

Department of Defense
Army Working Capital Fund
CONSOLIDATED BALANCE SHEET
As of June 30, 2008 and 2007

	2008 Consolidated	2007 Consolidated
	<hr/>	<hr/>
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)	2,077,307,370.57	1,750,392,752.19
3. Accounts Receivable (Note 5)	469,696,368.18	368,408,260.17
4. Other Assets (Note 6)	6,066,612.50	3,347,305.22
5. Total Intragovernmental Assets	\$ 2,553,070,351.25	\$ 2,122,148,317.58
C. Accounts Receivable, Net (Note 5)	31,211,413.66	15,005,032.40
E. Inventory and Related Property, Net (Note 9)	20,407,167,495.22	19,285,935,913.49
F. General Property, Plant and Equipment, Net (Note 10)	1,006,530,606.39	1,288,580,569.31
H. Other Assets (Note 6)	434,822,565.90	335,728,965.59
2. TOTAL ASSETS	<hr/> \$ 24,432,802,432.42	<hr/> \$ 23,047,398,798.37
3. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT (Note 10)		
4. LIABILITIES (Note 11)		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 110,189,747.29	\$ 94,192,827.72
3. Other Liabilities (Note 15 & 16)	58,846,346.43	63,065,641.20
4. Total Intragovernmental Liabilities	\$ 169,036,093.72	\$ 157,258,468.92
B. Accounts Payable (Note 12)	\$ 1,341,307,248.28	\$ 545,175,250.22
C. Military Retirement and Other Federal Employment Benefits (Note 17)	243,111,829.47	262,499,476.04
F. Other Liabilities (Note 15 & Note 16)	418,571,012.25	412,848,464.80
5. TOTAL LIABILITIES	<hr/> \$ 2,172,026,183.72	<hr/> \$ 1,377,781,659.98
6. NET POSITION		
D. Cumulative Results of Operations - Other Funds	22,260,776,248.70	21,669,617,138.39
7. TOTAL NET POSITION	<hr/> \$ 22,260,776,248.70	<hr/> \$ 21,669,617,138.39
8. TOTAL LIABILITIES AND NET POSITION	<hr/> \$ 24,432,802,432.42	<hr/> \$ 23,047,398,798.37

Department of Defense
 Army Working Capital Fund
CONSOLIDATED STATEMENT OF NET COST
 For the periods ended June 30, 2008 and 2007

	<u>2008 Consolidated</u>	<u>2007 Consolidated</u>
1. Program Costs		
A. Gross Costs	\$ 14,903,647,324.31	\$ 12,019,235,269.61
B. (Less: Earned Revenue)	(15,534,602,489.99)	(13,794,958,159.89)
C. Net Program Costs	<u>\$ (630,955,165.68)</u>	<u>\$ (1,775,722,890.28)</u>
4. Net Cost of Operations	<u>\$ (630,955,165.68)</u>	<u>\$ (1,775,722,890.28)</u>

Department of Defense
Army Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended June 30, 2008 and 2007

	<u>2008 Earmarked Funds</u>	<u>2008 All Other Funds</u>
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 21,893,732,873.89
2. Prior Period Adjustments:		
3. Beginning balances, as adjusted	<u>0.00</u>	<u>21,893,732,873.89</u>
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	4,982,000.00
4.E. Transfers-in/out without reimbursement	0.00	(420,000,000.00)
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	66,813.94
5.C. Imputed financing from costs absorbed by others	0.00	114,378,662.14
5.D. Other (+/-)	0.00	36,660,733.05
6. Total Financing Sources	<u>0.00</u>	<u>(263,911,790.87)</u>
7. Net Cost of Operations (+/-)	0.00	(630,955,165.68)
8. Net Change	<u>0.00</u>	<u>367,043,374.81</u>
9. Cumulative Results of Operations	0.00	22,260,776,248.70
UNEXPENDED APPROPRIATIONS		
11. Prior Period Adjustments:		
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	5,000,000.00
13.C. Other adjustments (rescissions, etc)	0.00	(18,000.00)
13.D. Appropriations used	0.00	(4,982,000.00)
16. Net Position	<u>0.00</u>	<u>22,260,776,248.70</u>

Department of Defense
Army Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended June 30, 2008 and 2007

	2008 Eliminations	2008 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 21,893,732,873.89
2. Prior Period Adjustments:		
3. Beginning balances, as adjusted	<u>0.00</u>	<u>21,893,732,873.89</u>
4. Budgetary Financing Sources:		
4.B. Appropriations used	0.00	4,982,000.00
4.E. Transfers-in/out without reimbursement	0.00	(420,000,000.00)
5. Other Financing Sources:		
5.B. Transfers-in/out without reimbursement (+/-)	0.00	66,813.94
5.C. Imputed financing from costs absorbed by others	0.00	114,378,662.14
5.D. Other (+/-)	0.00	36,660,733.05
6. Total Financing Sources	<u>0.00</u>	<u>(263,911,790.87)</u>
7. Net Cost of Operations (+/-)	0.00	(630,955,165.68)
8. Net Change	<u>0.00</u>	<u>367,043,374.81</u>
9. Cumulative Results of Operations	0.00	22,260,776,248.70
UNEXPENDED APPROPRIATIONS		
11. Prior Period Adjustments:		
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	5,000,000.00
13.C. Other adjustments (rescissions, etc)	0.00	(18,000.00)
13.D. Appropriations used	0.00	(4,982,000.00)
16. Net Position	<u>0.00</u>	<u>22,260,776,248.70</u>

Department of Defense
Army Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2008 and 2007

	2008 Combined	2007 Combined
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	\$ 2,516,314,300.77	\$ 1,791,465,388.74
2. Recoveries of prior year unpaid obligations	659,223,712.17	947,357,794.55
3. Budget authority		
3.A. Appropriation	5,000,000.00	627,854,000.00
3.C. Contract authority	11,968,535,744.00	10,870,989,507.18
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	11,810,308,977.61	10,825,088,451.93
3.D.1.b. Change in receivables from Federal sources	183,369,581.31	148,202,585.64
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	(18,481,508.83)	(11,850,524.89)
3.D.2.b. Without advance from Federal sources	614,313,713.18	1,978,568,287.82
3.D.3. Anticipated for rest of year, without advances	884,232,330.34	784,433,087.74
3.E. Subtotal	<u>25,447,278,837.61</u>	<u>25,223,285,395.42</u>
4. Nonexpenditure transfers, net, anticipated and actual	(420,000,000.00)	(38,700,000.00)
6. Permanently not available	(7,426,859,837.61)	(8,634,270,395.42)
7. Total Budgetary Resources	<u><u>\$ 20,775,957,012.94</u></u>	<u><u>\$ 19,289,138,183.29</u></u>

Department of Defense
Army Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended June 30, 2008 and 2007

