



DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
PRINCIPAL STATEMENTS



PRINCIPAL STATEMENTS

The FY 2003 Navy Working Capital Fund Principal Financial Statements and related notes are presented in the format prescribed by the Department of Defense Financial Management Regulation 7000.14, Volume 6B. The statements and related notes summarize financial information for individual funds and accounts within the Navy Working Capital Fund for the fiscal year ending September 30, 2003, and are presented on a comparative basis with information previously reported for the fiscal year ending September 30, 2002.

The following statements are included in the Navy Working Capital Fund Principal Statements:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Combined Statement of Financing

The Principal Statements and related notes have been prepared to report financial position pursuant to the requirements of the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994.

The accompanying notes should be considered an integral part of the Principal Statements.



Department of Defense
Navy Working Capital Fund
CONSOLIDATED BALANCE SHEET
As of September 30, 2003 and 2002
(\$ in thousands)

	<u>2003 Consolidated</u>	<u>2002 Consolidated</u>
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)		
Entity	\$ 1,827,646	\$ 1,709,680
Non-Entity Seized Iraqi Cash	0	0
Non-Entity - Other	0	0
Investments (Note 4)	0	0
Accounts Receivable (Note 5)	582,773	525,240
Other Assets (Note 6)	10,392	266
Total Intragovernmental Assets	<u>\$ 2,420,811</u>	<u>\$ 2,235,186</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0
Accounts Receivable (Note 5)	111,775	80,901
Loans Receivable (Note 8)	0	0
Inventory and Related Property (Note 9)	18,256,128	17,655,864
General Property, Plant and Equipment (Note 10)	4,323,910	4,190,837
Investments (Note 4)	0	0
Other Assets (Note 6)	868,808	1,140,654
TOTAL ASSETS	<u><u>\$ 25,981,432</u></u>	<u><u>\$ 25,303,442</u></u>
LIABILITIES (Note 11)		
Intragovernmental:		
Accounts Payable (Note 12)	\$ 313,786	\$ 434,772
Debt (Note 13)	615,648	750,725
Environmental Liabilities (Note 14)	0	0
Other Liabilities (Note 15 & Note 16)	289,268	177,808
Total Intragovernmental Liabilities	<u>\$ 1,218,702</u>	<u>\$ 1,363,305</u>
Accounts Payable (Note 12)	\$ 2,102,870	\$ 1,799,671
Military Retirement Benefits and Other Employment-Related		
Actuarial Liabilities (Note 17)	1,409,853	1,325,926
Environmental Liabilities (Note 14)	0	0
Loan Guarantee Liability (Note 8)	0	0
Other Liabilities (Note 15 and Note 16)	3,113,177	2,807,834
Debt Held by Public (Note 13)	0	0
TOTAL LIABILITIES	<u><u>\$ 7,844,602</u></u>	<u><u>\$ 7,296,736</u></u>
NET POSITION		
Unexpended Appropriations (Note 18)	\$ 0	\$ 0
Cumulative Results of Operations	18,136,830	18,006,706
TOTAL NET POSITION	<u><u>\$ 18,136,830</u></u>	<u><u>\$ 18,006,706</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 25,981,432</u></u>	<u><u>\$ 25,303,442</u></u>

The accompanying notes are an integral part of these statements.

Department of Defense
 Navy Working Capital Fund
CONSOLIDATED STATEMENT OF NET COST
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>2003 Consolidated</u>	<u>2002 Consolidated</u>
Program Costs		
Intragovernmental Gross Costs	\$ 5,422,250	\$ 5,382,324
(Less: Intragovernmental Earned Revenue)	(21,871,864)	(20,916,260)
Intragovernmental Net Costs	<u>\$ (16,449,614)</u>	<u>\$ (15,533,936)</u>
Gross Costs With the Public	\$ 17,656,253	18,837,402
(Less: Earned Revenue From the Public)	(766,709)	(862,692)
Net Costs With the Public	<u>\$ 16,889,544</u>	<u>\$ 17,974,710</u>
Total Net Cost	\$ 439,930	\$ 2,440,774
Costs Not Assigned to Programs	0	0
(Less: Earned Revenue Not Attributable to Programs)	0	0
Net Cost of Operations	<u><u>\$ 439,930</u></u>	<u><u>\$ 2,440,774</u></u>

The accompanying notes are an integral part of these statements.





Department of Defense
 Navy Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	Cumulative Results of Operations	Cumulative Results of Operations
	2003 Consolidated	2002 Consolidated
Beginning Balances	\$ 18,006,706	\$ 17,718,572
Prior period adjustments (+/-)	0	1,952,397
Beginning Balances, as adjusted	<u>\$ 18,006,706</u>	<u>\$ 19,670,969</u>
Budgetary Financing Sources:		
Appropriations Received	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0
Other adjustments (recissions, etc) (+/-)	0	0
Appropriations used	40,200	0
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	0	0
Other budgetary financing sources (+/-)	0	312,060
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	(13,527)	(1,138)
Imputed financing from costs absorbed by others	543,381	465,589
Other (+/-)	0	0
Total Financing Sources	<u>\$ 570,054</u>	<u>\$ 776,511</u>
Net Cost of Operations (+/-)	<u>\$ 439,930</u>	<u>\$ 2,440,774</u>
Ending Balances	<u><u>\$ 18,136,830</u></u>	<u><u>\$ 18,006,706</u></u>

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the years ended September 30, 2003 and 2002

(\$ in thousands)

	Unexpended Appropriations	Unexpended Appropriations
	2003 Consolidated	2002 Consolidated
	<u> </u>	<u> </u>
Beginning Balances	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0
Beginning Balances, as adjusted	<u>\$ 0</u>	<u>\$ 0</u>
Budgetary Financing Sources:		
Appropriations Received	\$ 40,200	\$ 0
Appropriations transferred in/out (+/-)	0	0
Other adjustments (recissions, etc) (+/-)	0	0
Appropriations used	(40,200)	0
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	0	0
Other budgetary financing sources (+/-)	0	0
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	0	0
Imputed financing from costs absorbed by others	0	0
Other (+/-)	0	0
Total Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balances	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of these statements.





Department of Defense
 Navy Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	2003 Combined Budgetary Financing Accounts	2002 Combined Budgetary Financing Accounts
BUDGETARY RESOURCES		
Budget Authority:		
Appropriations Received	\$ 40,200	\$ 0
Borrowing Authority	0	0
Contract Authority	558,144	818,950
Net transfers (+/-)	0	0
Other	0	0
Unobligated Balance:		
Beginning of period	4,117,221	3,106,657
Net transfers, actual (+/-)	(30,200)	0
Anticipated Transfers Balances	0	0
Spending Authority from Offsetting Collections:		
Earned	0	0
Collected	25,585,547	24,242,264
Receivable from Federal sources	(432,227)	(478,538)
Change in unfilled customer orders	0	0
Advances received	178,239	58,673
Without advance from Federal sources	1,964,175	773,407
Anticipated for the rest of year, without advances	0	0
Transfers from trust funds	0	0
Subtotal	\$ 27,295,734	\$ 24,595,806
Recoveries of prior year obligations	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0
Permanently not available	(204,140)	(417,232)
Total Budgetary Resources	\$ 31,776,959	\$ 28,104,181
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 0	\$ 0
Reimbursable	27,263,631	23,986,959
Subtotal	\$ 27,263,631	\$ 23,986,959
Unobligated balance:		
Apportioned	\$ 4,632,115	\$ 4,117,221
Exempt from apportionment	0	0
Other available	2	1
Unobligated Balances Not Available	(118,789)	0
Total, Status of Budgetary Resources	\$ 31,776,959	\$ 28,104,181

The accompanying notes are an integral part of these statements.

Department of Defense
 Navy Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	2003 Combined Budgetary Financing Accounts	2002 Combined Budgetary Financing Accounts
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
Obligated Balance, Net-beginning of period	\$ 2,985,762	\$ 2,421,105
Obligated Balance transferred, net (+/-)	0	0
Obligated Balance, Net-end of period:		
Accounts Receivable	(341,097)	(773,326)
Unfilled customer order from Federal sources	(8,756,130)	(6,791,954)
Undelivered Orders	7,998,442	7,327,957
Accounts Payable	4,372,899	3,223,082
Outlays:		
Disbursements	25,443,332	23,127,436
Collections	(25,763,785)	(24,300,937)
Subtotal	\$ (320,453)	\$ (1,173,501)
Less: Offsetting receipts	0	0
Net Outlays	\$ (320,453)	\$ (1,173,501)

The accompanying notes are an integral part of these statements.



Department of Defense
Navy Working Capital Fund
COMBINED STATEMENT OF FINANCING
For the years ended September 30, 2003 and 2002
(\$ in thousands)

	<u>2003 Combined</u>	<u>2002 Combined</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 27,263,631	\$ 23,986,959
Less: Spending Authority from offsetting collections and recoveries (-)	(27,295,734)	(24,595,806)
Obligations net of offsetting collections and recoveries	\$ (32,103)	\$ (608,847)
Less: Offsetting receipts (-)	0	0
Net obligations	\$ (32,103)	\$ (608,847)
Other Resources		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	(13,527)	0
Imputed financing from costs absorbed by others	543,381	465,589
Other (+/-)	0	0
Net other resources used to finance activities	\$ 529,854	\$ 465,589
Total resources used to finance activities	\$ 497,751	\$ (143,258)
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
Undelivered orders (-)	\$ (703,528)	\$ (3,023,627)
Unfilled Customer Orders	2,142,413	832,078
Resources that fund expenses recognized in prior periods	0	(46,725)
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations		
Operations	8	0
Resources that finance the acquisition of assets	(1,899,644)	5,167,247
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations		
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0
Other (+/-)	0	0
Total resources used to finance items not part of the Net Cost of Operations	\$ (460,751)	\$ 2,928,973
Total resources used to finance the Net Cost of Operations	\$ 37,000	\$ 2,785,715

The accompanying notes are an integral part of these statements.

Department of Defense
 Navy Working Capital Fund
COMBINED STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>2003 Combined</u>	<u>2002 Combined</u>
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 Periods:		
Increase in annual leave liability	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0
Upward/Downward reestimates of credit subsidy expense	0	0
Increase in exchange revenue receivable from the public (-)	0	0
Other (+/-)	83,927	0
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 83,927	\$ 0
Components not Requiring or Generating Resources:		
Depreciation and amortization	\$ 243,755	\$ 210,490
Revaluation of assets and liabilities (+/-)	74,973	(555,394)
Other (+/-)	275	(41)
Total components of Net Cost of Operations that will not require or generate resources	\$ 319,003	\$ (344,945)
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ 402,930	\$ (344,945)
Net Cost of Operations	\$ 439,930	\$ 2,440,774

The accompanying notes are an integral part of these statements.







DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
NOTES TO THE PRINCIPAL STATEMENTS



NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the 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) Bulletin No. 01-09, "Form and Content of Agency Financial Statements," and to the extent possible Federal Generally Accepted Accounting Principles (GAAP). The accompanying financial statements account for all resources for which the NWCF is responsible except that information relative to classified assets, programs, and operations has been excluded from the statement or otherwise aggregated and reported in such a manner that it is no longer classified. The NWCF financial statements are in addition to the financial reports also prepared by the NWCF pursuant to OMB directives that are used to monitor and control the NWCF use of budgetary resources.

The NWCF is unable to fully implement all elements of Federal GAAP and OMB Bulletin No. 01-09 due to limitations of its financial management processes and systems, including nonfinancial feeder systems and processes. Reported values and information for NWCF major asset and liability categories are derived in part from nonfinancial feeder systems, such as inventory systems and logistic systems. These 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 Federal GAAP. The NWCF continues to implement process and system improvements addressing the limitation of its financial and nonfinancial feeder systems. A more detailed explanation of these financial statement elements is provided in the applicable note.

B. Mission of the Reporting Entity

The overall mission of the Department of the Navy (DON) is to organize, train, and equip forces to deter aggression and, if necessary, defeat aggressors of the United States and its allies. 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 CFO Act of 1990, as amended for the past thirteen 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.

The NWCF financial statements include all activities previously financed through the Navy Industrial Fund and DON Stock Fund. DoD converted these activities to the Defense Business Operations Fund (DBOF) in October 1991. In December 1996, Under Secretary of Defense (Comptroller) replaced the DBOF with four working capital funds, one of which is the NWCF. This action did not change the previous organizational reporting structure.

C. Appropriations and Funds

The DON's appropriations and funds are divided into the general, working capital (revolving funds), trust, special, and deposit funds. These appropriations and funds are used to fund and report how the resources have been used in the course of executing the DON's missions.

The NWCF (a revolving fund) received its initial working capital through an appropriation or a transfer of resources from existing appropriations or funds and used those capital resources to finance the initial cost of products and services. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. The NWCF 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.

D. Basis of Accounting

The NWCF generally records transactions on an accrual accounting basis as required by Federal GAAP. However, some of the NWCF's financial and nonfinancial feeder systems and processes are not designed to collect and record financial information on the full accrual accounting basis. The NWCF 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 Federal GAAP.

In addition, the NWCF identifies programs based upon the major appropriation groups provided by Congress. The NWCF 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 Statements 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.

E. Revenues and Other Financing Sources

Revenue is recognized according to the percentage of completion method for depot maintenance activities. Research and Development activities recognized revenue according to the percentage of completion method or as actual costs are incurred and billed. Revenue is recognized when an inventory item is sold for supply management activities and at the time service is rendered for base support activities. Revenue for the transportation activity group is recognized on either a reimbursable or per diem basis, that is revenue is recognized when earned. 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 non-monetary support provided by U.S. Allies for common defense and mutual security in its list of other financing sources that appears in the Statement of Financing. The U.S. has agreements with foreign countries that include both direct or 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 in a port. DoD is reviewing these types of financing and cost reductions in order to establish accounting policies and procedures to identify what, if any, of these costs are appropriate for disclosure in the financial statements in accordance with generally accepted accounting principles. Recognition of support provided by host nations would affect both financing sources and recognition of expenses.

F. Recognition of Expenses

For financial reporting purposes, the 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 contracts. Expenditures for capital and other long-term assets are not recognized as expenses in the NWCF's operations until depreciated in the case of Property, Plant, and Equipment (PP&E) or consumed in the case of Operating Materials and Supplies (OM&S). Net increases or decreases in unexpended appropriations are recognized as a change in the net position.

Operating expenses were adjusted as a result of the elimination of balances between DoD Components. See Note 19.I Intra-governmental Expenses and Revenue, for disclosure of adjustment amounts.

G. Accounting for Intro-governmental Activities

The NWCF, 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 reflect the results of all financial decisions applicable to the NWCF as though the agency was a stand-alone entity.



The DON's proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related costs are not apportioned to federal agencies. The NWCF's financial statements, therefore, do not report any portion of the federal government 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 DON facilities is obtained through budget 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 Department of the Treasury does not allocate such interest costs to the benefiting agencies.

