financing lines are presented as combined instead of consolidated due to interagency budgetary transactions not being eliminated:

- Obligations Incurred
- Less: Spending Authority from Offsetting Collections and Recoveries
- Obligations Net of Offsetting Collections and Recoveries
- Less: Offsetting Receipts
- Net Obligations
- Undelivered Orders
- Unfilled Customer Orders

Other Resources Used to Finance Activities consists of gains and losses associated with the financial closure of NWCF activities.

Other Resources Used to Finance Items not Part of the Net Cost of Operations consists of transfers of assets out of NWCF.

Other Components not Requiring or Generating Resources consists of overhead costs distributed to work in process, as well as costs originally recorded into another expense account that are transferred to one of three accounts: inventory work in process, internal use software in development, or completed assets.

**Note 22.**

**Disclosures Related to the Statement of Custodial Activity**

Not Applicable

There is a difference of \$102 thousand between the amounts reported as Liabilities not Covered by Budgetary Resources and amounts reported as Components Requiring or Generating Resources in Future Periods on the Statement of Financing. This difference is attributable to the increase in nonentity receivables through 3rd Quarter, FY 2007, as the collection of nonentity receivables will not require or generate resources for NWCF. These balances are deposited to U.S. Treasury and belong to the general cash balances of the Federal Government.

**Note 23.****Earmarked Funds****BALANCE SHEET**

As of June 30, 2007

	Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
<b>ASSETS</b>					
Fund balance with					
Treasury	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Investments	0.00	0.00	0.00	0.00	0.00
Accounts and Interest Receivable	0.00	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00	0.00
<b>Total Assets</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>LIABILITIES and NET POSITION</b>					
Military Retirement Benefits and Other Federal Employment Benefits	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Other Liabilities	0.00	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
Unexpended Appropriations	0.00	0.00	0.00	0.00	0.00
Cumulative Results of Operations	0.00	0.00	0.00	0.00	0.00
<b>Total Liabilities and Net Position</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>STATEMENT OF NET COST</b>					
For the period ended June 30, 2007					
Program Costs	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Less Earned Revenue	0.00	0.00	0.00	0.00	0.00
<b>Net Program Costs</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
Less Earned Revenues Not Attributable to Programs	0.00	0.00	0.00	0.00	0.00
<b>Net Cost of Operations</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

Not Applicable

Navy Working Capital Fund

STATEMENT OF CHANGES IN NET POSITION For the period ended June 30, 2007	Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
Net Position Beginning of the Period	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net Cost of Operations	0.00	0.00	0.00	0.00	0.00
Budgetary Financing Sources	0.00	0.00	0.00	0.00	0.00
Other Financing Sources	0.00	0.00	0.00	0.00	0.00
Change in Net Position	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net Position End of Period	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

<b>Note 24.</b>	<b>Other Disclosures</b>
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As of June 30	2007			
	Asset Category			
	Land and Buildings	Equipment	Other	Total

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

Future Payments Due

Fiscal Year

2007	\$	0.00	\$	0.00	\$	0.00	\$	0.00
2008		0.00		0.00		0.00		0.00
2009		0.00		0.00		0.00		0.00
2010		0.00		0.00		0.00		0.00
2011		0.00		0.00		0.00		0.00
2012		0.00		0.00		0.00		0.00
After 5 Years		0.00		0.00		0.00		0.00

**Total Future Lease  
Payments Due**

	\$	0.00	\$	0.00	\$	0.00	\$	0.00
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Not Applicable

<b>Note 25.</b>	<b>Restatements</b>
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Not Applicable