	2008 Combined	2007 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.B. Reimbursable	14,438,304,202.55	13,192,193,582.73
8.C. Subtotal	14,438,304,202.55	13,192,193,582.73
9. Unobligated balance:		
9.A. Apportioned	6,337,652,810.39	6,096,944,600.56
9.C. Subtotal	6,337,652,810.39	6,096,944,600.56
11. Total status of budgetary resources	\$ 20,775,957,012.94	\$ 19,289,138,183.29
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	10,854,913,527.25	9,555,895,815.55
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	\$ (5,537,452,947.41)	\$ (4,097,979,163.74)
12.C. Total unpaid obligated balance	5,317,460,579.84	5,457,916,651.81
13. Obligations incurred net (+/-)	\$ 14,438,304,202.55	\$ 13,192,193,582.73
14. Less: Gross outlays	(11,578,585,852.85)	(10,527,278,363.32)
15. Obligated balance transferred, net payments from Federal sources (+/-)		
16. Less: Recoveries of prior year unpaid obligations, actual	(659,223,712.17)	(947,357,794.55)
17. Change in uncollected customer payments from Federal sources (+/-)	(797,683,294.49)	(2,126,770,873.46)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	13,055,408,164.78	11,273,453,240.41
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	(6,335,136,241.90)	(6,224,750,037.20)
18.C. Total, unpaid obligated balance, net, end of period	6,720,271,922.88	5,048,703,203.21
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	11,578,585,852.85	10,527,278,363.32
19.B. Less: Offsetting collections	(11,791,827,468.78)	(10,813,237,927.04)
19.D. Net Outlays	\$ (213,241,615.93)	\$ (285,959,563.72)

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 Army Working Capital Fund (AWCF), as required by the “Chief Financial Officers 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 AWCF in accordance with the Department of Defense (DoD) “Financial Management Regulation (FMR),” the Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements,” and to the extent possible, generally accepted accounting principles (GAAP). The accompanying financial statements account for all resources for which the AWCF is responsible unless otherwise noted.

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

The AWCF currently has eight auditor identified financial statement material weaknesses: (1) financial management systems and processes; (2) inventory; (3) general property, plant, and equipment; (4) intragovernmental transactions and eliminations; (5) accounting adjustments; (6) accounts payable; (7) Statement of Net Cost; and (8) Reconciliation of Net Cost of Operations to Budget.

1.B. Mission of the Reporting Entity

The AWCF is part of the Defense Working Capital Fund, and is divided into two separate business areas: Supply Management and Industrial Operations. These business areas ensure delivery of critical items, such as petroleum products, repair parts, consumable supplies, depot maintenance services, munitions, and weapons to support the deployment and projection of lethal force as and when required by the nation.

1.C. Appropriations and Funds

Working capital funds (revolving funds) receive funding to establish an initial corpus through an appropriation or a transfer of resources from existing appropriations or funds. The corpus finances operations and transactions that flow through the fund. Financial resources to replenish the corpus, and to permit continuing operations, are generated by the acceptance of customer orders and additional appropriations. The AWCF operates with financial principles that provide improved cost visibility and accountability to

enhance business management and improve the decision-making process. The activities provide goods and services on a reimbursable basis. Receipts derived from operations generally are available in their entirety for use without further congressional action. At various times, Congress provides additional appropriations to supplement the WCF as an infusion of cash when revenues are inadequate to cover costs within the corpus.

1.D. Basis of Accounting

The AWCF generally records transactions on an accrual accounting basis as is required by GAAP. For FY 2008, AWCF financial management systems are unable to meet all of the requirements for full accrual accounting. Many AWCF financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of GAAP for federal agencies and, therefore, 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 all of its financial and nonfinancial feeder systems and processes into compliance with all elements of GAAP. One such action is the current revision of its accounting systems to record transactions based on the U.S. Standard General Ledger (USSGL). At this time, not all AWCF accounting systems are USSGL compliant. With the implementation of the Logistics Modernization Program (LMP), the AWCF is working towards a cost reporting methodology that meets 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." As of December 31, 2003, LMP was implemented at Tobyhanna Army Depot, Communications–Electronics Life Cycle Management Center Command, and other Army Materiel Command activities. Until LMP is fully implemented and all of the processes are updated to collect and report financial information as required by GAAP, some of the AWCF financial data will be derived from disbursements, collections, budgetary transactions (obligations, delivered orders), and nonfinancial feeder. For example, most financial information presented on the Statement of Net Cost is based on accrued costs such as payroll accruals and accounts payable; however, some of the financial information is based on obligations and disbursements.

1.E. Revenues and Other Financing Sources

The AWCF Industrial Operations activities recognize revenue according to the percentage-of-completion method. Supply Management activities recognize revenue when an inventory item is sold. Prices set for products and services offered through the AWCF are intended to recover the full costs (cost plus administrative fees) incurred by these activities. Unearned revenue is recorded as deferred revenue until earned.

Other financing sources reported by the AWCF do not include non-monetary support provided by our allies for common defense and mutual security in amounts reported in the Statement of Net Cost and the Note 21, "Reconciliation of Net Cost of Operations to Budget. The U.S. has agreements with foreign countries that include both direct and indirect sharing of costs that each country incurs in support of the same general purpose.

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 serviced 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 AWCF financial and nonfinancial feeder systems were not designed to collect and record financial information on the full accrual accounting basis, accruals are made for certain financial events and transactions.

1.G. Accounting for Intragovernmental Activities

Preparation of reliable financial statements requires the elimination of transactions occurring among entities within DoD or between two or more federal agencies. However, the AWCF cannot accurately eliminate intragovernmental transactions by customer because the AWCF systems do not track at the transaction level. 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 amounts do not match, buyer-side records are adjusted to agree with DoD seller-side balances. The volume of intragovernmental transactions is so large that after-the-fact reconciliations 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 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 AWCF is unable to fully reconcile intragovernmental transactions with all federal partners, the AWCF is able to reconcile balances pertaining to Federal Employees’ Compensation Act transactions with the Department of Labor (DOL) and benefit program transactions with the Office of Personnel Management (OPM).

The DoD proportionate share of public debt and related expenses of the Federal Government is not included. Debt issued by the Federal Government and the related costs are not apportioned to Federal agencies. The DoD financial statements, therefore, do not report any portion of the public debt or interest, nor do the financial 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 AWCF sells defense items 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 the authority to sell defense articles and services to foreign countries and international organizations generally at no profit or loss to the U.S. government. Payments in U.S. dollars are required in advance and are booked as liabilities until such time as the goods are delivered.

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

The U.S. Treasury maintains AWCF monetary financial resources. The DFAS, Military Services, U.S. Army Corps of Engineers (USACE) disbursing stations as well as the Department of State financial service centers process the majority of cash collections, disbursements, and adjustments for the AWCF. 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, DFAS sites and USACE Finance Center submit reports to the U.S. Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The U.S. Treasury then records this information to the applicable Fund Balance with Treasury (FBWT) account maintained in the U.S. Treasury’s system. Differences between the AWCF and the U.S. Treasury’s records sometime 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 receivable, claims, and refunds from other federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise from the provision of goods and services to state, local, and foreign governments. Refunds receivable, however, are overpayments by the federal government in the process of being collected.