The NWCF's civilian employees participate in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement Systems (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. The NWCF funds a portion of the civilian and military pensions. Reporting civilian pension under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). The NWCF recognizes an imputed expense for the portion of civilian employee pensions and other retirement benefits funded by the OPM in the Statement of Net Cost; and recognizes corresponding imputed revenue from the civilian employee pensions and other retirement benefits in the Statement of Changes in Net Position.

To prepare reliable financial statements, transactions occurring between components or activities within the NWCF must be eliminated. However, the NWCF cannot accurately identify all intra-governmental transactions by customer. The Defense Finance and Accounting Service (DFAS) is responsible for eliminating transactions between components or activities of the NWCF. For FY 1999 and beyond, seller entities within the Department provided summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal DoD accounting offices. In most cases, the buyer-side records have been adjusted to recognize unrecorded costs and accounts payable. Intra-DoD intra-governmental balances were then eliminated.

The Department of the Treasury, Financial Management Service is responsible for eliminating transactions between the Department and other federal agencies. In September 2000, the Financial Management Service issued the "Federal Intra-governmental Transactions Accounting Policies and Procedures Guide." The Department was not able to fully implement the policies and procedures in this guide related to reconciling intra-governmental assets, liabilities, revenues, and expenses for non-fiduciary transactions. The NWCF, however, was able to implement the policies and procedures contained in the "Intra-governmental Fiduciary Transactions Accounting Guide," as updated by the "Federal Intra-governmental Transactions Accounting Policies and Procedures Guide," issued October 2002, for reconciling intra-governmental transactions. These transactions pertain to investments in federal securities, borrowings from the United States (U.S.) Treasury and the Federal Financing Bank, Federal Employees' Compensation Act transactions with the Department of Labor, and benefit program transactions with the OPM.

H. Transactions with Foreign Governments and International Organizations

Each year, the DoD Components sell defense articles and services to foreign governments and international organizations, primarily under the provisions of the "Arms Export Control Act of 1976." Under the provisions of this 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. Customers may be required to make payments in advance.

I. Funds with the U.S. Treasury

The NWCF's financial resources are maintained in U.S. Treasury accounts. Cash collections, disbursements, and adjustments are processed worldwide at the DFAS, Military Services, and the U.S. Army Corps of Engineers (USACE) disbursing stations, as well as the Department of State financial service centers. Each disbursing station prepares monthly reports, which provide information to the U.S. Treasury on check issues, electronic fund transfers, interagency transfers and deposits.

In addition, the DFAS sites and the USACE Finance Center submit reports to the Department of the Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The Department of the Treasury then records this information to the applicable Fund Balance with Treasury (FBWT) account maintained in the Treasury's system. Differences between the NWCF's recorded balance in the FBWT accounts and Treasury's FBWT accounts sometimes result and are subsequently reconciled. Material disclosures are provided at Note 3. Differences between accounting offices' detail-level records and Treasury's FBWT accounts are disclosed in Note 21.B, specifically, differences caused by in-transit disbursements and unmatched disbursements (which are not matched in the accounting offices' detail-level records).

J. Foreign Currency

Not Applicable.

K. Accounts Receivable

As presented in the Balance Sheet, accounts receivable includes accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. DoD does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against another federal agency are to be resolved between the agencies. Material disclosures are provided in Note 5.

L. Loans Receivable. As Applicable.

Not Applicable.

M. Inventories and Related Property

Effective October 1, 2002, Statement of Federal Financial Accounting Standards No.23, Eliminating the Category National Defense Property, Plant, and Equipment, revises accounting principles for military equipment (previously referred to as National Defense Property, Plant, and Equipment). The standard renames National Defense Property, Plant, and Equipment to military equipment, classifies military equipment as general property, plant, and equipment, and requires the capitalization and depreciation of the cost of military equipment, including the cost of modifications and upgrades. Likewise, military equipment (previously referred to as National Defense Property, Plant, and Equipment) also includes items which will now be classified as Operating Materials and Supplies. Military equipment is reported on the books of the Department of the Navy General Fund.

The majority of the NWCF inventories are reported at approximate historical cost using Latest Acquisition Cost (LAC) adjusted for holding gains and losses, the remaining inventory is valued using Moving Average Cost (MAC).

The NWCF uses the LAC method because its inventory systems were designed for material management rather than accounting. The systems provide accountability and visibility over inventory items. They do not maintain the historical cost data necessary to comply with the SFFAS No. 3, "Accounting for Inventory and Related Property." Neither can they directly produce financial transactions using the United States Government Standard General Ledger (USSGL), as required by the Federal Financial Management Improvement Act of 1996 (P.L. 104-208). DoD is transitioning to a MAC methodology for valuing inventory that when fully implemented will allow the NWCF to comply with SFFAS No. 3.

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, the DoD manages only military or government-specific material under normal conditions. Items commonly used in and available from the commercial sector are not managed in the DoD material management activities. Operational cycles are irregular, and the military risks associated with stock-out positions have no commercial parallel. The DoD holds material based on military need and support for contingencies.



Related property includes Operating Materials and Supplies (OM&S) and stockpile materials. The OM&S, including munitions not held for sale, are valued at standard purchase price. The NWCF uses various methods of accounting for OM&S.

The DoD implemented new policy in FY 2002 to account for condemned material (only) as "Excess, Obsolete, and Unserviceable." The net value of condemned material is zero, because the costs of disposal are greater than the potential scrap value. Material that can be potentially redistributed, 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.

In August 2003, DoD adopted the use of an allowance to reflect impaired assets, i.e. Inventory Held for Repair. Previously, the DoD financial statements have presented its impaired assets at other than historical cost. The NWCF will implement the allowance method in conjunction with the transition to MAC.

In addition, past audit results identified uncertainties about the completeness and existence of quantities used to produce the reported values. Material disclosures related to Inventory and Related Property are provided at Note 9.

N. Investments in U.S. Treasury Securities

Not Applicable.

O. General Property, Plant and Equipment

Effective October 1, 2002, Statement of Federal Financial Accounting Standards No. 23, Eliminating the Category National Defense Property, Plant, and Equipment, revises accounting principles for military equipment (previously referred to as National Defense Property, Plant, and Equipment). The standard renames National Defense Property, Plant, and Equipment to military equipment, classifies military equipment as general property, plant, and equipment, and requires the capitalization and depreciation of the cost of military equipment, including the cost of modifications and upgrades. Military equipment is reported on the books of the Department of the Navy General Fund.

General PP&E assets and any improvements to the asset are capitalized at historical acquisition cost when the asset has a useful life of two or more years, and when the acquisition cost equals or exceeds the DoD capitalization threshold of \$100 thousand. Improvement costs over the DoD capitalization threshold of \$100 thousand for General PP&E are required to be capitalized. All General PP&E, other than land, is depreciated on a straight-line basis. Land is not depreciated.

Effective February 20, 2003, Public Law 108-7, the Consolidated Appropriations Resolution, 2003, Section 106 increased the expense/investment unit value threshold from \$100 thousand to \$250 thousand. FMR, Volume 2B, Chapter 9, eludes to the fact that if the expense/investment threshold changes, the capitalization threshold changes. The revised threshold is not applicable to FY 2002 and other prior fiscal year appropriations. Since the NWCF receives their funds through the Capital Purchases Program (CPP) the threshold remains at \$100 thousand for FY 2003.

General PP&E has been capitalized and reported on the NWCF financial statements using the following DoD capitalization thresholds: FY 1996 through FY 2003 - \$100 thousand; FY 1995 - \$50 thousand; FY 1994 - \$25 thousand; and FY 1993 - \$15 thousand.

For NWCF activities, all 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 PP&E categories. Military Equipment, Heritage Assets and Stewardship Land owned or maintained on a NWCF installation are reported in the Supplemental Stewardship Report of the applicable Military Department. To prevent duplicative reporting of the same Heritage Assets within DON, the total number of DON-wide Heritage Assets are reported in the Required Supplementary Stewardship Information of the Annual Audited Financial Statements of the DON General Funds (Treasury Index 17).

Material disclosures are provided at Note 10.

P. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances or prepayments and reported as an asset on the Balance Sheet. Advances and prepayments are recognized as expenditures and expenses when the related goods and services are received.

Q. Leases

Generally, lease payments are for the rental of equipment and operating facilities and 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 DoD 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 value. The NWCF deems the use of estimates for these costs as adequate and appropriate due to the relatively low dollar value of capital leases. Imputed interest was necessary to reduce net minimum lease payments to present value calculated at the incremental borrowing rate at the inception of the leases. In addition, the NWCF classifies leases that do not transfer substantially all of the benefits or risks of ownership as operating leases and records payment expenses over the lease term.

R. Other Assets

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 provides financing payments. One type of financing payment that the NWCF makes, for real property, is based upon a percentage of completion. In accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities," such payments are treated as construction in process and are reported on the General PP&E line and in Note 10, General PP&E, Net.

In addition, based on the provision of the Federal Acquisition Regulation (FAR), the NWCF makes financing payments under fixed price contracts that are not based on a percentage of completion. The NWCF reports these financing payments as advances or prepayments in the "Other Assets" line item. The NWCF treats these payments as advances or prepayments because the NWCF becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the NWCF is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the NWCF for the full amount of the advance.

The DoD has completed a review of all applicable federal accounting standards; applicable public laws on contract financing FAR Parts 32, 49, and 52; and the OMB guidance in 5 Code of Federal Regulations Part 1315, "Prompt Payment." The DoD has concluded that SFFAS No. 1 does not fully or adequately address the subject of progress payment accounting and is considering what further action is appropriate.

S. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss to the NWCF. The uncertainty will be resolved when one or more future events occur or fail to occur. A contingency is recognized as a liability when a past event or exchange transaction has occurred, a future loss is probable and the amount of loss 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 that a loss or additional loss will be incurred. Examples of loss contingencies include the collectibility of receivables, pending or threatened litigation, possible claims and assessments. The NWCF's loss contingencies arising as a result of pending or threatened litigation or claims and assessments occur due to events such as vehicle accidents; property damages; and contract disputes.

**T. Accrued Leave**

Civilian annual leave that has been accrued and not used as of the balance sheet date is reported as a liability. The liability reported at the end of the fiscal year reflects the current pay rates.

U. Net Position

Net Position consists of unexpended appropriations and cumulative results of operations (CRO). Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated but for which legal liabilities for payments have not been incurred.

CRO for the NWCF represents the excess of revenues over expenses less refunds to customers and returns to the U.S. Treasury since fund inception.

V. Treaties for Use of Foreign Bases

The DoD Components have the use of land, buildings, and other facilities, which are located overseas and have been obtained through various international treaties and agreements negotiated by the Department of State. The DoD capital assets overseas are purchased with appropriated funds; however, title to land and improvements is retained by the host country. Generally, treaty terms allow the DoD Components continued use of these properties until the treaties expire. These fixed assets are subject to loss in the event treaties are not renewed or other agreements are not reached which allow for the continued use by the Department. Therefore, in the event treaties or other agreements are terminated whereby use of the foreign bases is no longer allowed, losses will be recorded for the value of any nonretrievable capital assets after negotiations between the U.S. and the host country have been concluded to determine the amount to be paid the U.S. for such capital investments.

W. Comparative Data

The Financial Statements and accompanying Notes to the Financial Statements report the financial position and results of operations for FY 2003. Financial statement fluctuations greater than 2 percent of total assets on the Balance Sheet and/or greater than 10 percent between FY 2002 and FY 2003, are explained within the Notes to the Financial Statements.

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/services not yet delivered.

NOTE 2. NONENTITY AND ENTITY ASSETS

As of September 30, (Amounts in thousands)	2003			2002 Nonentity Assets
	Nonentity	Entity	Total	
1. Intra-governmental Assets:				
A. Fund Balance with Treasury	\$ 0	\$ 1,827,646	\$ 1,827,646	\$ 0
B. Investments	0	0	0	0
C. Accounts Receivable	0	582,773	582,773	0
D. Other Assets	0	10,392	10,392	0
E. Total Intra-governmental Assets	\$ 0	\$ 2,420,811	\$ 2,420,811	\$ 0
2. Non-Federal Assets:				
A. Cash and Other Monetary Assets	\$ 0	\$ 0	\$ 0	\$ 0
B. Accounts Receivable	11,617	100,158	111,775	0
C. Loans Receivable	0	0	0	0
D. Inventory & Related Property	0	18,256,128	18,256,128	0
E. General Property, Plant and Equipment	0	4,323,910	4,323,910	0
F. Investments	0	0	0	0
G. Other Assets	0	868,808	868,808	0
H. Total Non-Federal Assets	\$ 11,617	\$ 23,549,004	\$ 23,560,621	\$ 0
3. Total Assets:	\$ 11,617	\$ 25,969,815	\$ 25,981,432	\$ 0
4. Other Information:				

Information Related to Non-entity and Entity Assets:Definitions

Asset accounts are either categorized as entity or nonentity. Entity accounts consist of resources that the agency has the authority to use, or where management is legally obligated to use funds to meet entity obligations, e.g., accounts payable. Non-entity accounts are assets that are held by an entity, but are not available for use in the operations of the entity, for example, interest, penalties and fines, as an agent of the Department of Treasury.

Composition of Non-entity Assets

The \$11,617 thousand included in non-entity non-federal accounts receivable represents interest, penalties, fines, & administrative fees. These fees do not belong to the Navy Working Capital Fund and will be submitted to the Department of Treasury. In FY 2002, these amounts were reported in entity non-federal Other Assets.

Other Disclosures Related to Non-entity Assets

No further disclosures required.

Note Reference

For additional line item discussion, see Note 3, Fund Balance with Treasury; Note 5, Accounts Receivable; Note 6, Other Assets; Note 9, Inventory and Related Property; and Note 10, General Property, Plant, and Equipment.

For regulatory discussion on Non-entity and Entity Assets, See Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1004.



NOTE 3. FUND BALANCE WITH TREASURY

As of September 30, (Amounts in thousands)	2003	2002
1. Fund Balances:		
A. Appropriated Funds	\$ 0	\$ 0
B. Revolving Funds	1,827,646	1,709,680
C. Trust Funds	0	0
D. Other Fund Types	0	0
E. Total Fund Balances	\$ 1,827,646	\$ 1,709,680
 2. Fund Balances Per Treasury Versus Agency:		
A. Fund Balance per Treasury	\$ 1,827,646	\$ 1,709,680
B. Fund Balance per Agency	1,827,646	1,709,680
C. Reconciling Amount	\$ 0	\$ 0

3. Explanation of Reconciliation Amount: None

4. Other Information Related to Fund Balance with Treasury:

Fluctuations and/or Abnormalities None.

Composition of Fund Balance with Treasury

The Fund Balance with Treasury of \$1,827,646 thousand reflects the FY 2002 ending balance of \$1,709,680 thousand plus FY 2003 collections, disbursements, and other cash transactions recorded in the Navy Working Capital Fund (NWCF) Treasury sub-limit 97X4930.002. The following table details the amounts recorded as of September 30, 2003.