An allowance for estimated uncollectibles is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances by fund type. The AWCF bases the estimate of uncollectible accounts receivable from the public on percentage of aged receivables by category. The allowance is calculated by using 50% of aged receivables in the 180-day to 2-year category and 100% of aged receivables in the greater than 2-year category. This excludes foreign debt and debt as reported in the Defense Debt Management System. The allowance is updated annually based on the aged accounts receivable at the end of the 2nd Quarter. The DoD

does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against other federal agencies are resolved between the agencies in accordance with dispute resolution procedures 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

The AWCF values approximately 16% of resale inventory using the moving average cost method. The AWCF reports the remaining 84% of resale inventories 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. Additionally, these systems cannot produce financial transactions using the USSGL, as required by the Federal Management Improvement Act of 1996 (P.L. 104-208). By utilizing new systems development processes, the AWCF is continuing to transition the balance of the inventories to the moving average cost method. However, since the on-hand balances which were transitioned were not, for the most part, baselined to auditable historical cost, the reported values remain noncompliant with SFFAS No. 3 and GAAP. Although these systems provide visibility and accountability over inventory items, they do not maintain historical cost data necessary to comply with SFFAS No. 3, "Accounting for Inventory and Related Property."

The SFFAS No. 3 distinguishes between inventory held for sale and inventory held in reserve for future sale. There is no management or valuation difference between the two USSGL accounts. Further, DoD manages only military or government-specific materiel under normal conditions. "Materiel" is a unique term that relates to military force management, and includes all items (including ships, tanks, self-propelled weapons, aircraft, etc., and related spares, repair parts, and support equipment, but excluding real property, installations, and utilities) 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 AWCF materiel management activities. The AWCF holds materiel based on military need and support for contingencies. Operational cycles are irregular, and the military risks associated with stock-out positions have no commercial parallel. . Therefore, the AWCF does not attempt to account separately for items held for current or future sale.

The AWCF accounts for condemned materiel as excess, obsolete, and unserviceable. The net value of this type of condemned materiel is zero, because the costs of disposal are greater than the potential scrap value.

Past audit results identified uncertainties about the completeness and existence of quantities used to produce the reported values. Inventory available and purchased for resale includes consumable spare and repair parts and repairable items owned and managed by the AWCF. 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. It may be more economical to repair than to procure these inventory items. The DoD often relies on weapon systems and machinery no longer in production. As a result, the AWCF 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 in U.S. Treasury Securities

Not applicable.

1.O. General Property, Plant and Equipment

The DoD real property capitalization threshold is currently \$20 thousand. The AWCF has not implemented this threshold due to systems and process limitations and is currently using the capitalization threshold of \$100 thousand. The Army is executing the Real Property Audit Readiness Plan. The target completion date for audit readiness, which includes substantiation of real property values, is FY 2009.

General Property, Plant & Equipment (GPP&E) assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years, and when the acquisition cost equals or exceeds 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 GPP&E, other than land, on a straight-line basis.

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

When it is in the best interest of the government, the AWCF provides government property to contractors to complete contract work. The AWCF 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 GPP&E exceeds the DoD capitalization threshold, Federal accounting standards require that it be reported on the AWCF Balance Sheet.

The DoD is developing new policies and a contractor reporting process that will provide appropriate GPP&E information for future financial statement reporting purposes. Accordingly, the AWCF reports only government property in the possession of contractors that is maintained in AWCF property systems. The DoD has issued new property accountability and reporting requirements that require the AWCF 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

The DoD policy is to record advances and prepayments in accordance with GAAP. As such, payments made in advance of the receipt of goods and services are reported as an asset on the Balance Sheet. The DoD policy is to expense and/or classify assets when the related goods and services are received.

1.Q. Leases

Not applicable.

1.R. Other Assets

Other assets includes 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 AWCF Balance Sheet.

The AWCF 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 AWCF may provide financing payments. Contract financing payments are defined in the Federal Acquisition Regulations, Part 32, as authorized disbursements of monies to a contractor prior to acceptance of supplies or services by the 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 Acquisition Regulation Supplement (DFARS) 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 in Note 10. It is DoD policy to record certain contract financing payments as Other Assets.

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 to the AWCF. The uncertainty will be resolved when one or more future events occur or fail to occur. The AWCF 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. Loss contingencies include the collectibility of receivables, pending or threatened litigation, and possible claims and assessments. The AWCF risk of loss and resultant contingent liabilities arise from pending or threatened litigation or claims and assessments due to events such as aircraft and vehicle accidents; property or environmental damages; and contract disputes.

1.T. Accrued Leave

The AWCF reports as liabilities earned civilian annual leave, except sick leave, that has been accrued and not used as of the Balance Sheet date. Earned 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 cumulative results of operations. 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 transfers-in/out of assets without reimbursement.

1.V. Treaties for Use of Foreign Bases

Not applicable.

1.W. Comparative Data

The AWCF financial statements and notes are presented on a comparative basis.

1.X. Unexpended Obligations

The AWCF 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 or services not yet delivered, unless title passes.

1.Y. Undistributed Disbursements and Collections

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 monthly accounting reports. In-transit payments are those payments that have been made, but have not been recorded in the fund holder's accounting records. These payments are applied to the entities' outstanding accounts payable balance. In-transit collections are those collections from other agencies or entities that have not been recorded in the accounting records. These collections are also applied to the entities' 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. The AWCF does not follow this procedure. All AWCF undistributed collections are derived from interfund transactions which processes collections from federal sources only. Undistributed disbursements are allocated between federal and non-federal based on disbursement history accumulated fiscal year to date. The AWCF records unsupported undistributed disbursements in accounts payable and unsupported undistributed collections in other liabilities.

1.Z. Significant Events

Beginning 4th Quarter, FY 2007, DoD began presenting the Statement of Financing (SOF) as a note in accordance with the Office of Management and Budget (OMB) Circular A-136. The SOF will no longer be considered a basic statement and is now referred to as "Reconciliation of Net Cost of Operations to Budget."

Note 2.	Nonentity Assets
----------------	-------------------------

As of June 30	2008	2007
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ 0.00	\$ 0.00
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 0.00	\$ 0.00
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ 0.00	\$ 0.00
B. Accounts Receivable	0.00	0.00
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 0.00	\$ 0.00
3. Total Nonentity Assets	\$ 0.00	\$ 0.00
4. Total Entity Assets	\$ 24,432,802,432.42	\$ 23,047,398,798.37
5. Total Assets	\$ 24,432,802,432.42	\$ 23,047,398,798.37

Nonentity assets are assets for which the reporting entity maintains stewardship accountability and responsibility to report, but are not available for the reporting entity's operations.

Note 3.	Fund Balance with Treasury
----------------	-----------------------------------

As of June 30	2008	2007
1. Fund Balances		
A. Appropriated Funds	\$ 0.00	\$ 0.00
B. Revolving Funds	2,077,307,370.57	1,750,392,752.19
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	\$ 2,077,307,370.57	\$ 1,750,392,752.19
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	\$ 2,077,307,370.57	\$ 1,750,392,752.19
B. Fund Balance per Army Working Capital Fund	2,077,307,370.57	1,750,392,752.19
3. Reconciling Amount		
	\$ 0.00	\$ 0.00

Status of Fund Balance with Treasury

As of June 30	2008		2007	
1. Unobligated Balance				
A. Available	\$	5,453,420,480.05	\$	5,312,511,512.82
B. Unavailable		0.00		0.00
2. Obligated Balance not yet Disbursed	\$	13,055,408,164.78	\$	11,273,453,240.41
3. Nonbudgetary FBWT	\$	0.00	\$	0.00
4. NonFBWT Budgetary Accounts	\$	(16,431,521,274.26)	\$	(14,835,572,001.04)
5. Total	\$	<u>2,077,307,370.57</u>	\$	<u>1,750,392,752.19</u>

The Status of Fund Balance with Treasury (FBWT) reflects the budgetary resources to support the FBWT.

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 contract authority and customer orders. There are no restrictions on the Unobligated Balance.

Obligated Balance not yet disbursed represents funds that have been obligated for goods that have not been received, services that have not been performed, and goods and services that have been delivered/received but not yet paid.

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

NonFBWT Budgetary Accounts represent adjustments to budgetary accounts that do not affect FBWT. For the AWCF, this consists primarily of unfilled orders, reimbursements earned and contract authority.

Disclosures Related to Suspense/Budget Clearing Accounts

As of June 30	2006	2007	2008	(Decrease)/ Increase from FY 2007 - 2008
Account				
F3845 – Personal Property Proceeds	\$ 0.00	\$ 0.00	\$ 0.00	0.00
F3875 – Budget Clearing Account 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
Total	\$ 0.00	\$ 0.00	\$ 0.00	0.00

Disclosures Related to Problem Disbursements

As of June 30	2006	2007	2008	(Decrease)/ Increase from FY 2007 to 2008
1. Total Problem Disbursements, Absolute Value				
A. Unmatched Disbursements (UMDs)	\$ 57,153,154.45	\$ 35,602,354.91	\$ 69,188,749.92	\$ 33,586,395.01
B. Negative Unliquidated Obligations (NULO)	4,117,202.90	3,576,444.47	15,092,629.07	11,516,184.60
C. In-Transit Disbursements	272,635,383.50	138,714,288.91	472,717,372.79	334,003,083.88
Total	\$ 333,905,740.85	\$ 177,893,088.29	\$ 556,998,751.78	\$ 379,105,663.49

Note 4. Investments and Related Interest

As of June 30	2008				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
1. Intragovernmental Securities					
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
2. Other Investments					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A
As of June 30	2007				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
3. Intragovernmental Securities					
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
4. Other Investments					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A

Note 5.	Accounts Receivable
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As of June 30	2008			2007
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 469,696,368.18	N/A	\$ 469,696,368.18	\$ 368,408,260.17
2. Nonfederal Receivables (From the Public)	\$ 35,585,905.66	\$ (4,374,492.00)	\$ 31,211,413.66	\$ 15,005,032.40
3. Total Accounts Receivable	\$ 505,282,273.84	\$ (4,374,492.00)	\$ 500,907,781.84	\$ 383,413,292.57

Aged Accounts Receivable

As of June 30	2008		4th Quarter 2007	
CATEGORY	Intragovernmental	Nonfederal	Intragovernmental	Nonfederal
Nondelinquent				
Current	\$ 469,656,605.23	\$ 26,235,908.65	\$ 339,057,071.63	\$ 15,214,365.81
Noncurrent	0.00	0.00	0.00	0.00
Delinquent				
1 to 30 days	\$ (3,073,156.52)	\$ 2,868,238.45	\$ 2,538,818.11	\$ 408,103.90
31 to 60 days	529,493.30	177,454.08	265,823.75	98,858.65
61 to 90 days	334,394.93	801,423.27	261,108.03	22,717.81
91 to 180 days	907,411.76	284,177.19	146,650.51	128,089.00
181 days to 1 year	175,087.10	50,730.37	498,060.24	16,966.94
Greater than 1 year and less than or equal to 2 years	456,461.60	4,429,073.21	18,247.00	367,875.18
Greater than 2 years and less than or equal to 6 years	9,510.00	56,800.09	29,226.00	3,913,719.12
Greater than 6 years and less than or equal to 10 years	0.00	68,544.20	0.00	66,514.38
Greater than 10 years	0.00	613,556.15	0.00	602,932.49
Subtotal	\$ 468,995,807.40	\$ 35,585,905.66	\$ 342,815,005.27	\$ 20,840,143.28
Less Supported Undistributed Collections	79,494,045.57	0.00	35,390,545.50	0.00
Less Eliminations	(78,793,484.79)	0.00	(53,036,004.00)	0.00
Less Other	0.00	0.00	0.00	0.00
Total	\$ 469,696,368.18	\$ 35,585,905.66	\$ 325,169,546.77	\$ 20,840,143.28

The abnormal balance for Delinquent 1 to 30 days Intragovernmental category was caused by an accounting error for a single transaction. A duplicate collection was posted and will be reversed in 4th Quarter, FY 2008.

Note 6.	Other Assets
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As of June 30	2008	2007
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ 6,066,612.50	\$ 3,347,305.22
B. Other Assets	0.00	0.00
C. Total Intragovernmental Other Assets	\$ 6,066,612.50	\$ 3,347,305.22
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	\$ 430,587,783.78	\$ 335,446,897.32
B. Advances and Prepayments on behalf of Foreign Governments	0.00	0.00
C. Advances and Prepayments	296,689.34	282,068.27
D. Other Assets (With the Public)	3,938,092.78	0.00
E. Total Nonfederal Other Assets	\$ 434,822,565.90	\$ 335,728,965.59
3. Total Other Assets	\$ 440,889,178.40	\$ 339,076,270.81

Other Assets (With the Public) consists of travel advances and prepaid expenses.

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

The Contract Financing Payment balance of \$430.6 million is comprised of \$394.3 million in contract financing payments and an additional \$36.3 million in estimated future payments that will be paid to the contractor upon future delivery and Government acceptance of a satisfactory product.

(See additional discussion in Note 15, Other Liabilities).

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

As of June 30	2008	2007
1. Cash	\$ 0.00	\$ 0.00
2. Foreign Currency	0.00	0.00
3. Other Monetary Assets	0.00	0.00
4. Total Cash, Foreign Currency, & Other Monetary Assets	\$ 0.00	\$ 0.00

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

Direct Loan and/or Loan Guarantee Programs

Summary of Direct Loans and Loan Guarantees

As of June 30	2008	2007
Loans Receivable		
<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
5. Total Direct Loans	\$ 0.00	\$ 0.00
<u>Defaulted Loan Guarantees</u>		
6. 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
7. Total Default Loan Guarantees	\$ 0.00	\$ 0.00
8. Total Loans Receivable	\$ 0.00	\$ 0.00

As of June 30	2008	2007
Loan Guarantee Liability		
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
4. Total Loan Guarantee Liability	\$ 0.00	\$ 0.00

Direct Loans Obligated

As of June 30	2008	2007
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):		
1. Foreign Military Loan Liquidating Account		
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
Direct Loans Obligated After FY 1991 (Present Value Method):		
2. Military Housing Privatization Initiative		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans	\$ 0.00	\$ 0.00
3. Foreign Military Financing Account		
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
4. Military Debt Reduction Financing Account		
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
5. Total Direct Loans Receivable	\$ 0.00	\$ 0.00

Total Amount of Direct Loans Disbursed

As of June 30	2008	2007
Direct Loan Programs		
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
4. Total	\$ 0.00	\$ 0.00

Subsidy Expense for Post FY 1991 Direct Loan

As of June 30

2008	Interest Differential	Defaults	Fees	Other	Total
1. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Interest Differential	Defaults	Fees	Other	Total
2. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2008	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
		2008	2007		
5. Total Direct Loan Subsidy Expense:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00			
Foreign Military Financing Account	0.00				
Military Debt Reduction Financing Account	0.00				
Total	\$ 0.00	\$ 0.00			