Collections	\$ 25,654,152
Disbursements	(25,443,357)
Other Cash Transactions, Net	(92,830)

The following table provides a breakout of Other Cash Transactions, Net:
(Amounts in thousands)

Activity		
Supply Management, Navy	Appropriation Received	\$40,200
Transportation	Principal Payment to FFB	(133,030)
Total		(\$92,830)

A direct appropriation was provided to the Defense Working Capital Fund in the Department of Defense (DoD) Appropriations Act, 2003, P.L. 107-248. Program Budget Decision 624, dated December 3, 2002 allocated \$40.2 million to the NWCF Supply Management activity group to augment inventory levels.

The principal payment to the Federal Financing Bank relates to an outstanding debt principal amount reported by the Transportation Activity Group. See Note 6 for additional disclosures.

Intra-governmental Payment and Collection (IPAC)

IPAC differences are reconcilable differences that represent amounts recorded by Treasury but not reported by the organization. IPAC differences for the Department of the Navy can not be differentiated between NWCF and General Funds, therefore no IPAC differences are being reported for the NWCF. All amounts if applicable will be reported on the Department of the Navy General Fund statement.

Other Disclosures Related to Fund Balance with Treasury

No further disclosures required.

Note Reference

See Note Disclosure 1.I., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Funds with the U.S. Treasury.

For regulatory discussion on Fund Balance with Treasury, See Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 100501.

NOTE 4. INVESTMENTS

Not Applicable.

NOTE 5. ACCOUNTS RECEIVABLE

As of September 30,	2003			2002
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
(Amounts in thousands)				
1. Intra-governmental Receivables:	\$ 582,773	N/A	582,773	\$ 525,240
2. Non-Federal Receivables (From the Public):	\$ 111,764	\$ 11	\$ 111,775	\$ 80,901
3. Total Accounts Receivable:	<u>\$ 694,537</u>	<u>\$ 11</u>	<u>\$ 694,548</u>	<u>\$ 606,141</u>

4. Other Information:Fluctuations and/or Abnormalities

The balance in the Allowance for Estimated Uncollectibles is abnormal due to a posting logic flaw in the Material Financial Control System (MFCS) for the Supply Management business area. The problem should be corrected for the First Quarter, FY 2004.

Intra-governmental Accounts Receivable increased \$57,536 thousand, 11 percent, from FY 2002 to FY 2003. The increase is primarily a result of an increase in sponsor reimbursable billing associated with the repositioning ship program in support of the war effort by the Transportation activity group.

Non-federal Accounts Receivable increased \$30,874 thousand, 38 percent, from FY 2002 to FY 2003. The increase can be attributed to the recording of interest, penalties, fines and administrative fees in non-entity non-federal accounts receivable. In FY 2002, these amounts were recorded in entity non-federal other assets.



Allowance Method

The Statement of Federal Financial Accounting Standards No. 1 and the Department of Defense (DoD) Financial Management Regulation require that federal agencies establish an allowance for uncollectible accounts receivable - Non-federal accounts. This account has been established within the Navy Working Capital Fund (NWCF); however, the amounts reported are generally low. This account is low, as the NWCF requires an advance deposit from all non-federal entities prior to the commencement of work. Therefore, an assumption is made that the amount of uncollectible accounts should be negligible. The allowance amount represents a percentage of the total that was billed after the total project cost has been adjusted to reflect the advance deposit.

Allocation of Undistributed Collections

The DoD policy is to allocate supported undistributed collections between federal and non-federal categories based on the percentage of federal and non-federal accounts receivable. Supported undistributed collections in the amount of \$758,605 thousand were applied against accounts receivable. Unsupported undistributed collections should be recorded in United States Standard General Ledger account 2400, Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections. The NWCF followed this allocation procedure. This is necessary because the potential exists that some of these unsupported undistributed collections do not belong to the NWCF and will have to be paid to the appropriate fund holder.

Trading Partner Data

The NWCF's accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the NWCF was unable to reconcile intra-governmental accounts receivable balances with most trading partners. Through an ongoing Business Management Modernization Program, the DoD intends to develop long-term systems improvements that will capture the data necessary to perform reconciliations. The Department of the Navy (DON) is also working on short-term solutions to gather the required information as outlined in the DON Mid-Range Financial Improvement Plan.

Accounts Receivable Greater than 180 days

The amount of non-federal and intra-governmental receivables over 180-days old is \$52,992 thousand and \$80,832 thousand, respectively.

Non-federal Refunds Receivable

The total amount of non-federal refund receivables does not exceed 10 percent of the non-federal accounts receivable, net amount on the Balance Sheet. No further disclosures required.

Other Disclosures Related to Accounts Receivable

Supply Management, Navy had several activities that reported financial data from the Financial Inventory Reporting (FIR) system during FY 2003. In that system, cash sales were posted to current year collections instead of being recorded directly as an accounts receivable. This process resulted from the FIR system inability to report accounts receivable data. As of September 30, 2003, all FIR system users have been converted to the Material Financial Control System (MFCS). As a part of the conversion process any required adjustments were made within the year-end closing process. MFCS will enable these activities to properly record cash sales as accounts receivable rather than influencing the balance of accounts receivable through undistributed collections.

Note Reference

For additional discussion on financial reporting requirements and DoD policies governing Trading Partner Data and Accounts Receivable, see Notes 1.G. and 1.K, Significant Accounting Policies, respectively.

For regulatory discussion on Accounts Receivable, See Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1007.

NOTE 6. OTHER ASSETS

As of September 30, (Amounts in thousands)	2003	2002
1. Intra-governmental Other Assets:		
A. Advances and Prepayments	\$ 10,392	\$ 266
B. Other Assets	0	0
C. Total Intra-governmental Other Assets	<u>\$ 10,392</u>	<u>\$ 266</u>
2. Non-Federal Other Assets:		
A. Outstanding Contract Financing Payments	\$ 0	\$ 0
B. Other Assets (With the Public)	868,808	1,140,654
C. Total Non-Federal Other Assets	<u>\$ 868,808</u>	<u>\$ 1,140,654</u>
3. Total Other Assets:	<u><u>\$ 879,200</u></u>	<u><u>\$ 1,140,920</u></u>

4. Other Information Related to Other Assets:Fluctuations and/or Abnormalities

Intra-governmental Other Assets increased \$10,126 thousand, 3806 percent, from FY 2002 to FY 2003. Intra-governmental Advances to Others is overstated \$26,300 thousand due to an erroneous cash advance posted to the Base Support activity group. The error resulted from a problem within the Department of Defense Working Capital Fund Accounting System (DWAS) in which the customers' cash advances could not be reversed. Action will be taken to transfer the advances to the proper appropriation during the First Quarter, FY 2004 and to have system changes made to DWAS. This increase (i.e. overstatement) is offset by trading partner adjustments and a concerted effort to ensure that advances were liquidated against the appropriate customer bill.

Non-federal Other Assets decreased \$271,846 thousand, 24 percent, from FY 2002 to FY 2003. The decrease is a result of the write-off of credits pending over 90 days by Supply Management, Marine Corps and the FY 2003 reduction of the outstanding debt principal amount reported for the Transportation Activity Group.

Advances and Prepayments

The buyer-side advances to others balances were adjusted to agree with seller-side advances from others balances as reported on the books of other Department of Defense (DoD) reporting entities. Additionally, the buyer-side prepayment balances were adjusted to agree with seller-side deferred credits as reported on the books of other DoD reporting entities.

Composition of Other Assets (With the Public)

Other Assets (With the Public) includes an amount of \$606,250 thousand relating to the outstanding debt principal amount reported for the Transportation Activity Group involving Time Charter arrangements made by Military Sealift Command for the long-term use of the Afloat Prepositioning Force – Navy ships. The outstanding debt principal amount is reported in the Navy Working Capital Fund Balance Sheet Other Assets (With the Public) in order to reconcile with the amount reported by the Federal Financing Bank through the trading partner elimination process. See Note 13 for material disclosures.

Other Assets (With the Public) also includes progress payments made by Supply Management, Navy amounting to \$143,388 thousand, revenue earned but not billed by Depot Maintenance, Shipyards amounting to \$94,672 thousand and inventory returned to suppliers by Supply Management, Marine Corps with a credit pending in the amount of \$1,048 thousand. The remaining amounts of \$11,504 thousand, \$8,964 thousand, and \$2,982 thousand represents deferred charges, advances, and unallocated costs, respectively.



Other Disclosures Related to Other Assets

Assets awaiting disposal in the amount of \$3,549 thousand is currently reported in General Property, Plant, & Equipment Other. This amount was reported in Other Assets (With the Public) in FY 2002.

In FY 2002, included in Other Assets were amounts that represented interest, penalties, fines, & administrative fees. For FY 2003, these amounts are reported in non-entity accounts receivable. These fees do not belong to the Navy Working Capital Fund and will distributed directly to the Department of Treasury.

Note Reference

See Note 1.R., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Other Assets.

For regulatory discussion on Other Assets, See Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1008.

NOTE 7. CASH AND OTHER MONETARY ASSETS

Not Applicable.

NOTE 8. DIRECT LOANS AND LOAN GUARANTEES, NONFEDERAL BORROWERS

Not Applicable.

NOTE 9. INVENTORY AND RELATED PROPERTY

As of September 30,	2003	2002
(Amounts in thousands)		
1. Inventory, Net (Note 9.A.)	\$ 17,519,382	\$ 17,012,566
2. Operating Materials & Supplies, Net (Note 9.B.)	736,746	643,298
3. Stockpile Materials, Net (Note 9.C.)	0	0
4. Total	\$ 18,256,128	\$ 17,655,864

NOTE 9.A. INVENTORY, NET

As of September 30,	2003			2002	Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
(Amounts in thousands)					
1. Inventory Categories:					
A. Available and Purchased for Resale	\$ 20,190,933	\$ (16,871,638)	3,319,295	\$ 4,456,193	O
B. Held for Repair	14,593,725	(1,350,791)	13,242,934	11,796,119	O
C. Excess, Obsolete, and Unserviceable	438,650	(438,650)	0	0	SP
D. Raw Materials	0	0	0	0	
E. Work in Process	957,153	0	957,153	760,254	AC
F. Total	\$ 36,180,461	\$ (18,661,079)	17,519,382	\$ 17,012,566	

Legend for Valuation Methods:

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

NRV = Net Realizable Value

O = Other

SP = Standard Price

AC = Actual Cost

2. Other Information:**Information Related to Inventory:**Fluctuations and/or Abnormalities

Inventory Available and Purchased for Resale decreased \$1,136,897 thousand, 26 percent, from FY 2002 to FY 2003. The decrease is a result of the inventory valuation model adjustments being posted to the inventory allowance account thereby increasing inventory allowance and decreasing inventory. The posted adjustments can be predominately attributed to the reclassification of Cost of Goods Sold (COGS) prior period adjustments in the amount of \$773,196 thousand that are no longer authorized.

Inventory Held for Repair increased \$1,446,814 thousand, 12 percent, from FY 2002 to FY 2003. The increase can be attributed to inventory bought to support Iraqi freedom.

Work in Process increased \$196,900 thousand, 26 percent, from FY 2002 to FY 2003. The increase is due to system implementation problems at the Naval Air Warfare Center (NAWC). These system problems impeded the ability of the NAWCs from fully billing their customers, which generated an increase in the work in process account. Corrective actions are underway and expected to be completed First Quarter, FY 2004. This increase is offset by decreases in Base Support and Depot Maintenance activity groups stemming from increased emphasis on resolving unbilled accounts.

Changes from Prior-Year's Accounting Methods

Supply Management, Navy implemented SMART, an Enterprise Resource System (ERP) system. The inventory capitalized into ERP is valued at Moving Average Cost (MAC). Under the MAC inventory valuation method, the "per item" inventory value can change upon each new purchase. In FY 2003, 2,472 National Item Identification Number (NIINs) supporting two weapon systems – E-2C Hawkeye Aircraft and LM-2500 Gas Turbine Engine- were converted from legacy systems to ERP. This material, while held at standard price in legacy system, was valued at \$1.426 billion and represented 3.7 percent of total inventory. When transferred to ERP and recorded under MAC, the inventory value decreased to \$810 million, a difference of \$616 million.



Valuation Methods

The valuation method O (Other) included in the numeric note table above for inventory categories Available and Purchased for Resale and Held for Repair were provided because the amounts reported are valued at both Latest Acquisition Cost (LAC) and MAC. A breakout of these amounts by valuation method is as follows:

(Amounts in thousands)	
Inventory Available and Purchased for Resale, Net	
Latest Acquisition Cost	\$2,773,673
Moving Average Cost	<u>545,623</u>
Total	<u>\$3,319,296</u>
Inventory Held for Repair, Net	
Latest Acquisition Cost	\$12,751,034
Moving Average Cost	<u>491,900</u>
Total	<u>\$13,242,934</u>

Restrictions of Inventory Use, Sale, or Disposition

Generally, there are no restrictions with regard to the use, sale, or disposition to applicable Department of Defense (DoD) activities and personnel. Other than certain safety and war reserve levels, inventory may be sold to foreign, state and local governments, private parties and contractors in accordance with DoD, the Defense Finance Accounting Service and the Department of the Navy (DON) policies and guidance or at the direction of the President.

Composition of Inventory

Except for the Work in Process, all Inventory categories shown in the table above apply to the Supply Management Activity only.

Inventory Categories. Inventory represents property that is (1) held for sale, (2) in the process of production for sale or (3) to be consumed in the production of goods for sale or in the provision of services for a fee.

Inventory Available and Purchase for Resale includes consumable spare and repair parts and repairable items owned and managed by the DON. In some cases, the consumable and repairable items are managed by other Military Services, such as the Defense Logistics Agency or the General Services Administration. Material available and purchased for resale includes material held due to a managerial determination that it should be retained to support military or national contingencies. Federal Accounting Standards requires disclosure of the amount of Inventory Held for "Future Sale". The Navy Working Capital Fund estimates that \$733,374 thousand of the Inventory Held for Sale, Net will be for future sale. There is no management or valuation difference between the two categories.

Included in Line 1.A., Inventory Available and Purchased for Resale, are War Reserve Material for Supply Management, Navy and Supply Management, Marine Corps in the amount of \$171,373 thousand and \$33,000 thousand, respectively.

Inventory Held for Repair is inventory that requires repair to make suitable for sale. Many of the inventory items are more economical to repair than to procure. In addition, because the DON often relies on weapon systems and machinery no longer in production, the DON supports a process that encourages the repair and rebuilding of certain items. This repair cycle is an essential part of maintaining a ready, mobile, and armed military force.

Excess, Obsolete, and Unserviceable inventory consists of scrap materials or items that cannot be economically repaired and are awaiting disposal. The DON does not anticipate recovering any significant costs as result of final disposal of these items. Therefore, Excess, Obsolete, and Unserviceable inventory will reflect a net realizable value of zero.

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 billing 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 the amount withheld from payment to ensure performance, and the amount paid to other Government plants for accrued costs of end items of material ordered but not delivered.

Inventory Work in Process

Work in process at Depot Maintenance activities and Research and Development activities of approximately \$287,851 thousand and \$411,025 thousand is included as inventory Work in Process in Note 9.A because the U.S. Government Standard General Ledger (USSGL) does not include an account for Work in Process that is not inventory. This amount represents work that has been completed, expenses incurred, and waiting to be billed to the customer.

Other Disclosures Related to Inventory

The general ledger values in the accounting system do not reconcile with the supporting detail records in the Navy segment of the Supply Management Activity logistics system. Supply Management, Navy 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. A System Change Request has been prepared and submitted, once approved and executed final adjustments will be made to inventory and financial systems to align the data.

Note Reference

See Note 1.M., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Inventory and Related Property.

For regulatory discussion on Inventory, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1011.



NOTE 9.B. OPERATING MATERIALS AND SUPPLIES, NET

As of September 30,	2003			2002	Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net	
(Amounts in thousands)					
1. OM&S Categories:					
A. Held for Use	\$ 736,746	\$ 0	\$ 736,746	\$ 643,298	0
B. Held for Repair	0	0	0	0	
C. Excess, Obsolete, and Unserviceable	0	0	0	0	
D. Total	\$ 736,746	\$ 0	\$ 736,746	\$ 643,298	

Legend for Valuation Methods:
 Adjusted LAC = Latest Acquisition Cost adjusted for holding gains and losses
 NRV = Net Realizable Value
 O = Other
 SP = Standard Price
 AC = Actual Cost

Information Related to Operating Materials & Supplies (OM&S):

Fluctuations and/or Abnormalities

OM&S increased \$93,448 thousand, 15 percent, from FY 2002 to FY 2003. The increase is due to increased material and supplies for the Depot Maintenance activity group to support the reduced cycle time for aircraft and accelerated production of J52 and F404 engines in support of the war effort. As well as, acceleration of Senior Readiness Oversight Committee components and start up associated with new requirements of the H1 platform.

Restrictions on OM&S

Generally, there are no restrictions with regard to the use, sale, or disposition of OM&S to applicable the Department of Defense (DoD) activities.

Composition of OM&S

OM&S Held for Use represents property that is consumed during normal operations and includes consumable spare and repair parts for use on customer work by various activities. The items are recorded using different methodologies including actual, weighted-average and historical cost. Federal Accounting Standards requires disclosure of the amount of OM&S Held for "Future Use". The Navy Working Capital Fund estimates that \$10,928 thousand of the OM&S Held for Use, Net will be for future use. There is no management or valuation difference between the two categories.

Government Furnished Material (GFM) and Contractor Acquired Material (CAM)

Generally, the values of the NWCF's GFM and CAM in the hands of contractors is not included in the OM&S values reported above. The DoD is presently reviewing its process for reporting these amounts in an effort to determine the appropriate accounting treatment and the best method to annually collect and report required information without duplicating information already in other existing logistics systems.

Other Disclosures Related to OM&S

No further disclosures required.

Note Reference

See Note 1.M., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Inventory and Related Property.

For regulatory discussion on OM&S, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 101107.

NOTE 9.C. STOCKPILE MATERIALS, NET

Not Applicable.

NOTE 10. GENERAL PP&E, NET

As of September 30,	2003					2002
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
(Amounts in thousands)						
1. Major Asset Classes:						
A. Land	N/A	N/A	\$ 63,711	N/A	\$ 63,711	\$ 63,773
B. Buildings, Structures, and Facilities	S/L	20 Or 40	6,711,260	\$ (4,214,367)	2,496,893	2,441,271
C. Leasehold Improvements	S/L	lease term	302	(134)	168	199
D. Software	S/L	2-5 Or 10	288,844	(181,910)	106,934	92,263
E. Equipment	S/L	5 Or 10	3,308,036	(2,386,054)	921,982	948,910
F. Assets Under Capital Lease ^[1]	S/L	lease term	0	0	0	0
G. Construction-in- Progress	N/A	N/A	730,673	N/A	730,673	644,421
H. Other			3,549	0	3,549	0
I. Total General PP&E			\$ 11,106,375	\$ (6,782,465)	\$ 4,323,910	\$ 4,190,837

^[1] Note 15.B for additional information on Capital Leases

Legend for Valuation Methods:

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

2. Other Information:Fluctuations and/or Abnormalities

Leasehold Improvements decreased \$31 thousand, 15 percent, from FY 2002 to FY 2003. The decrease is due to the annual depreciation of leasehold assets by the Transportation Activity group.

Software increased \$14,671 thousand, 16 percent, from FY 2002 to FY 2003. The increase is a result of the reclassification of capital purchase software projects from Assets under Development (AUD) to their corresponding GPP&E. Capital purchases are recorded in an AUD account while they are under development. Upon completion of the project, the total value is moved to GPP&E. Two of the projects that were completed this year were the Configuration Management Information System and the Naval Air Depot Maintenance System.



Construction in Progress increased \$86,251 thousand, 13 percent, from FY 2002 to FY 2003 primarily as a result of Supply Management, Navy modifications to existing computer space to accommodate Navy and Marine Corps Intranet (NMCI).

GPP&E Other increased \$3,549 thousand or 100 percent from FY 2002 to FY 2003 as a result of the inclusion of assets awaiting disposal. Prior to FY 2003, these amounts were reported in Other Assets (With the Public).

Military Equipment

Military equipment is reported on the books of the Department of Navy General Fund.

Fully Depreciated Assets

The acquisition value of fully depreciated assets included in the table above and reported in the Balance Sheet amount to \$3,124,055 thousand as of September 30, 2003.

Outside of the Continental United States (OCONUS) GPP&E

Included in the Major Asset Classes disclosed in Note 10 are assets totaling \$351,414 thousand located OCONUS.

Contractor Held GPP&E

For those activities with GPP&E real property in the possession of contractors, the value of this real property is included in the values reported for the Major Asset Classes of Buildings, Structures, and Facilities. The value of personal property in Major Asset Classes of Automated Data Processing Software and Equipment does not include all of the GPP&E in the possession of contractors. The net book amount of such property is immaterial in relation to the total GPP&E net book value. In accordance with an approved strategy with the Office of Management and Budget, the General Accounting Office, and the Department of Defense Inspector General, the Department is developing new policies and a contractor reporting process to capture GPP&E information for future reporting purposes for compliance with federal-wide accounting standards.

Other Disclosures Related to GPP&E

For the Naval Supply Systems Command the value of GPP&E is overstated. Implementation of the Defense Property Accounting System (DPAS) has recorded all plant, property, and equipment since its inception in October 1999. However, lack of an interface between DPAS and the financial system caused a disconnect allowing only one activity to update their GPP&E subsidiary ledger with DPAS data. Additionally, the GPP&E that was resident in the Central Data Base (CDB) prior to October 1999 remains in the CDB. The amounts reported in the CDB appear on the balance sheet, but overstates the true value of the GPP&E. This deficiency has been noted in the FY04 Qualified Opinion Financial Statement Plan. Corrective action will be initiated in FY 2004 to develop an interface between DPAS and the CDB using the Defense Business Management System.

Note Reference

See Note 1.O., Significant Accounting Policies, for additional discussion on financial reporting requirements and the Department of Defense (DoD) policies governing GPP&E.

For regulatory discussion on GPP&E, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1012.

NOTE 10.A. ASSETS UNDER CAPITAL LEASE

Information Related to Assets Under Capital Lease:

The Navy Working Capital Fund has no assets under capital lease.

Other Disclosures Related to Assets Under Capital Lease

No further disclosures required.

Note References

See Note 1.Q., Significant Accounting Policies, for additional discussion on financial reporting requirements and the DoD policies governing Leases.

NOTE 11. LIABILITIES NOT COVERED AND COVERED BY BUDGETARY RESOURCES

As of September 30, (Amounts in thousands)	2003			2002
	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total	Not Covered by Budgetary Resources
1. Intra-governmental Liabilities:				
A. Accounts Payable	\$ 313,786	\$ 0	\$ 313,786	\$ 0
B. Debt	615,648	0	615,648	0
C. Environmental Liabilities	0	0	0	0
D. Other	277,651	11,617	289,268	0
E. Total Intra-governmental Liabilities	\$ 1,207,085	\$ 11,617	\$ 1,218,702	\$ 0
2. Non-Federal Liabilities:				
A. Accounts Payable	\$ 2,102,870	\$ 0	\$ 2,102,870	\$ 0
B. Military Retirement Benefits and Other Other Employment-Related Actuarial Liabilities	0	1,409,853	1,409,853	1,325,926
C. Environmental Liabilities	0	0	0	0
D. Loan Guarantee Liability	0	0	0	0
E. Other Liabilities	3,113,177	0	3,113,177	0
F. Total Non-Federal Liabilities	\$ 5,216,047	\$ 1,409,853	\$ 6,625,900	\$ 1,325,926
3. Total Liabilities:	\$ 6,423,132	\$ 1,421,470	\$ 7,844,602	\$ 1,325,926

4. Other Information:Definitions

Liabilities Not Covered by Budgetary Resources are those liabilities which are not considered covered by realized budgetary resources as of the balance sheet date.

Included in the Non-Federal Other Liabilities Not Covered by Budgetary Resources is an amount of \$11,617 thousand representing interest, penalties, fines & administrative fees. These fees do not belong to the Navy Working Capital Fund and will be distributed directly to the Department of Treasury.

Liabilities Covered by Budgetary Resources are those that are incurred by the reporting entity which are covered by realized budgetary resources as of the balance sheet date. Budgetary resources encompass not only new budget authority, but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include the following:

- New budget authority
- Spending authority from offsetting collections (credited to an appropriation or fund account)
- Recoveries of unexpired budget authority through downward adjustments of prior year obligations
- Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year
- Borrowing authority or permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the balance sheet date, provided that the resources may be apportioned by the Office of Management and Budget without further action by the Congress or without a contingency first having to be met.

Other Disclosures Related to Liabilities Not Covered by Budgetary Resources

No further disclosures required.

Note Reference

For additional line item discussion, see Note 12, Accounts Payable; Note 13, Debt; Note 15, Other Liabilities; Note 16, Commitments and Contingencies; and Note 17, Military Retirement Benefits and Other Employment Related Actuarial Liabilities.

NOTE 12. ACCOUNTS PAYABLE

As of September 30,	2003			2002
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
(Amounts in thousands)				
1. Intra-governmental Payables:	\$ 313,786	N/A	\$ 313,786	\$ 434,772
2. Non-Federal Payables (to the Public):	\$ 2,102,870	\$ 0	\$ 2,102,870	\$ 1,799,671
3. Total	\$ 2,416,656	\$ 0	\$ 2,416,656	\$ 2,234,443

4. Other Information:Fluctuations and/or Abnormalities

Intra-governmental Accounts Payable decreased \$120,986 thousand, 28 percent, from FY 2002 to FY 2003. Intra-governmental Accounts Payable for the Supply Management and Transportation business areas increased as a result of increased purchases and services in support of the war effort, however this increase was offset by undistributed disbursements and the continual clearing of residual accounts for the Ordnance business area.

Non-federal Accounts Payable increased \$303,199 thousand, 17 percent, from FY 2002 to FY 2003. The increase is a result of change in guidance for unsupported undistributed collections in FY 2003. In FY 2002, unsupported undistributed disbursements were netted against unsupported undistributed collections and posted to Accounts Payable – Disbursements in Transit whereas in FY 2003 the entire unsupported undistributed collections amount is applied to other liabilities. Additionally, the Supply Management business area realized an increase in non-federal accounts payable due to increased war effort support.

Definitions

Intra-governmental accounts payable consists of amounts owed to other federal agencies for goods or services ordered and received but not yet paid. Interest, penalties, and administrative fees are not applicable to intra-governmental payables. Non-Federal payables are payments to non-federal government entities (to the public).

Undistributed Disbursements

Undistributed disbursements are the difference between disbursements/collections recorded 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 via the reconciled DD1329 and DD1400. The total undistributed disbursement amounts displayed in this note should agree with the undistributed amounts reported on the accounting reports (SF133/ AR(M)1307). In-transit payments are payments that have been made for other agencies or entities that have not been recorded in their accounting records. These payments are applied to each entity's outstanding accounts payable balance at year-end. Accounts Payable were adjusted downward in the amount of \$198,886 thousand for these payments.

Composition of Undistributed Disbursements

The majority of the undistributed disbursements represent Mechanization of Contract Administration Services (MOCAS) payments, which have not been liquidated. MOCAS payments represent those payments made to contractors for materials or services that are greater than \$2,500 dollars. Accruals are made when the service is performed and remains in this account until the provider submits an invoice for payment. Therefore, if a copy of the invoice is not received by the NWCF activity prior to the Defense Finance and Accounting Service making payment, the payment will go to undistributed disbursements. The amounts accrued to cover the anticipated materials and services are captured as Contract Accruals on the Other Accrued Expense line (Note 15.A., Other Liabilities, Non-federal: Other Liabilities) and are not considered an accounts payable.

Allocation of Undistributed Disbursements

The Department of Defense (DoD) policy is to allocate supported undistributed disbursements between federal and nonfederal categories based on the percentage of Federal and Nonfederal Accounts Payable. Supported undistributed disbursements in the amount of \$1,690,497 thousand have been applied against accounts payable. Unsupported undistributed disbursements should be recorded in United States Standard General Ledger account 2120, Disbursements in Transit. The Navy Working Capital Fund (NWCF) followed this allocation policy.

Trading Partner Data

For the majority of intra-agency sales, NWCF's accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the NWCF was unable to reconcile the majority of its intra-governmental accounts payable to the related intra-governmental accounts receivable that generated the payable. Through an ongoing Business Management Modernization Program, the DoD intends to develop long-term systems improvements that will capture the data necessary to perform reconciliations. The Department of the Navy (DON) has outlined some processes for review and implementation in the DON Mid-Range Financial Improvement Plan, which should provide some near-term solutions.

Eliminating Adjustments

The DoD summary level seller accounts receivables were compared to NWCF's accounts payable. An adjustment was posted to the NWCF's accounts payable based on the comparison with the accounts receivable of the DoD Components providing goods and services to the NWCF's. As required, adjustments were made to reclassify accounts payable from Federal to Public.

Other Disclosures Related to Accounts Payable

No further disclosures required.

Note Reference

See Note 1.G., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Trading Partner Data and Eliminating Adjustments.