Subsidy Rate for Direct Loans by Program

As of June 30	Interest Differential	Defaults	Fees and other Collections	Other	Total
Budget Subsidy Rates for Direct Loans:					
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	2008	2007
Beginning Balances, Changes and Ending Balance:		
1. Beginning Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00
2. Add: Subsidy Expense for Direct Loans Disbursed during the Reporting Years by Component		
A. Interest Rate Differential Costs	\$ 0.00	\$ 0.00
B. Default Costs (Net of Recoveries)	0.00	0.00
C. Fees and Other Collections	0.00	0.00
D. Other Subsidy Costs	0.00	0.00
E. Total of the above Subsidy Expense Components	\$ 0.00	\$ 0.00
3. Adjustments		
A. Loan Modifications	\$ 0.00	\$ 0.00
B. Fees Received	0.00	0.00
C. Foreclosed Property Acquired	0.00	0.00
D. Loans Written Off	0.00	0.00
E. Subsidy Allowance Amortization	0.00	0.00
F. Other	0.00	0.00
G. Total of the above Adjustment Components	\$ 0.00	\$ 0.00
4. Ending Balance of the Subsidy Cost Allowance before Re-estimates	\$ 0.00	\$ 0.00
5. Add or Subtract Subsidy Re-estimates by Component		
A. Interest Rate Re-estimate	\$ 0.00	\$ 0.00
B. Technical/Default Reestimate	0.00	0.00
C. Total of the above Reestimate Components	\$ 0.00	\$ 0.00
6. Ending Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00

Defaulted Guaranteed Loans

As of June 30

	2008	2007
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees (Allowance for Loss Method):		
1. Foreign Military Liquidating Account		
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
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees (Present Value Method):		
2. Military Housing Privatization Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
3. Armament Retooling & Manufacturing Support Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
4. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable		
	\$ 0.00	\$ 0.00

Guaranteed Loans Outstanding

As of June 30	Outstanding Principal of Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed	
Guaranteed Loans Outstanding				
1. Military Housing Privatization Initiative	\$	0.00	\$	0.00
2. Armament Retooling & Manufacturing Support Initiative		0.00		0.00
3. Foreign Military Liquidating Account		0.00		0.00
4. Total	\$	0.00	\$	0.00
2008				
New Guaranteed Loans Disbursed				
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
4. Total	\$	0.00	\$	0.00
2007				
New Guaranteed Loans Disbursed				
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
4. Total	\$	0.00	\$	0.00

Liabilities for Post FY 1991 Loan Guarantees, Present Value

As of June 30	2008	2007
Liabilities for Loan Guarantee Programs from Pre-FY 1992 (Allowance for Loss):		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
2. Total Loan Guarantee Liability (Pre-FY 1992)	\$ 0.00	\$ 0.00
Liabilities for Loan Guarantee Programs Post-FY 1991 (Present Value):		
3. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
4. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
5. Total Loan Guarantee Liability (Post-FY 1991)	\$ 0.00	\$ 0.00
6. Total Loan Guarantee Liability	\$ 0.00	\$ 0.00

Subsidy Expense for Loan Guarantees by Program

As of June 30

2008	Interest Differential	Defaults	Fees	Other	Total
1. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Interest Differential	Defaults	Fees	Other	Total
2. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2008	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2007	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
	2008	2007			
5. Total Loan Guarantee:					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00			
Armament Retooling & Manufacturing Support Initiative	0.00	0.00			
Total	\$ 0.00	\$ 0.00			

Subsidy Rates for Loan Guarantees by Program

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

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

As of June 30	2008		2007	
Beginning Balance, Changes, and Ending Balance:				
1. Beginning Balance of the Loan Guarantee Liability	\$	0.00	\$	0.00
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component				
A. Interest Supplement Costs	\$	0.00	\$	0.00
B. Default Costs (Net of Recoveries)		0.00		0.00
C. Fees and Other Collections		0.00		0.00
D. Other Subsidy Costs		0.00		0.00
E. Total of the above Subsidy Expense Components	\$	0.00	\$	0.00
3. Adjustments				
A. Loan Guarantee Modifications	\$	0.00	\$	0.00
B. Fees Received		0.00		0.00
C. Interest Supplements Paid		0.00		0.00
D. Foreclosed Property and Loans Acquired		0.00		0.00
E. Claim Payments to Lenders		0.00		0.00
F. Interest Accumulation on the Liability Balance		0.00		0.00
G. Other		0.00		0.00
H. Total of the above Adjustments	\$	0.00	\$	0.00
4. Ending Balance of the Loan Guarantee Liability before Reestimates	\$	0.00	\$	0.00
5. Add or Subtract Subsidy Reestimates by Component				
A. Interest Rate Reestimate		0.00		0.00
B. Technical/default Reestimate		0.00		0.00
C. Total of the above Reestimate Components	\$	0.00	\$	0.00
6. Ending Balance of the Loan Guarantee Liability	\$	0.00	\$	0.00

Administrative Expenses

Note 9.	Inventory and Related Property
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As of June 30	2008	2007
1. Inventory, Net	\$ 20,407,167,495.22	\$ 19,285,935,913.49
2. Operating Materiel & Supplies, Net	0.00	0.00
3. Stockpile Materiel, Net	0.00	0.00
4. Total	\$ 20,407,167,495.22	\$ 19,285,935,913.49

Inventory, Net

As of June 30	2008			2007	Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
1. Inventory Categories					
A. Available and Purchased for Resale	\$ 25,281,900,273.30	\$ (8,917,523,417.49)	16,364,376,855.81	\$ 15,516,468,224.23	LAC,MAC
B. Held for Repair	5,957,081,978.04	(2,173,637,144.32)	3,783,444,833.72	3,683,791,137.54	LAC,MAC
C. Excess, Obsolete, and Unserviceable	536,519,626.64	(536,519,626.64)	0.00	0.00	NRV
D. Raw Materiel	104,999,280.39	0.00	104,999,280.39	85,676,551.72	MAC,SP,LAC
E. Work in Process	154,346,525.30	0.00	154,346,525.30	0.00	AC
F. Total	\$ 32,034,847,683.67	\$ (11,627,680,188.45)	20,407,167,495.22	\$ 19,285,935,913.49	

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

Restrictions of Inventory Use, Sale, or Disposition:

There are restrictions on the use, sale, and disposition of inventory classified as war reserve materiel of \$1.6 billion which includes petroleum products, subsistence items, spare parts, and medical materiel.

Other Information:

The categories listed below comprise Inventory, Net. The AWCF assigns Inventory items to a category based upon the type and condition of the asset. Inventory Available and Purchased for Resale includes spare and repair parts, clothing and textiles, and petroleum products. Inventory Held for Repair consists of damaged materiel held as inventory that is more economical to repair than to dispose. Excess, Obsolete, and Unserviceable Inventory consists of scrap materiel or items that cannot be economically repaired and are awaiting disposal. Raw Materials consists of items consumed in the production of goods for sale or in the provision of services for a fee.