NOTE 13. DEBT

As of September 30,		2003			2002		
(Amounts in thousands)		Beginning Balance	Net Borrowings	Ending Balance	Ending Balance		
1. Public Debt:							
A. Held by Government Accounts		N/A	N/A	N/A	N/A		
B. Held by the Public		N/A	N/A	N/A	N/A		
C. Total Public Debt		N/A	N/A	N/A	N/A		
2. Agency Debt:							
A. Debt to the Treasury	\$	0	\$	0	\$	0	
B. Debt to the Federal Financing Bank		750,725	(135,077)	615,648		750,725	
C. Debt to Other Federal Agencies		0	0	0		0	
D. Total Agency Debt	\$	750,725	\$	(135,077)	\$	615,648	
					\$	750,725	
3. Total Debt:							
	\$	750,725	\$	(135,077)	\$	615,648	
					\$	750,725	
4. Classification of Debt:							
A. Intra-governmental Debt				\$	615,648	\$	750,725
B. Non-Federal Debt					N/A		N/A
C. Total Debt				\$	615,648	\$	750,725

5. Other Information

Fluctuations and/or Abnormalities

Intra-governmental Debt decreased \$135,077 thousand, 18 percent, from FY 2002 to FY 2003 as a result of FY 2003 reduction of the outstanding debt principal amount reported for the Transportation Activity Group.

Other Information Related to Debt

The Afloat Prepositioning Force – Navy (APF-N) 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, non-government financing obtained from various banking institutions. There were no payments made by the government during the building/conversion phase. APF-N 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 is reporting a debt in the amount of \$615,647 thousand, which represents an outstanding principal balance of \$606,250 thousand and accrued interest payable of \$9,397 thousand, for the Transportation activity group. This information is being presented in error as the transportation activity group does not owe this debt to the FFB. This debt is a public debt owed by the private vessel owners. In order to simplify the payments to the FFB and to meet their requirements, the FFB cross-disburses the semi-annual principal and interest payments directly from the Navy Working Capital Fund (NWCF). This is done instead of having the Military Sealift Command (MSC) make Capital Hire payments to the vessel owners, who would in turn make its loan obligation payments to the FFB.

The direction of the vessel owner to have the government make payments directly to a bank, in this case the FFB, is not an uncommon practice, and mirrors other Time Charters where payment is assigned directly to a bank. This occurred when the ownership of these vessels was transferred to private vessel owners; however, the FFB when establishing the loan coded the loan as a government debt.

As required by the Under Secretary of Defense (Comptrollers) memorandum of January 22, 1999, MSC is correctly recording these payments as an operating expense. However, the outstanding debt principal amount is reported in the NWCF Balance Sheet as an Other Asset in order to reconcile with the amount reported by the FFB through the trading partner elimination process. The misclassification by the 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.

Note References

See Note 3, Fund Balance with Treasury and Note 6, Other Assets, for additional discussion on the Debt to the Federal Financing Bank.

For regulatory discussion on Debt, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1015.

NOTE 14. ENVIRONMENTAL LIABILITIES AND DISPOSAL LIABILITIES

Not Applicable.

NOTE 15.A. OTHER LIABILITIES

As of September 30, (Amounts in thousands)	2003			2002
	Current Liability	Noncurrent Liability	Total	Total
1. Intra-governmental:				
A. Advances from Others	\$ 239,595	\$ 0	\$ 239,595	\$ 141,318
B. Deferred Credits	0	0	0	0
C. Deposit Funds and Suspense Account Liabilities	0	0	0	0
D. Resources Payable to Treasury	0	0	0	0
E. Disbursing Officer Cash	0	0	0	0
F. Nonenvironmental Disposal Liabilities:				
(1) National Defense PP&E (Nonnuclear)	0	0	0	0
(2) Excess/Obsolete Structures	0	0	0	0
(3) Conventional Munitions Disposal	0	0	0	0
(4) Other	0	0	0	0
G. Accounts Payable-- Cancelled Appropriations	0	0	0	0
H. Judgement Fund Liabilities	0	0	0	0
I. FECA Reimbursement to the Department of Labor	0	0	0	0
J. Capital Lease Liability	0	0	0	0
K. Other Liabilities	49,763	0	49,763	36,490
L. Total Intra-governmental Other Liabilities	\$ 289,268	\$ 0	\$ 289,268	\$ 177,808



As of September 30, (Amounts in Thousands)	2003			2002
	Current Liability	Noncurrent Liability	Total	Total
2. Non-Federal:				
A. Accrued Funded Payroll and Benefits	\$ 726,494	\$ 0	\$ 726,494	\$ 710,275
B. Advances from Others	194,779	0	194,779	138,650
C. Deferred Credits	0	0	0	0
D. Loan Guarantee Liability	0	0	0	0
E. Liability for Subsidy Related to Undisbursed Loans	0	0	0	0
F. Deposit Funds and Suspense Accounts	235,588	0	235,588	0
G. Temporary Early Retirement Authority	0	0	0	0
H. Nonenvironmental Disposal Liabilities:				
(1) National Defense PP&E (Nonnuclear)	0	0	0	0
(2) Excess/Obsolete Structures	0	0	0	0
(3) Conventional Munitions Disposal	0	0	0	0
(4) Other	0	0	0	0
I. Accounts Payable--Cancelled Appropriations	0	0	0	0
J. Accrued Unfunded Annual Leave	0	0	0	0
K. Accrued Entitlement Benefits for Military Retirees and Survivors	0	0	0	0
L. Capital Lease Liability	0	0	0	0
M. Other Liabilities	1,956,316	0	1,956,316	1,958,909
N. Total Non-Federal Other Liabilities	\$ 3,113,177	\$ 0	\$ 3,113,177	\$ 2,807,834
3. Total Other Liabilities:	\$ 3,402,445	\$ 0	\$ 3,402,445	\$ 2,985,642

Fluctuations and/or Abnormalities

Intra-governmental Other Liabilities increased \$111,460 thousand, 63 percent, from FY 2002 to FY 2003. The increase is due to an increase in Advances from Others for Depot Maintenance Shipyards and the Naval Air Warfare Center (NAWC), a Research and Development activity.

The NAWC increase is associated with the conversion from the Department of Defense Industrial Financial Management System to SIGMA, an Enterprise Resource Planning System. The conversion of funding produced a reclassification between Intra-governmental and Public, which now ensures the proper posting of this account. Also, program problems encountered in the billing area have hampered the ability to bill certain customers. Once the bills are produced, the appropriate customer advances will be liquidated.

Depot Maintenance Shipyards growth is attributable to Advances for Revenue Recognition, which have been cross-walked within the Department of Defense Reporting System to Advances from Others. Specified projects at the Naval Shipyards are funded using fixed price vice the reimbursable method. This amount actually represents the difference between what the activity billed the customer and that which it actually earned as determined by what was physically accomplished on the job. It is believed this amount would be more appropriately posted to Progress Payments - Work in Progress. A review of this account will be included in the Department of Navy Mid-Range Financial Management Plan.

Non-federal Other Liabilities increased \$305,343 thousand, 11 percent, from FY 2002 to FY 2003. The increase is a result of the inclusion of unsupported undistributed collections of \$235,588 thousand in Non-federal Deposit Funds and Suspense Account Liabilities. Prior to FY 2003, these amounts were offset against unsupported undistributed disbursements and posted to Accounts Payable – Disbursements in Transit. The increase can also be attributed to an increase for accrual of contractual services for the Research and Development activities.

Composition of Other Liabilities

Intra-governmental Other Liabilities represents liabilities of \$49,673 thousand for fringe benefits and the Voluntary Separation Incentive Program.

Non-federal Deposit Funds and Suspense Account Liabilities include amounts for unsupported undistributed collections.

Non-federal Other Liabilities includes amounts that are significant portions of the total liabilities presented in the Navy Working Capital Fund (NWCF) Balance Sheet. A breakout of the major components of Non-federal Other Liabilities follows:

Title	Amount (in thousands)
Accrual of Contractual Services	\$ 2,030,953
Other Liabilities	(1,485,750)
Depot Level Repairable Carcass Return Liability	1,409,155
Contract Holdback	1,958
Total, Nonfederal Other Liabilities	\$ 1,956,316

The Accrual of Contractual Services of \$2,030,953 thousand represents an accrued liability for direct work performed by contractors or material and supplies purchased for a direct order in which a request for payment has not been received. The accrual is based on the level of effort performed for the direct order on a monthly basis.

The Other Liabilities amount of \$(1,485,750) thousand includes a \$(1,044,715) thousand allocation of unsupported undistributed disbursements. This allocation was based on a the Defense Finance and Accounting Service memorandum dated October 10, 1997 which directed the allocation of undistributed disbursements to the DoD Military Services from their Defense Working Capital Fund corporate account. As this allocation is not supported by specific transactional information, which would identify the value as belonging to the NWCF, the allocation continues to remain on the books at the Navy Component level.

In addition, the Other Liabilities amount includes \$(627,404) thousand for Property Furnished by Others Liability. The Liability for Property Furnished by Others account is being inappropriately used by the Material Financial Control System (MFCS) to record intra-fund transfers of assets when such transfers are between activities with different reporting systems (e.g. Financial Inventory Reporting activities transfer assets with Transactions Item Reporting activities).

The remainder of the Other Liabilities amount consists of Progress Payments, which are maintained to show the balance of payments taken for accrued costs charged to Work in Process or the value of material procured and held for specific orders received from customers within the DoD.

The Depot Level Repairable Carcass Return Liability of \$1,409,155 thousand represents the value of returned depot level repairable carcasses that have been received by an accountable activity from an end-use activity but for which an issue has not yet been processed.

Intra-governmental Reconciliation for Fiduciary Transactions with Department of Labor (DOL)

With respect to the major fiduciary balances, the NWCF was able to reconcile with the DOL.

Other Disclosures Related to Other Liabilities

No further disclosures required.

Note References

See Note 1.G., Significant Accounting Policies, for additional discussion on financial reporting requirements and the DoD policies governing Contingencies and Other Liabilities.



NOTE 15.B. CAPITAL LEASE LIABILITY

Information Related to Capital Lease Liability:

The NWCF has no capital lease liability.

Other Disclosures Related to Capital Lease Liability

No further disclosures required.

Note Reference

See Note 1.Q., Significant Accounting Policies, for additional discussion on financial reporting requirements and the DoD policies governing Leases.

For regulatory discussion on Capital Lease Liability, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1017.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Information Related to Commitments and Contingencies:

None.

Other Disclosures Related to Commitments and Contingencies

No further disclosures required.

Note Reference

See Note 1.S., Significant Accounting Policies, for additional discussion on financial reporting requirements and the Department of Defense (DoD) policies governing Commitments and Contingencies.

For regulatory discussion on Commitments and Contingencies, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1018.

NOTE 17. MILITARY RETIREMENT BENEFITS AND OTHER EMPLOYMENT RELATED ACTUARIAL LIABILITIES

As of September 30, (Amount in Thousands)	2003			2002	
	Actuarial Present Value of Projected Plan Benefits	Assumed Interest Rate	(Less: Assets Available to Pay Benefits)	Unfunded Actuarial Liability	Unfunded Actuarial Liability
1. Pension and Health Benefits:					
A. Military Retirement Pensions	\$ 0		\$ 0	\$ 0	\$ 0
B. Military Retirement Health Benefits	0		0	0	0
C. Medicare-Eligible Retiree Benefits	0		0	0	0
D. Total Pension and Health Benefits	\$ 0		\$ 0	\$ 0	\$ 0
2. Other					
A. FECA	\$ 1,409,853		\$ 0	\$ 1,409,853	\$ 1,325,926
B. Voluntary Separation Incentive Programs	0		0	0	0
C. DoD Educational Benefits Fund	0		0	0	0
E. Total Other	\$ 1,409,853		\$ 0	\$ 1,409,853	\$ 1,325,926
3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities:	\$ 1,409,853		\$ 0	\$ 1,409,853	\$ 1,325,926

4. Other Information Pertaining to Military Retirement Benefits and Other Employment-Related Actuarial Liabilities:

Actuarial Cost Method Used: The Department of the Navy (DON) actuarial liability for workers' compensation benefits is developed by the Department of Labor and provided to the DON at the end of each fiscal year. The liability is distributed between the Navy Working Capital Fund (NWCF) 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.

Assumptions: The projected annual benefit payments are discounted to the present value using the OMB's economic assumptions for 10-year U.S. Treasury notes and bonds. Cost-of-living adjustments and medical inflation factors are also applied to the calculation of projected future benefits. The interest rate assumptions used in the discount calculations were as follows as of September 30, 2003:

- 3.84 percent in year 1,
- 4.35 percent in year 2 and thereafter

Market Value of Investments in Market-based and Marketable Securities: Not Applicable.

NOTE 18. UNEXPENDED APPROPRIATIONS

Not Applicable.



NOTE 19.A. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Information Related to the Statement of Net Cost:

Fluctuations and/or Abnormalities

The overall change on the Statement of Net Cost results from an increase in both the intra-governmental costs and earned revenue from other government sources offset by a decrease in both the gross costs and revenue from public sources. The goal of the Net Cost of Operations is to maintain an income and expense account that comes close to break even. It is not the goal of the U.S. Government to make a profit. This goal has been met. The changes in the various accounts that make up the Statement of Net Cost exceeds the 2 percent of total assets reported on the Balance Sheet.

The increase of \$955,604 thousand, 5 percent, of intra-governmental revenue is attributable to increased work related to efforts to support the on-going war efforts, such as the War on Global Terrorism and Iraqi Freedom. As additional income is generated, additional costs associated with these efforts comes hand in hand, thus the increase of \$39,925 thousand, 1percent, in intra-governmental costs. Increased intra-governmental net costs were offset by a decrease in the revenue and costs associated with the Public.

Gross costs with the Public decreased \$1,181,144 thousand, 6 percent, as labor, materials and services required to support the public workload were decreased from the prior period. During FY 2003 workload focused almost totally on government sources and the ability to support public requests were minimized, which is attributable to the decrease of \$95,982 thousand, 11 percent, in revenue from the public.

Composition of Statement of Net Cost

The Navy Working Capital Fund (NWCF) generally records transactions on an accrual basis as required by federal generally accepted accounting principles. Information presented on the Statement of Net Cost represent the net result of post-closing adjustments and eliminating entries made in compiling and consolidating the NWCF financial statements. These entries significantly affected the reported amounts of Intra-governmental Program Cost, Program Cost with the Public, Earned Revenue and Net Program Cost. The post-closing adjustments were made in order to increase or decrease certain NWCF account balances reported as of September 30, 2003 to ensure agreement with related balances reported by other Department of Defense (DoD) and other federal reporting entities. Eliminating entries are required adjustments made as part of the financial process. This process enables the matching of trading partner data recorded at each financial statement consolidation level -- the NWCF, DoD and Federal Government levels.

Other Disclosures Related to the Statement of Net Cost

The Statement of Net Cost was impacted by the recording of Prior Period Adjustments, other than the inventory valuation model, in the amount of \$540,335 thousand as current year transactions.

NOTE 19.B. GROSS COST AND EARNED REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION

Not Applicable.

NOTE 19.C. GROSS COST TO GENERATE INTRA-GOVERNMENTAL REVENUE AND EARNED REVENUE (TRANSACTIONS WITH OTHER FEDERAL—NON-DoD—ENTITIES) BY BUDGET FUNCTIONAL CLASSIFICATION

Not Applicable.

NOTE 19.D. IMPUTED EXPENSES

As of September 30, (Amount in thousands)	2003	2002
1. Civilian (e.g., CSRS/FERS) Retirement	\$ 270,127	\$ 205,147
2. Civilian Health	272,241	259,494
3. Civilian Life Insurance	1,013	948
4. Military Retirement Pension	0	0
5. Military Retirement Health	0	0
6. Judgment Fund	0	0
7. Total Imputed Expenses	<u>\$ 543,381</u>	<u>\$ 465,589</u>

8. Other Information

Information Related to Imputed Expenses:

The NWCF financial statements have recognized an imputed expense for civilian employee pensions, life insurance, and health benefits in the Statement of Net Cost. Imputed expenses for employee benefits were calculated using cost factors provided by the Office of Personnel Management applied against gross basic pay for all categories of civilian service employees. The gross basic pay amounts were extracted directly from the Defense Civilian Pay System.

Judgment Fund claims are reported in the Navy General Fund statements and notes.

Other Disclosures Related to Imputed Expenses

No further disclosures required.

NOTE 19.E. BENEFIT PROGRAM EXPENSES

Not Applicable.

NOTE 19.F. EXCHANGE REVENUE**Information Related to Exchange Revenue:**Definition

Exchange revenue arises when a government entity provides goods and services to the public or to another Government entity for a price, "earned revenue". Exchange revenue includes most user charges other than taxes, i.e., regulatory user charges.

Other Disclosures Related to Exchange Revenue

No further disclosures required.

Note Reference

For regulatory discussion on Exchange Revenue, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 102120.

**NOTE 19.G. AMOUNTS FOR FOREIGN MILITARY SALES (FMS) PROGRAM PROCUREMENTS FROM CONTRACTORS**

Not Applicable.

NOTE 19.H. STEWARDSHIP ASSETS

Not Applicable.

NOTE 19.I. INTRA-GOVERNMENTAL REVENUE AND EXPENSE**Information Related to Intergovernmental Revenue and Expense:**Intra-governmental Revenue

The NWCF accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the NWCF was unable to reconcile intra-governmental revenue balances with the majority of their trading partners. Action has been taken to reconcile some of the smaller accounts manually. Through an ongoing Business Management Modernization Program, the DoD intends to develop long-term systems improvements that will capture the data necessary to perform reconciliations.

Intra-governmental Operating Expenses

The NWCF operating expenses were adjusted based on a comparison between the NWCF's accounts payable and the DoD summary level seller accounts receivables. Adjustments were posted to accounts payable and operating expenses to reflect the following reported balances: other trading partners; Federal Financing Bank payments for debt; interest, penalties, fines & administrative fees data call; and resolution of abnormal accounts payables in accordance with current guidance. The operating expenses of the NWCF were adjusted downwards in the net amount of \$959,303 thousand.

The Office of Management and Budget (OMB) has established a working group to review the current business practices in place to capture the data exchanged between federal agencies; and to determine what changes need to be incorporated. The Department of the Navy has representation on the Office of the Under Secretary of Defense (Comptroller) group which is working directly with OMB to ensure that all aspects (e.g., financial, logistics and security) of the DoD are given full consideration. Based on the large volume of intra-governmental transactions that occur this project is a major undertaking and will take several years to complete with the ultimate goal of having this process totally automated.

Other Disclosures Related to Exchange Revenue

No further disclosures required.

NOTE 19.J. SUBORGANIZATION PROGRAM COSTS

Not Applicable.

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

As of September 30, (Amounts in thousands)	Cumulative Results of Operations 2003	Unexpended Appropriations 2003	Cumulative Results of Operations 2002	Unexpended Appropriations 2002
1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance:				
A. Changes in Accounting Standards	\$ 0	\$ 0	\$ 0	\$ 0
B. Errors and Omissions in Prior Year Accounting Reports	0	0	1,952,397	0
C. Other Prior Period Adjustments	0	0	0	0
D. Total Prior Period Adjustments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,952,397</u>	<u>\$ 0</u>
2. Imputed Financing:				
A. Civilian CSRS/FERS Retirement	\$ 270,127	\$ 0	\$ 205,147	\$ 0
B. Civilian Health	272,241	0	259,494	0
C. Civilian Life Insurance	1,013	0	948	0
D. Military Retirement Pension	0	0	0	0
E. Military Retirement Health	0	0	0	0
F. Judgment Fund	0	0	0	0
G. Total Imputed Financing	<u>\$ 543,381</u>	<u>\$ 0</u>	<u>\$ 465,589</u>	<u>\$ 0</u>

Information Related to Statement of Net Position:Fluctuations and/or Abnormalities

Prior Period Adjustments, Errors and Omissions decreased 100 percent from FY 2002 to FY 2003. The entire change is due to Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) direction to remove prior period adjustments generated in the inventory valuation model.

Composition of Statement of Net Position

A direct appropriation was provided to the Defense Working Capital Fund in the Department of Defense Appropriations Act, 2003, P.L. 107-248. Program Budget Decision 624, dated December 3, 2002. This appropriation allocated \$40.2 million to the Navy Working Capital Fund (NWCF) Supply Management to augment inventory levels. All funds have been obligated and expended.

Reclassified to current year operations were prior period adjustments generated in the Navy Activity accounting systems in the amount of \$540,335 thousand. These amounts were reclassified as their individual values did not meet the materiality threshold outlined in the (OUSD(C)) memo of 8 June 2003.

Based on OUSD(C) direction, amounts generated as prior period adjustments within the Cost of Goods Sold model were moved to inventory allowance accounts. The amounts are as follows:

Amount in thousands
Supply Management, Navy (\$ 951,964)
Supply Management, Marine \$ 178,768



Imputed Financing

The amounts remitted to Office of Personnel Management (OPM) by and for employees covered by Civil Service Retirement System, Federal Employee Retirement System, Federal Employees Health Benefits Program and the Federal Employee Group Life Insurance Program do not fully cover the Government's cost to provide these benefits. An imputed cost is recognized as the difference between the Government's cost of providing these benefits to the employees and contributions made by and for them. The OPM provides the cost factors to the Defense Finance and Accounting Service (DFAS) for computation of imputed financing cost. The DFAS provides the costs to Office of the Under Secretary of Defense (Personnel and Readiness) for validation. Approved imputed costs are provided to the reporting components for inclusion in their financial statements.

Other Disclosures Related to the Statement of Net Position

Included in the NWCF's Net Position, Cumulative Results of Operations (CRO) are amounts that were approved by OUSD(C) as a deferral for recovery from, or return to, customers in later fiscal years' billing rates. As of September 30, 2003, the total NWCF amount of CRO-Deferred was (\$522,620) thousand. This amount primarily consists of system development costs incurred during FY 1992-1998 totaling (\$389,533) thousand by the Joint Logistics Service Center (JLSC). With the closure of JLSC, OUSD(C) directed in August 1998 that this JLSC system development cost be deferred from cost recovery. As instructed by the OUSD(C), the Department of the Navy distributed this amount among affected NWCF activities. It also includes the write-off of liabilities from a Pilot Program at Naval Shipyard Pearl Harbor in FY 2002 in the amount of (\$116,306) thousand.

Note Reference

For regulatory disclosure related to the Statement of Changes in Net Position, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1022.

NOTE 21.A. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

As of September 30, (Amounts in thousands)	2003	2002
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 8,043,629	\$ 7,340,100
2. Available Borrowing and Contract Authority at the End of the Period	5,880,543	5,394,300
3. Other Information:		

Information Related to the Statement of Budgetary Resources:

The Statement of Budgetary Resources (SBR) is an image of the monthly Report on Budget Execution (Standard Form (SF) 133). These reports should be produced using budgetary accounts. However, the Navy Working Capital Fund (NWCF) uses proprietary accounts because its financial accounting systems were not designed to produce budgetary accounting data. The Department of the Navy and the Defense Finance and Accounting Service continue with the implementation of new accounting systems designed to produce both proprietary and budgetary reports and use the U.S. Standard General Ledger. The Defense Industrial Financial Management System (DIFMS) has been fully implemented at all Research and Development (R&D) activities that were scheduled for conversion. R&D activity Space and Naval Warfare Systems Center, San Diego has successfully implemented the Enterprise Resource Planning (ERP) pilot program (Project Cabrillo) thus moving off DIFMS. Also, the Naval Air Warfare Centers (NAWC's) have moved from DIFMS to their ERP pilot program "SIGMA". The ERP's are programmed to complete the SBR at the activity level. The Defense Working Capital Fund Accounting System (DWAS) implementation continues to be implemented at the Base Support Activities and is currently ahead of schedule. DWAS implementations should be completed by year-end FY 2004. Once the legacy systems have been replaced, the capability to produce the SBR and SF133 should be accomplished.

The SBR does not measure the NWCF's budget execution against budgetary resources. Budgetary resources are recorded in the accounting records and reported on the basis of customer orders received and contract authority invoked. On these reports, the spending authority from offsetting collections during the period of execution is based upon the approved President's Budget estimate of anticipated customer orders.

For the SBR, Supply Management's revenue is defined as gross sales less credit returns. For the balance sheet, revenue does not include credit returns because the inventory valuation model considers credit returns as inventory allowances. The difference in "meanings" causes variances in the reports.

On these budgetary reports, the net outlays (collections and disbursements) year to date are reported based on the amounts reported to U.S. Treasury from the Cash Accountability System and Centralized Expenditures/Reimbursement Processing System. As of September 30, 2003, the differences between the U.S. Treasury and the NWCF activity ledgers have been minimal, and the cause is related to timing or the type of transactions. The differences are recorded as undistributed disbursements and collections on the departmental reports.

While there may be no impact upon the U.S. Treasury balance, the above differences have created distortions in the accounts receivable and accounts payable from a budgetary reporting perspective on the SBR. Also, problems with undistributed collections and disbursements have created abnormal balances for accounts receivable and accounts payable on the SBR.

Intra-entity Transactions

The SBR does not include intra-entity transactions because the statements are presented as combined and combining.

Apportionment Categories

OMB Bulletin No. 01-09, section 9.27, requires disclosure of the amount of direct and reimbursable obligations incurred against amounts apportioned under categories A, B and exempt from apportionment. These amounts are as follows:

Obligations Incurred – Direct	Line 8A	\$	0
Obligations Incurred – Reimbursable	Line 8B	\$	27,263,631K
Exempt from apportionment -	Line 9B	\$	0

Undelivered Orders

Undelivered Orders presented in the SBR includes Undelivered Orders-Unpaid for both direct and reimbursable funds.

Spending Authority from Offsetting Collections

Adjustments in funds that are temporarily not available pursuant to Public Law, and those that are permanently not available (included in the "Adjustments" line on the SBR), are not included in the "Spending Authority from Offsetting Collections and Adjustments" line on the SBR or the "Spending Authority for Offsetting Collections and Adjustments" line on the Statement of Financing.

Other Disclosures Related to the Statement of Budgetary Resources

No further disclosures required.



NOTE 21.B. DISCLOSURES RELATED TO PROBLEM DISBURSEMENTS, IN-TRANSIT DISBURSEMENTS AND SUSPENSE/BUDGET CLEARING ACCOUNTS

As of September 30, (Amounts in thousands)	September 2001	September 2002	September 2003	(Decrease)/Increase from 2002 to 2003
1. Total Problem Disbursements				
A. Absolute Unmatched Disbursements	\$ 204,317	\$ 166,500	\$ 88,748	\$ (76,752)
B. Negative Unliquidated Obligations	0	0	0	0
2. Total In-transit Disbursements, Net	\$ 0	\$ 0	\$ 0	\$ 0

3. Other Information Related to Problem Disbursements and In-transit Disbursements :

Absolute Unmatched Disbursements

A Unmatched Disbursement (UMD) occurs when a payment is not matched to a corresponding obligation in the accounting system. For FY 2003, the NWCF has \$88,748 thousand (absolute value) in UMDs, which is a decrease of \$76,752 thousand since FY 2002. NWCF problem disbursements continue to decrease from the prior years largely due to improving system functionality and business processes. Additional emphasis on further reducing NWCF problem disbursements has resulted in corresponding efforts to analyze and improve processes, and determine solutions to reduce current inflow and their root causes. Absolute value is the sum of the positive values of debit and credit transactions without regard to the sign (plus or minus).

Negative Unliquidated Obligations

A Negative Unliquidated Obligations 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 problem disbursements represent the absolute value of funds that have been reported by a disbursing station to the Department of the Treasury, but have not yet been precisely matched against the specific source obligation that gave rise to the disbursements. These payments have been made using available funds and are based on valid receiving reports for goods and services delivered under valid contracts.

In-transit Disbursements

In transits represents the net value of disbursements and collections made by a Department of Defense disbursing activity on behalf of an accountable activity but not yet posted in an accounting system.

Other Disclosures Related to Problem Disbursements and In-transit Disbursements

No further disclosures required.

Information Related to Suspense/Budget Clearing Accounts:

The NWCF Suspense/Budget Clearing Accounts are being reported under Navy General Funds, Index 17.

NOTE 22. DISCLOSURES RELATED TO THE STATEMENT OF FINANCING**Information Related to the Statement of Financing:**

The Statement of Financing is designed to provide information on 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. 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 Defense Finance and Accounting Service (DFAS) Navy Working Capital Fund (NWCF) accounting systems include budgetary accounts however some of the legacy NWCF accounting systems do not. As a result, the Statement of Budgetary Resources (SBR) is generated by DFAS using data extracted from the proprietary accounts. The detailed level of information required to appropriately complete the SBR is in the process of being developed for those activities that cannot provide the data due to system deficiencies. Due to the system deficiencies, the Statement of Financing line, Resources that Finance the Acquisition of Assets, was adjusted upward by \$1,803,706 thousand. Therefore, the data presented on the Statement of Financing may not meet the intent of the Department of Defense Financial Management Regulation.

Intra-entity transactions have not been eliminated because statements are presented as combined and combining.

Other Disclosures Related to the Statement of Financing

In FY 2003, the Naval Air Warfare Center (NAWC), a Research and Development activity group, was unable to fully bill its customers due to system implementation problems. The NAWCs inability to bill customers had an impact on the unfilled customer orders balance. Corrective actions are underway and are expected to be complete by First Quarter, FY 2004.

During FY 2003, accounts that populated line items on the Statement of Financing were re-mapped within the Defense Departmental Reporting System thereby, affecting the readers' ability to make a useful comparison between FY 2002 and FY 2003.

NOTE 23. DISCLOSURES RELATED TO THE STATEMENT OF CUSTODIAL ACTIVITY

Not Applicable.