Operating Materiel and Supplies, Net

As of June 30	2008			2007		Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net		
1. OM&S Categories						
A. Held for Use	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	SP, LAC, MAC
B. Held for Repair	0.00	0.00	0.00	0.00	0.00	SP, LAC, MAC
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00	0.00	NRV
D. Total	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	

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

Stockpile Materiel, Net

As of June 30	2008			2007		Valuation Method
	Stockpile Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	Stockpile Materiel, Net		
1. Stockpile Materiel Categories						
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

Note 10. General PP&E, Net

As of June 30	2008					2007
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
1. Major Asset Classes						
A. Land	N/A	N/A	\$ 0.00	N/A	\$ 0.00	\$ 0.00
B. Buildings, Structures, and Facilities	S/L	20 Or 40	1,885,745,495.02	\$(1,463,835,569.07)	421,909,925.95	779,556,220.19
C. Leasehold Improvements	S/L	lease term	96,629,138.87	(83,481,011.36)	13,148,127.51	14,888,961.43
D. Software	S/L	2-5 Or 10	490,159,461.81	(282,166,468.39)	207,992,993.42	182,883,631.40
E. General Equipment	S/L	5 or 10	1,567,024,416.06	(1,261,369,838.05)	305,654,578.01	273,966,866.14
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	56,973,689.07	N/A	56,973,689.07	37,284,890.15
I. Other			851,292.43	0.00	851,292.43	0.00
J. Total General PP&E			<u>\$ 4,097,383,493.26</u>	<u>\$ (3,090,852,886.87)</u>	<u>\$ 1,006,530,606.39</u>	<u>\$ 1,288,580,569.31</u>

¹ Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

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

Other GPP&E consists of general equipment and construction in progress incorrectly reported in the Other category through the Defense Property and Accountability System which will be corrected in 4th Quarter, FY 2008.

Assets Under Capital Lease

As of June 30	2008	2007
1. Entity as Lessee, Assets Under Capital Lease		
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

Note 11.	Liabilities Not Covered by Budgetary Resources
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As of June 30	2008	2007
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	0.00	0.00
C. Other	41,867,814.86	38,799,499.82
D. Total Intragovernmental Liabilities	\$ 41,867,814.86	\$ 38,799,499.82
2. Nonfederal Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement and Other Federal Employment Benefits	243,111,829.47	262,499,476.04
C. Environmental Liabilities	0.00	0.00
D. Other Liabilities	0.00	0.00
E. Total Nonfederal Liabilities	\$ 243,111,829.47	\$ 262,499,476.04
3. Total Liabilities Not Covered by Budgetary Resources	\$ 284,979,644.33	\$ 301,298,975.86
4. Total Liabilities Covered by Budgetary Resources	\$ 1,887,046,539.39	\$ 1,076,482,684.12
5. Total Liabilities	\$ 2,172,026,183.72	\$ 1,377,781,659.98

Liabilities not Covered by Budgetary Resources are liabilities for which congressional action is needed before budgetary resources can be provided.

Intragovernmental Other Liabilities represents future funded Federal Employees Compensation Act (FECA) liabilities billed to AWCF by the Department of Labor (DOL) for payments made by DOL to Army's beneficiaries.

Military Retirement and Other Federal Employment benefits not covered by budgetary resources are comprised of various employee actuarial liabilities not due and payable during the current fiscal year. These liabilities are comprised of actuarial FECA liabilities of \$243.1 million. Refer to Note 17, Military Retirement and Other Federal Employment Benefits, for additional details and disclosures.

Note 12.	Accounts Payable
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As of June 30	2008			2007
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 110,189,747.29	\$ N/A	\$ 110,189,747.29	\$ 94,192,827.72
2. Nonfederal Payables (to the Public)	1,341,307,248.28	0.00	1,341,307,248.28	545,175,250.22
3. Total	\$ 1,451,496,995.57	\$ 0.00	\$ 1,451,496,995.57	\$ 639,368,077.94

The AWCF systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue, accounts receivable, and unearned revenue. Accounts payable were adjusted by reclassifying amounts between federal and nonfederal accounts payable.

Note 13.	Debt
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As of June 30	2008			2007	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)					
A. Debt to the Treasury	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00	0.00
C. Total Agency Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Total Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Note 14.	Environmental Liabilities and Disposal Liabilities
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As of June 30	2008			2007	
	Current Liability	Noncurrent Liability	Total	Total	
1. Environmental Liabilities--					
 Nonfederal					
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
3. Formerly Used Defense Sites—IRP and BD/DR					
	0.00	0.00	0.00		0.00
4. Formerly Used Defense Sites--MMRP					
	0.00	0.00	0.00		0.00
B. Other Accrued Environmental Liabilities—Non-BRAC					
1. Environmental Corrective Action					
	0.00	0.00	0.00		0.00
2. Environmental Closure Requirements					
	0.00	0.00	0.00		0.00
3. Environmental Response at Operational Ranges					
	0.00	0.00	0.00		0.00
4. Asbestos					
	0.00	0.00	0.00		0.00
5. Non-Military Equipment					
	0.00	0.00	0.00		0.00
6. Other					
	0.00	0.00	0.00		0.00
C. Base Realignment and Closure Installations					
1. Installation Restoration Program					
	0.00	0.00	0.00		0.00
2. Military Munitions Response Program					
	0.00	0.00	0.00		0.00
3. Environmental Corrective Action / Closure Requirements					
	0.00	0.00	0.00		0.00
4. Asbestos					
	0.00	0.00	0.00		0.00
5. Non-Military Equipment					
	0.00	0.00	0.00		0.00
6. Other					
	0.00	0.00	0.00		0.00
D. Environmental Disposal for Military Equipment / Weapons Programs					
1. Nuclear Powered Military Equipment / Spent Nuclear Fuel					
	0.00	0.00	0.00		0.00
2. Non-Nuclear Powered Military Equipment					
	0.00	0.00	0.00		0.00
3. Other National Defense Weapons Systems					
	0.00	0.00	0.00		0.00
4. Other					
	0.00	0.00	0.00		0.00
E. Chemical Weapons Disposal Programs					
1. Chemical Agents and Munitions Destruction (CAMD)					
	0.00	0.00	0.00		0.00
2. CAMD Assembled Chemical Weapons Assessment (ACWA)					
	0.00	0.00	0.00		0.00
3. Other					
	0.00	0.00	0.00		0.00
2. Total Environmental Liabilities					
	\$ 0.00	\$ 0.00	\$ 0.00	\$	0.00

Environmental Disclosures

As of June 30	2008	2007
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

Note 15.	Other Liabilities
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As of June 30	2008			2007
	Current Liability	Noncurrent Liability	Total	Total
1. Intragovernmental				
A. Advances from Others	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Deposit Funds and Suspense Account Liabilities	0.00	0.00	0.00	0.00
C. Disbursing Officer Cash	0.00	0.00	0.00	0.00
D. Judgment Fund Liabilities	0.00	0.00	0.00	0.00
E. FECA Reimbursement to the Department of Labor	20,933,907.43	20,933,907.43	41,867,814.86	58,199,249.73
F. Custodial Liabilities	0.00	0.00	0.00	0.00
G. Employer Contribution and Payroll Taxes Payable	16,978,531.57	0.00	16,978,531.57	4,866,391.47
H. Other Liabilities	0.00	0.00	0.00	0.00
I. Total Intragovernmental Other Liabilities	\$ 37,912,439.00	\$ 20,933,907.43	\$ 58,846,346.43	\$ 63,065,641.20
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	\$ 128,302,240.95	\$ 0.00	\$ 128,302,240.95	\$ 107,895,286.60
B. Advances from Others	97,863,916.05	0.00	97,863,916.05	78,712,044.48
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	2,572.42	0.00	2,572.42	(898,738.59)
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	102,031,909.15	0.00	102,031,909.15	108,610,499.86
H. Capital Lease Liability	0.00	0.00	0.00	0.00
I. Contract Holdbacks	26,340,734.64	0.00	26,340,734.64	32,114,832.75
J. Employer Contribution and Payroll Taxes Payable	27,743,308.01	0.00	27,743,308.01	58,984,346.92
K. Contingent Liabilities	25,360.00	36,260,971.03	36,286,331.03	27,430,192.78
L. Other Liabilities	0.00	0.00	0.00	0.00
M. Total Nonfederal Other Liabilities	\$ 382,310,041.22	\$ 36,260,971.03	\$ 418,571,012.25	\$ 412,848,464.80
3. Total Other Liabilities	\$ 420,222,480.22	\$ 57,194,878.46	\$ 477,417,358.68	\$ 475,914,106.00