NOTE 24.A. OTHER DISCLOSURES: LEASES

Entity As Lessee - Operating Leases

As of September 30,		2003				2002
(Amounts in thousands)		Buildings	Equipment	Other	Total	Total
B. Future Payments Due:						
<u>Fiscal Year</u>						
2004		\$ 511	\$ 0	\$ 0	\$ 511	\$ 1,100
2005		0	0	0	0	0
2006		0	0	0	0	0
2007		0	0	0	0	0
2008		0	0	0	0	0
After 5 Years		0	0	0	0	0
Total Future Lease Payments Due		\$ 511	\$ 0	\$ 0	\$ 511	\$ 1,100

Fluctuations and Abnormalities

None.

Definitions

Lessee – A person or entity who receives the use and possession of leased property (e.g. real estate or equipment) from a lessor in exchange for a payment of funds.

Operating Lease - A lease which does not transfer substantially all the benefits and risk of ownership. Payments should be charged to expense over the lease term as it becomes payable.

Land and Building Leases consist of:

Description of Leases:

The Military Sealift Command has an existing operating lease for a corporate data center, which commenced December 1, 1999 for a lease period of one year with three option years. The final lease payment in the amount of \$1,100 thousand was made December 1, 2002 (FY 2003) and the final option to buy the equipment will be exercised December 2003 (FY 2004) in the amount of \$511 thousand.

Equipment Leases consist of:

None.

Other Leases consist of:

None.

NOTE 24.B. OTHER DISCLOSURES

No further disclosures required.



DEPARTMENT OF THE NAVY

**NAVY WORKING CAPITAL FUND SUPPORTING
CONSOLIDATING/COMBINING STATEMENTS**



Department of Defense
 Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
 As of September 30, 2003 and 2002
 (\$ in thousands)

	<u>Depot Maintenance, Shipyards</u>	<u>Depot Maintenance, Aviation</u>	<u>Depot Maintenance, Marine Corps</u>	<u>Ordnance</u>
ASSETS (Note 2)				
Intragovernmental:				
Fund Balance with Treasury (Note 3)				
Entity	\$ 484,764	\$ 86,232	\$ (28,830)	\$ 73,709
Non-Entity Seized Iraqi Cash	0	0	0	0
Non-Entity - Other	0	0	0	0
Investments (Note 4)	0	0	0	0
Accounts Receivable (Note 5)	9,889	143,792	20,183	825
Other Assets (Note 6)	0	0	10	0
Total Intragovernmental Assets	<u>\$ 494,653</u>	<u>\$ 230,024</u>	<u>\$ (8,637)</u>	<u>\$ 74,534</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0	\$ 0	\$ 0
Accounts Receivable (Note 5)	273	318	152	120
Loans Receivable (Note 8)	0	0	0	0
Inventory and Related Property (Note 9)	226,169	658,386	56,072	284
General Property, Plant and Equipment (Note 10)	684,737	361,592	53,531	140
Investments (Note 4)	0	0	0	0
Other Assets (Note 6)	96,551	3,448	0	711
TOTAL ASSETS	<u><u>\$ 1,502,383</u></u>	<u><u>\$ 1,253,768</u></u>	<u><u>\$ 101,118</u></u>	<u><u>\$ 75,789</u></u>
LIABILITIES (Note 11)				
Intragovernmental:				
Accounts Payable (Note 12)	\$ 26,380	\$ 270,352	\$ 5,906	\$ (113,819)
Debt (Note 13)	0	0	0	0
Environmental Liabilities (Note 14)	0	0	0	0
Other Liabilities (Note 15 & Note 16)	137,352	5,565	4,435	0
Total Intragovernmental Liabilities	<u>\$ 163,732</u>	<u>\$ 275,917</u>	<u>\$ 10,341</u>	<u>\$ (113,819)</u>
Accounts Payable (Note 12)	\$ 45,799	\$ 28,685	\$ 5,511	\$ 8,416
Military Retirement Benefits and Other Employment-Related				
Actuarial Liabilities (Note 17)	0	0	23,068	0
Environmental Liabilities (Note 14)	0	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0	0
Other Liabilities (Note 15 and Note 16)	239,124	528,872	3,718	13,600
Debt Held by Public (Note 13)	0	0	0	0
TOTAL LIABILITIES	<u><u>\$ 448,655</u></u>	<u><u>\$ 833,474</u></u>	<u><u>\$ 42,638</u></u>	<u><u>\$ (91,803)</u></u>
NET POSITION				
Unexpended Appropriations (Note 18)	\$ 0	\$ 0	\$ 0	\$ 0
Cumulative Results of Operations	1,053,728	420,294	58,480	167,592
TOTAL NET POSITION	<u><u>\$ 1,053,728</u></u>	<u><u>\$ 420,294</u></u>	<u><u>\$ 58,480</u></u>	<u><u>\$ 167,592</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,502,383</u></u>	<u><u>\$ 1,253,768</u></u>	<u><u>\$ 101,118</u></u>	<u><u>\$ 75,789</u></u>

Department of Defense
 Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
 As of September 30, 2003 and 2002
 (\$ in thousands)

	<u>Transportation</u>	<u>Base Support</u>	<u>Research & Development</u>	<u>Supply Management</u>
ASSETS (Note 2)				
Intragovernmental:				
Fund Balance with Treasury (Note 3)				
Entity	\$ 256,819	\$ 212,906	\$ 773,480	\$ 314,590
Non-Entity Seized Iraqi Cash	0	0	0	0
Non-Entity - Other	0	0	0	0
Investments (Note 4)	0	0	0	0
Accounts Receivable (Note 5)	143,258	166,029	(9,110)	222,038
Other Assets (Note 6)	0	0	0	0
Total Intragovernmental Assets	<u>\$ 400,077</u>	<u>\$ 378,935</u>	<u>\$ 764,370</u>	<u>\$ 536,628</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0	\$ 0	\$ 0
Accounts Receivable (Note 5)	105	25,502	16,280	(4,875)
Loans Receivable (Note 8)	0	0	0	0
Inventory and Related Property (Note 9)	35,100	28,666	689,220	16,562,231
General Property, Plant and Equipment (Note 10)	37,390	695,015	1,994,358	497,147
Investments (Note 4)	0	0	0	0
Other Assets (Note 6)	607,606	1,766	13,903	144,823
TOTAL ASSETS	<u><u>\$ 1,080,278</u></u>	<u><u>\$ 1,129,884</u></u>	<u><u>\$ 3,478,131</u></u>	<u><u>\$ 17,735,954</u></u>
LIABILITIES (Note 11)				
Intragovernmental:				
Accounts Payable (Note 12)	\$ 45,370	\$ 44,850	\$ (178,326)	\$ 489,521
Debt (Note 13)	615,648	0	0	0
Environmental Liabilities (Note 14)	0	0	0	0
Other Liabilities (Note 15 & Note 16)	1,634	6,437	128,453	55,888
Total Intragovernmental Liabilities	<u>\$ 662,652</u>	<u>\$ 51,287</u>	<u>\$ (49,873)</u>	<u>\$ 545,409</u>
Accounts Payable (Note 12)	\$ 420,415	\$ 155,099	\$ 870,638	\$ 444,678
Military Retirement Benefits and Other Employment-Related				
Actuarial Liabilities (Note 17)	0	0	0	0
Environmental Liabilities (Note 14)	0	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0	0
Other Liabilities (Note 15 and Note 16)	37,786	180,305	2,102,959	831,076
Debt Held by Public (Note 13)	0	0	0	0
TOTAL LIABILITIES	<u><u>\$ 1,120,853</u></u>	<u><u>\$ 386,691</u></u>	<u><u>\$ 2,923,724</u></u>	<u><u>\$ 1,821,163</u></u>
NET POSITION				
Unexpended Appropriations (Note 18)	\$ 0	\$ 0	\$ 0	\$ 0
Cumulative Results of Operations	(40,575)	743,193	554,407	15,914,791
TOTAL NET POSITION	<u><u>\$ (40,575)</u></u>	<u><u>\$ 743,193</u></u>	<u><u>\$ 554,407</u></u>	<u><u>\$ 15,914,791</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,080,278</u></u>	<u><u>\$ 1,129,884</u></u>	<u><u>\$ 3,478,131</u></u>	<u><u>\$ 17,735,954</u></u>



Department of Defense
 Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
 As of September 30, 2003 and 2002
 (\$ in thousands)

	<u>Component Level</u>	<u>Combined Total</u>	<u>Eliminations</u>
ASSETS (Note 2)			
Intragovernmental:			
Fund Balance with Treasury (Note 3)			
Entity	\$ (346,024)	\$ 1,827,646	\$ 0
Non-Entity Seized Iraqi Cash	0	0	0
Non-Entity - Other	0	0	0
Investments (Note 4)	0	0	0
Accounts Receivable (Note 5)	(114,131)	582,773	0
Other Assets (Note 6)	10,382	10,392	0
Total Intragovernmental Assets	<u>\$ (449,773)</u>	<u>\$ 2,420,811</u>	<u>\$ 0</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0	\$ 0
Accounts Receivable (Note 5)	73,900	111,775	0
Loans Receivable (Note 8)	0	0	0
Inventory and Related Property (Note 9)	0	18,256,128	0
General Property, Plant and Equipment (Note 10)	0	4,323,910	0
Investments (Note 4)	0	0	0
Other Assets (Note 6)	0	868,808	0
TOTAL ASSETS	<u><u>\$ (375,873)</u></u>	<u><u>\$ 25,981,432</u></u>	<u><u>\$ 0</u></u>
LIABILITIES (Note 11)			
Intragovernmental:			
Accounts Payable (Note 12)	\$ (276,448)	\$ 313,786	\$ 0
Debt (Note 13)	0	615,648	0
Environmental Liabilities (Note 14)	0	0	0
Other Liabilities (Note 15 & Note 16)	(50,496)	289,268	0
Total Intragovernmental Liabilities	<u>\$ (326,944)</u>	<u>\$ 1,218,702</u>	<u>\$ 0</u>
Accounts Payable (Note 12)	\$ 123,629	\$ 2,102,870	\$ 0
Military Retirement Benefits and Other Employment-Related			
Actuarial Liabilities (Note 17)	1,386,785	1,409,853	0
Environmental Liabilities (Note 14)	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0
Other Liabilities (Note 15 and Note 16)	(824,263)	3,113,177	0
Debt Held by Public (Note 13)	0	0	0
TOTAL LIABILITIES	<u><u>\$ 359,207</u></u>	<u><u>\$ 7,844,602</u></u>	<u><u>\$ 0</u></u>
NET POSITION			
Unexpended Appropriations (Note 18)	\$ 0	\$ 0	\$ 0
Cumulative Results of Operations	(735,080)	18,136,830	0
TOTAL NET POSITION	<u><u>\$ (735,080)</u></u>	<u><u>\$ 18,136,830</u></u>	<u><u>\$ 0</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ (375,873)</u></u>	<u><u>\$ 25,981,432</u></u>	<u><u>\$ 0</u></u>

Department of Defense
 Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
 As of September 30, 2003 and 2002
 (\$ in thousands)

	<u>2003 Consolidated</u>	<u>2002 Consolidated</u>
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)		
Entity	\$ 1,827,646	\$ 1,709,680
Non-Entity Seized Iraqi Cash	0	0
Non-Entity - Other	0	0
Investments (Note 4)	0	0
Accounts Receivable (Note 5)	582,773	525,240
Other Assets (Note 6)	10,392	266
Total Intragovernmental Assets	<u>\$ 2,420,811</u>	<u>\$ 2,235,186</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0
Accounts Receivable (Note 5)	111,775	80,901
Loans Receivable (Note 8)	0	0
Inventory and Related Property (Note 9)	18,256,128	17,655,864
General Property, Plant and Equipment (Note 10)	4,323,910	4,190,837
Investments (Note 4)	0	0
Other Assets (Note 6)	868,808	1,140,654
TOTAL ASSETS	<u><u>\$ 25,981,432</u></u>	<u><u>\$ 25,303,442</u></u>
LIABILITIES (Note 11)		
Intragovernmental:		
Accounts Payable (Note 12)	\$ 313,786	\$ 434,772
Debt (Note 13)	615,648	750,725
Environmental Liabilities (Note 14)	0	0
Other Liabilities (Note 15 & Note 16)	289,268	177,808
Total Intragovernmental Liabilities	<u>\$ 1,218,702</u>	<u>\$ 1,363,305</u>
Accounts Payable (Note 12)	\$ 2,102,870	\$ 1,799,671
Military Retirement Benefits and Other Employment-Related		
Actuarial Liabilities (Note 17)	1,409,853	1,325,926
Environmental Liabilities (Note 14)	0	0
Loan Guarantee Liability (Note 8)	0	0
Other Liabilities (Note 15 and Note 16)	3,113,177	2,807,834
Debt Held by Public (Note 13)	0	0
TOTAL LIABILITIES	<u><u>\$ 7,844,602</u></u>	<u><u>\$ 7,296,736</u></u>
NET POSITION		
Unexpended Appropriations (Note 18)	\$ 0	\$ 0
Cumulative Results of Operations	18,136,830	18,006,706
TOTAL NET POSITION	<u><u>\$ 18,136,830</u></u>	<u><u>\$ 18,006,706</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 25,981,432</u></u>	<u><u>\$ 25,303,442</u></u>