Capital Lease Liability

As of June 30	2008				2007	
	Asset Category					
	Land and Buildings	Equipment	Other	Total	Total	
1. Future Payments Due						
A. 2008	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. 2009	0.00	0.00	0.00	0.00	0.00	0.00
C. 2010	0.00	0.00	0.00	0.00	0.00	0.00
D. 2011	0.00	0.00	0.00	0.00	0.00	0.00
E. 2012	0.00	0.00	0.00	0.00	0.00	0.00
F. 2013	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
2. Capital Lease Liabilities Covered by Budgetary Resources				\$ 0.00	\$ 0.00	\$ 0.00
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ 0.00	\$ 0.00	\$ 0.00

Contingent Liabilities includes \$36.3 million in estimated future contract financing payments to be paid upon delivery and Government acceptance of a satisfactory product. In accordance with contract terms, when a specific type of contract financing payments are made, specific rights to the contractor's work vests with the Government. This action protects taxpayer funds in the event of contract nonperformance. These rights should not be misconstrued as the rights of ownership. The AWCF is under no obligation to pay the contractor for amounts greater than the amounts authorized in the contract until delivery and Government acceptance. Because it is probable that the contractor will complete its efforts and deliver a satisfactory product to the AWCF and the amount of potential future payments is estimable, the AWCF has recognized a contingent liability for estimated future payments, which are conditional pending delivery and Government acceptance of a satisfactory product.

Note 16.	Commitments and Contingencies
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The AWCF is a party in various administrative proceedings and legal actions, with claims, including environmental damage claims, equal opportunity matters, and contractual bid protests.

The AWCF has accrued contingent liabilities for legal actions where the Army's Office of the General Counsel considers an adverse decision probable and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The AWCF records Judgment Fund liabilities in Note 12, "Accounts Payable," and Note 15, "Other Liabilities."

Nature of Contingency

The FY 2007 Army Legal Representation Letter outlines one claim against AWCF totaling \$486.7 million for which the Army Office of General Counsel is unable to express an opinion.

In addition, the AWCF has other contingent liabilities in which the possibility of loss is considered reasonable. These liabilities are not accrued in the Army's financial statements nor are reported in the FY 2007 Army Legal Representation Letter. As of June 30, 2008, AWCF has approximately \$700,000 in claims at Army Materiel Command considered reasonably possible. Estimates for litigations, claims and assessments are fully supported. Additionally, AWCF has coordinated with Army Office of General Counsel to ensure that estimates agree with the legal representation letters and management summary schedule.

Other Information Pertaining to Commitments

The AWCF does not have open contracts citing canceled appropriations.

Contingencies that are considered both measurable and probable have been recognized as liabilities. Refer to Note 15, Other Liabilities, for further details.

The AWCF is a party in numerous individual contracts that contain clauses, such as price escalation, award fee payments, or dispute resolution, that may or may not result in a future outflow of expenditures. Currently, AWCF does not have a systematic process by which it captures or assesses these potential contingent liabilities; therefore, the amounts reported may not fairly present AWCF contingent liabilities.

Note 17.	Military Retirement and Other Federal Employment Benefits
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As of June 30	2008				2007
	Present Value of Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liability	Present Value of Benefits
1. Pension and Health Actuarial Benefits					
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
2. Other Actuarial Benefits					
A. FECA	\$ 243,111,829.47	4.93	\$ 0.00	\$ 243,111,829.47	\$ 262,499,476.04
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	\$ 243,111,829.47		\$ 0.00	\$ 243,111,829.47	\$ 262,499,476.04
3. Other Federal Employment Benefits	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
4. Total Military Retirement and Other Federal Employment Benefits:	\$ 243,111,829.47		\$ 0.00	\$ 243,111,829.47	\$ 262,499,476.04

Actuarial Cost Method Used:

Assumptions:

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

Federal Employees Compensation Act (FECA)

The AWCF actuarial liability for workers' compensation benefits is developed by the Department of Labor and provided to AWCF at the end of each fiscal year. The liability includes the estimated liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments. The projected annual benefit payments are discounted to present value using the Office of Management and Budget's (OMB's) economic assumptions for 10-year Treasury notes and bonds. Cost of living adjustments (COLAs) and consumer price index medical (CPIM) factors are applied to the calculation of projected future benefits.

The liability for future workers' compensation (FWC) benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that

utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefits payments have been discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

2007

4.930% in Year 1

5.078% in Year 2

And thereafter

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (COLAs) and medical inflation factors (CPIMs) were applied to the calculation of projected future benefits. The actual rates for these factors for the charge back year (CBY) 2006 are used to adjust the methodology's historical payments to current year constant dollars.

The compensation COLAs and CPIMs used in the projections for various charge back years (CBY) were as follows:

<u>CBY</u>	<u>COLA</u>	<u>CPIM</u>
2007	2.63%	3.74%
2008	2.90%	4.04%
2009	2.47%	4.00%
2010	2.37%	3.94%
2011+	2.30%	3.94%

The model's resulting projections were analyzed to insure 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 2007 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 2007 projection to the average pattern for the projections of the most recent three years.

Other Disclosures

The AWCF actuarial liabilities decreased \$19.4 million since the previous calculation at the end of FY 2006.

Actuarial liabilities are computed for employee compensation benefits as mandated by the Federal Employment Compensation Act (FECA). The Office of Personnel Management provides updated Army actuarial liabilities during the 4th Quarter of each fiscal year. The AWCF computes its portion of the total Army actuarial liability based on the percentage of AWCF FECA expense to the total Army FECA expense.

Note 18.	General Disclosures Related to the Statement of Net Cost
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Intragovernmental Costs and Exchange Revenue		
As of June 30	2008	2007

As of June 30	2008	2007
1. Intragovernmental Costs	\$ 2,787,391,066.04	\$ 2,292,238,238.33
2. Public Costs	12,116,256,258.27	9,726,997,031.28
3. Total Costs	\$ 14,903,647,324.31	\$ 12,019,235,269.61
4. Intragovernmental Earned Revenue	\$ (10,133,871,048.14)	\$ (9,208,774,998.25)
5. Public Earned Revenue	(5,400,731,441.85)	(4,586,183,161.64)
6. Total Earned Revenue	\$ (15,534,602,489.99)	\$ (13,794,958,159.89)
7. Net Cost of Operations	\$ (630,955,165.68)	\$ (1,775,722,890.28)

Intragovernmental costs and revenue are 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 AWCF systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. Expenses were adjusted by reclassifying amounts between federal and nonfederal expenses.

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

While AWCF activities generally record transactions on an accrual basis, as is required by federal generally accepted accounting principles, the systems do not always capture actual costs. Some of the information presented on the Consolidated Statement of Net Cost is based on non-financial feeder systems, including property accountability and logistics systems. The AWCF is in the process of upgrading its financial and logistical feeder systems to the Logistics Modernization Program to address this issue.

Note 19. Disclosures Related to the Statement of Changes in Net Position

As of June 30	2008		2007	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Prior Period Adjustments				
Increases (Decreases) to Net Position Beginning Balance				
A. Changes in Accounting Standards	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Errors and Omissions in Prior Year Accounting Reports	0.00	0.00	0.00	0.00
C. Total Prior Period Adjustments	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Imputed Financing				
A. Civilian CSRS/FERS Retirement	\$ 34,324,359.30	\$ 0.00	\$ 35,594,969.55	\$ 0.00
B. Civilian Health	79,870,209.00	0.00	83,091,333.00	0.00
C. Civilian Life Insurance	184,093.84	0.00	163,774.48	0.00
D. Judgment Fund	0.00	0.00	0.00	0.00
E. Other	0.00	0.00	0.00	0.00
F. IntraEntity	0.00	0.00	0.00	0.00
G. Total Imputed Financing	\$ 114,378,662.14	\$ 0.00	\$ 118,850,077.03	\$ 0.00

Legend:

CSRS – Civil Service Retirement System

FERS – Federal Employee Retirement System

Other Financing Sources, Other on the Statement of Net Position represents transfers-in and transfers-out for which trading partners could not be identified. These transactions are recorded as other gains and losses.

Note 20.	Disclosures Related to the Statement of Budgetary Resources
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As of June 30	2008	2007
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 11,774,168,047.30	\$ 10,756,946,415.21
2. Available Borrowing and Contract Authority at the End of the Period	2,696,596,419.64	8,610,757,963.84

All AWCF obligations represent reimbursable obligations in apportionment category B. The AWCF Statement of Budgetary Resources includes intraentity transactions because the statements are presented as combined. There are no legal arrangements affecting the use of unobligated balances of budgetary authority. This note has been modified to accurately report the remaining available balance of Borrowing and Contract Authority. Previously, the AWCF reported the amount of contract/borrowing authority that had been initially used and subsequently replaced by reimbursement or appropriation.

Note 21.	Reconciliation of Net Cost of Operations to Budget
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As of June 30	2008	2007
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Resources Used to Finance Activities:

Budgetary Resources Obligated:

1. Obligations incurred	\$ 14,438,304,202.55	\$ 13,192,193,582.73
2. Less: Spending authority from offsetting collections and recoveries (-)	(13,248,734,475.44)	(13,887,366,595.05)
3. Obligations net of offsetting collections and recoveries	\$ 1,189,569,727.11	\$ (695,173,012.32)
4. Less: Offsetting receipts (-)	0.00	0.00
5. Net obligations	\$ 1,189,569,727.11	\$ (695,173,012.32)
Other Resources:		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	66,813.94	0.00
8. Imputed financing from costs absorbed by others	114,378,662.14	118,850,077.03
9. Other (+/-)	36,660,733.05	(130,750,626.09)
10. Net other resources used to finance activities	\$ 151,106,209.13	\$ (11,900,549.06)
11. Total resources used to finance activities	\$ 1,340,675,936.24	\$ (707,073,561.38)

Resources Used to Finance Items not Part of the Net Cost of Operations:

12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided:		
12a. Undelivered Orders (-)	\$ (1,823,417,930.64)	\$ (1,755,165,004.88)
12b. Unfilled Customer Orders	595,832,204.35	1,966,717,762.93
13. Resources that fund expenses recognized in prior Periods (-)	(22,385,763.67)	(12,875,478.54)
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 (-)	(6,397,522,206.49)	(5,758,064,684.47)
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 (+/-)	(36,727,546.99)	130,750,626.09
17. Total resources used to finance items not part of the Net Cost of Operations	\$ (7,684,221,243.44)	\$ (5,428,636,778.87)
18. Total resources used to finance the Net Cost of Operations	\$ (6,343,545,307.20)	\$ (6,135,710,340.25)

Army Working Capital Fund

As of June 30	2008	2007
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Period:		
19. Increase in annual leave liability	\$ 20,239,369.46	\$ 10,705,509.32
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	25,360.00
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$ 20,239,369.46	\$ 10,730,869.32
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	\$ 41,260,802.13	\$ 39,060,739.19
26. Revaluation of assets or liabilities (+/-)	1,772,321,711.70	1,161,453,917.15
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	4,507,679,493.99	3,615,553,286.00
27c. Operating Material and Supplies Used	0.00	0.00
27d. Other	(628,911,235.76)	(466,811,361.69)
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ 5,692,350,772.06	\$ 4,349,256,580.65
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$ 5,712,590,141.52	\$ 4,359,987,449.97
30. Net Cost of Operations	\$ (630,955,165.68)	\$ (1,775,722,890.28)

Due to AWCF's financial systems limitations, budgetary data is not in agreement with proprietary expenses and assets capitalized. The difference between budgetary and proprietary data is a previously identified deficiency.

Resources that Finance the Acquisition of Assets were adjusted by \$458.2 million to bring the note schedule into agreement with the Statement of Net Cost.

The following Reconciliation of Net Cost of Operations to Budget 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, Other consists of other gains and other losses primarily attributable to differences between intragovernmental transfers-in/out for which trading partners could not be identified.

Other Resources or Adjustments to Net Obligated Resources that do not affect Net Cost of Operations, Other consists mostly of other gains and other losses primarily attributable to differences between intragovernmental transfers-in/out for which trading partners could not be identified.

Components not Requiring or Generating Resources Other, Other consists of cost capitalization offsets. Agencies must first record all expenses to Operating Expenses/Program Costs. These expenses are then offset using the Cost Capitalization Offset account when the costs are capitalized to the appropriate "in-process type" account.

Beginning 4th Quarter, FY 2007, DoD began presenting the Statement of Financing (SOF) as a note in accordance with the Office of Management and Budget (OMB) Circular A-136. The SOF will no longer be considered a basic statement and is now referred to as "Reconciliation of Net Cost of Operations to Budget."

Note 22.

Disclosures Related to Incidental Custodial Collections

Note 23.

Earmarked Funds

BALANCE SHEET
As of June 30, 2008

Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
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ASSETS

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
Total Assets	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

LIABILITIES and NET POSITION

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
Total Liabilities	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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
Total Liabilities and Net Position	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

STATEMENT OF NET COST

For the period ended June 30, 2008

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
Net Program Costs	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Less Earned Revenues Not Attributable to Programs	0.00	0.00	0.00	0.00	0.00
Net Cost of Operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Army Working Capital Fund

STATEMENT OF CHANGES IN NET POSITION For the period ended June 30, 2008	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

Note 24.	Other Disclosures
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As of June 30	2008 Asset Category			
	Land and Buildings	Equipment	Other	Total

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

Future Payments Due

Fiscal Year

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
2013		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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Note 25.

Restatements