Department of Defense
 Navy Working Capital Fund
CONSOLIDATING STATEMENT OF NET COST
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>2003 Total</u>	<u>Eliminations</u>	<u>2003 Consolidated</u>	<u>2002 Consolidated</u>
Program Costs				
Base Support				
Intragovernmental Gross Costs	\$ 1,008,827	\$ 0	\$ 1,008,827	\$ 1,634,739
(Less: Intragovernmental Earned Revenue)	(1,584,722)	0	(1,584,722)	(1,627,848)
Intragovernmental Net Costs	<u>\$ (575,895)</u>	<u>\$ 0</u>	<u>\$ (575,895)</u>	<u>\$ 6,891</u>
Gross Costs With the Public	\$ 560,902	0	560,902	19,753
(Less: Earned Revenue From the Public)	0	0	0	(64,086)
Net Costs With the Public	<u>\$ 560,902</u>	<u>\$ 0</u>	<u>\$ 560,902</u>	<u>\$ (44,333)</u>
Net Program Cost	<u>\$ (14,993)</u>	<u>\$ 0</u>	<u>\$ (14,993)</u>	<u>\$ (37,442)</u>
Component Level				
Intragovernmental Gross Costs	\$ (5,267,415)	\$ 0	\$ (5,267,415)	\$ (12,661,671)
(Less: Intragovernmental Earned Revenue)	3,370,279	0	3,370,279	2,152,034
Intragovernmental Net Costs	<u>\$ (1,897,136)</u>	<u>\$ 0</u>	<u>\$ (1,897,136)</u>	<u>\$ (10,509,637)</u>
Gross Costs With the Public	\$ 1,763,338	0	1,763,338	12,335,314
(Less: Earned Revenue From the Public)	(750,905)	0	(750,905)	1,272
Net Costs With the Public	<u>\$ 1,012,433</u>	<u>\$ 0</u>	<u>\$ 1,012,433</u>	<u>\$ 12,336,586</u>
Net Program Cost	<u>\$ (884,703)</u>	<u>\$ 0</u>	<u>\$ (884,703)</u>	<u>\$ 1,826,949</u>
Depot Maintenance, Aviation				
Intragovernmental Gross Costs	\$ 1,333,506	\$ 0	\$ 1,333,506	\$ 2,146,371
(Less: Intragovernmental Earned Revenue)	(2,355,599)	0	(2,355,599)	(1,973,128)
Intragovernmental Net Costs	<u>\$ (1,022,093)</u>	<u>\$ 0</u>	<u>\$ (1,022,093)</u>	<u>\$ 173,243</u>
Gross Costs With the Public	\$ 945,884	0	945,884	43,155
(Less: Earned Revenue From the Public)	(12,226)	0	(12,226)	(50,214)
Net Costs With the Public	<u>\$ 933,658</u>	<u>\$ 0</u>	<u>\$ 933,658</u>	<u>\$ (7,059)</u>
Net Program Cost	<u>\$ (88,435)</u>	<u>\$ 0</u>	<u>\$ (88,435)</u>	<u>\$ 166,184</u>
Depot Maintenance, Marine Corps				
Intragovernmental Gross Costs	\$ 21,757	\$ 0	\$ 21,757	\$ 208,091
(Less: Intragovernmental Earned Revenue)	(224,548)	0	(224,548)	(207,825)
Intragovernmental Net Costs	<u>\$ (202,791)</u>	<u>\$ 0</u>	<u>\$ (202,791)</u>	<u>\$ 266</u>
Gross Costs With the Public	\$ 222,057	0	222,057	3,620
(Less: Earned Revenue From the Public)	(3,578)	0	(3,578)	(4,327)
Net Costs With the Public	<u>\$ 218,479</u>	<u>\$ 0</u>	<u>\$ 218,479</u>	<u>\$ (707)</u>
Net Program Cost	<u>\$ 15,688</u>	<u>\$ 0</u>	<u>\$ 15,688</u>	<u>\$ (441)</u>

Department of Defense
Navy Working Capital Fund
CONSOLIDATING STATEMENT OF NET COST
For the years ended September 30, 2003 and 2002
(\$ in thousands)

	<u>2003 Total</u>	<u>Eliminations</u>	<u>2003 Consolidated</u>	<u>2002 Consolidated</u>
Program Costs				
Depot Maintenance, Shipyards				
Intragovernmental Gross Costs	\$ 1,019,640	\$ 0	\$ 1,019,640	\$ 2,726,318
(Less: Intragovernmental Earned Revenue)	(2,750,642)	0	(2,750,642)	(2,534,914)
Intragovernmental Net Costs	<u>\$ (1,731,002)</u>	<u>\$ 0</u>	<u>\$ (1,731,002)</u>	<u>\$ 191,404</u>
Gross Costs With the Public	\$ 1,650,127	0	1,650,127	107,251
(Less: Earned Revenue From the Public)	0	0	0	(16,895)
Net Costs With the Public	<u>\$ 1,650,127</u>	<u>\$ 0</u>	<u>\$ 1,650,127</u>	<u>\$ 90,356</u>
Net Program Cost	<u>\$ (80,875)</u>	<u>\$ 0</u>	<u>\$ (80,875)</u>	<u>\$ 281,760</u>
Ordnance				
Intragovernmental Gross Costs	\$ 71	\$ 0	\$ 71	\$ (56,748)
(Less: Intragovernmental Earned Revenue)	(926)	0	(926)	0
Intragovernmental Net Costs	<u>\$ (855)</u>	<u>\$ 0</u>	<u>\$ (855)</u>	<u>\$ (56,748)</u>
Gross Costs With the Public	\$ 512	0	512	0
(Less: Earned Revenue From the Public)	0	0	0	(604)
Net Costs With the Public	<u>\$ 512</u>	<u>\$ 0</u>	<u>\$ 512</u>	<u>\$ (604)</u>
Net Program Cost	<u>\$ (343)</u>	<u>\$ 0</u>	<u>\$ (343)</u>	<u>\$ (57,352)</u>
Transportation				
Intragovernmental Gross Costs	\$ 1,299,609	\$ 0	\$ 1,299,609	\$ 1,383,045
(Less: Intragovernmental Earned Revenue)	(1,844,089)	0	(1,844,089)	(1,516,715)
Intragovernmental Net Costs	<u>\$ (544,480)</u>	<u>\$ 0</u>	<u>\$ (544,480)</u>	<u>\$ (133,670)</u>
Gross Costs With the Public	\$ 489,538	0	489,538	4,103
(Less: Earned Revenue From the Public)	0	0	0	(1,950)
Net Costs With the Public	<u>\$ 489,538</u>	<u>\$ 0</u>	<u>\$ 489,538</u>	<u>\$ 2,153</u>
Net Program Cost	<u>\$ (54,942)</u>	<u>\$ 0</u>	<u>\$ (54,942)</u>	<u>\$ (131,517)</u>
Research & Development				
Intragovernmental Gross Costs	\$ 5,822,619	\$ 0	\$ 5,822,619	\$ 9,030,982
(Less: Intragovernmental Earned Revenue)	(9,585,868)	0	(9,585,868)	(9,119,274)
Intragovernmental Net Costs	<u>\$ (3,763,249)</u>	<u>\$ 0</u>	<u>\$ (3,763,249)</u>	<u>\$ (88,292)</u>
Gross Costs With the Public	\$ 3,750,586	0	3,750,586	127,598
(Less: Earned Revenue From the Public)	0	0	0	(351,023)
Net Costs With the Public	<u>\$ 3,750,586</u>	<u>\$ 0</u>	<u>\$ 3,750,586</u>	<u>\$ (223,425)</u>
Net Program Cost	<u>\$ (12,663)</u>	<u>\$ 0</u>	<u>\$ (12,663)</u>	<u>\$ (311,717)</u>



Department of Defense
 Navy Working Capital Fund
CONSOLIDATING STATEMENT OF NET COST
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 (\$ in thousands)

	<u>2003 Total</u>	<u>Eliminations</u>	<u>2003 Consolidated</u>	<u>2002 Consolidated</u>
Program Costs				
Supply Management				
Intragovernmental Gross Costs	\$ 183,636	\$ 0	\$ 183,636	\$ 971,197
(Less: Intragovernmental Earned Revenue)	(6,895,749)	0	(6,895,749)	(6,088,590)
Intragovernmental Net Costs	<u>\$ (6,712,113)</u>	<u>\$ 0</u>	<u>\$ (6,712,113)</u>	<u>\$ (5,117,393)</u>
Gross Costs With the Public	\$ 8,273,309	0	8,273,309	6,196,608
(Less: Earned Revenue From the Public)	0	0	0	(374,865)
Net Costs With the Public	<u>\$ 8,273,309</u>	<u>\$ 0</u>	<u>\$ 8,273,309</u>	<u>\$ 5,821,743</u>
Net Program Cost	<u>\$ 1,561,196</u>	<u>\$ 0</u>	<u>\$ 1,561,196</u>	<u>\$ 704,350</u>
Total Program Costs				
Intragovernmental Gross Costs	\$ 5,422,250	\$ 0	\$ 5,422,250	\$ 5,382,324
(Less: Intragovernmental Earned Revenue)	(21,871,864)	0	(21,871,864)	(20,916,260)
Intragovernmental Net Costs	<u>\$ (16,449,614)</u>	<u>\$ 0</u>	<u>\$ (16,449,614)</u>	<u>\$ (15,533,936)</u>
Gross Costs With the Public	\$ 17,656,253	0	17,656,253	18,837,402
(Less: Earned Revenue From the Public)	(766,709)	0	(766,709)	(862,692)
Net Costs With the Public	<u>\$ 16,889,544</u>	<u>\$ 0</u>	<u>\$ 16,889,544</u>	<u>\$ 17,974,710</u>
Net Program Cost	<u>\$ 439,930</u>	<u>\$ 0</u>	<u>\$ 439,930</u>	<u>\$ 2,440,774</u>
Costs Not Assigned to Programs	0	0	0	0
(Less: Earned Revenue Not Attributable to Programs)	0	0	0	0
Net Cost of Operations	<u><u>\$ 439,930</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 439,930</u></u>	<u><u>\$ 2,440,774</u></u>

Department of Defense
 Navy Working Capital Fund
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps	Ordnance
Cumulative Results of Operations				
Beginning Balances	\$ 947,968	\$ 347,908	\$ 66,559	\$ 168,016
Prior period adjustments (+/-)	(4,957)	0	0	(767)
Beginning Balances, as adjusted	<u>\$ 943,011</u>	<u>\$ 347,908</u>	<u>\$ 66,559</u>	<u>\$ 167,249</u>
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0
Appropriations used	0	0	0	0
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	29,841	(16,050)	0	0
Imputed financing from costs absorbed by others	0	0	7,609	0
Other (+/-)	0	0	0	0
Total Financing Sources	<u>\$ 29,841</u>	<u>\$ (16,050)</u>	<u>\$ 7,609</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ (80,875)</u>	<u>\$ (88,435)</u>	<u>\$ 15,688</u>	<u>\$ (343)</u>
Ending Balances	<u><u>\$ 1,053,727</u></u>	<u><u>\$ 420,293</u></u>	<u><u>\$ 58,480</u></u>	<u><u>\$ 167,592</u></u>
Unexpended Appropriations				
Beginning Balances	\$ 0	\$ 0	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0	0	0
Beginning Balances, as adjusted	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0
Appropriations used	0	0	0	0
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Imputed financing from costs absorbed by others	0	0	0	0
Other (+/-)	0	0	0	0
Total Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balances	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>





Department of Defense
 Navy Working Capital Fund
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>Transportation</u>	<u>Base Support</u>	<u>Research & Development</u>	<u>Supply Management</u>
Cumulative Results of Operations				
Beginning Balances	\$ (95,093)	\$ 677,090	\$ 512,075	\$ 16,610,137
Prior period adjustments (+/-)	0	(30)	0	5,885
Beginning Balances, as adjusted	<u>\$ (95,093)</u>	<u>\$ 677,060</u>	<u>\$ 512,075</u>	<u>\$ 16,616,022</u>
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	33,049	0
Appropriations used	0	0	0	40,200
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	(425)	51,141	(3,379)	819,764
Imputed financing from costs absorbed by others	0	0	0	0
Other (+/-)	0	0	0	0
Total Financing Sources	<u>\$ (425)</u>	<u>\$ 51,141</u>	<u>\$ 29,670</u>	<u>\$ 859,964</u>
Net Cost of Operations (+/-)	<u>\$ (54,942)</u>	<u>\$ (14,993)</u>	<u>\$ (12,663)</u>	<u>\$ 1,561,196</u>
Ending Balances	<u><u>\$ (40,576)</u></u>	<u><u>\$ 743,194</u></u>	<u><u>\$ 554,408</u></u>	<u><u>\$ 15,914,790</u></u>
Unexpended Appropriations				
Beginning Balances	\$ 0	\$ 0	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0	0	0
Beginning Balances, as adjusted	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 40,200
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0
Appropriations used	0	0	0	(40,200)
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Imputed financing from costs absorbed by others	0	0	0	0
Other (+/-)	0	0	0	0
Total Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balances	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Department of Defense
Navy Working Capital Fund

CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION

For the years ended September 30, 2003 and 2002

(\$ in thousands)

	<u>Component Level</u>	<u>Combined Total</u>	<u>Eliminations</u>
Cumulative Results of Operations			
Beginning Balances	\$ (1,227,954)	\$ 18,006,706	\$ 0
Prior period adjustments (+/-)	(131)	0	0
Beginning Balances, as adjusted	<u>\$ (1,228,085)</u>	<u>\$ 18,006,706</u>	<u>\$ 0</u>
Budgetary Financing Sources:			
Appropriations Received	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0
Other adjustments (rescissions, etc) (+/-)	(33,049)	0	0
Appropriations used	0	40,200	0
Nonexchange revenue	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0
Other budgetary financing sources (+/-)	0	0	0
Other Financing Sources:			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	(894,419)	(13,527)	0
Imputed financing from costs absorbed by others	535,772	543,381	0
Other (+/-)	0	0	0
Total Financing Sources	<u>\$ (391,696)</u>	<u>\$ 570,054</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ (884,703)</u>	<u>\$ 439,930</u>	<u>\$ 0</u>
Ending Balances	<u><u>\$ (735,078)</u></u>	<u><u>\$ 18,136,830</u></u>	<u><u>\$ 0</u></u>
Unexpended Appropriations			
Beginning Balances	\$ 0	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0	0
Beginning Balances, as adjusted	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Budgetary Financing Sources:			
Appropriations Received	\$ 0	\$ 40,200	\$ 0
Appropriations transferred in/out (+/-)	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0
Appropriations used	0	(40,200)	0
Nonexchange revenue	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0
Other budgetary financing sources (+/-)	0	0	0
Other Financing Sources:			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0
Imputed financing from costs absorbed by others	0	0	0
Other (+/-)	0	0	0
Total Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balances	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>



Department of Defense
 Navy Working Capital Fund
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>2003 Consolidated</u>	<u>2002 Consolidated</u>
Cumulative Results of Operations		
Beginning Balances	\$ 18,006,706	\$ 17,718,572
Prior period adjustments (+/-)	0	1,952,397
Beginning Balances, as adjusted	<u>\$ 18,006,706</u>	<u>19,670,969</u>
Budgetary Financing Sources:		
Appropriations Received	\$ 0	0
Appropriations transferred in/out (+/-)	0	0
Other adjustments (rescissions, etc) (+/-)	0	0
Appropriations used	40,200	0
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	0	0
Other budgetary financing sources (+/-)	0	312,060
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	(13,527)	(1,138)
Imputed financing from costs absorbed by others	543,381	465,589
Other (+/-)	0	0
Total Financing Sources	<u>\$ 570,054</u>	<u>776,511</u>
Net Cost of Operations (+/-)	<u>\$ 439,930</u>	<u>2,440,774</u>
Ending Balances	<u><u>\$ 18,136,830</u></u>	<u><u>\$ 18,006,706</u></u>
Unexpended Appropriations		
Beginning Balances	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0
Beginning Balances, as adjusted	<u>\$ 0</u>	<u>\$ 0</u>
Budgetary Financing Sources:		
Appropriations Received	\$ 40,200	\$ 0
Appropriations transferred in/out (+/-)	0	0
Other adjustments (rescissions, etc) (+/-)	0	0
Appropriations used	(40,200)	0
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	0	0
Other budgetary financing sources (+/-)	0	0
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	0	0
Imputed financing from costs absorbed by others	0	0
Other (+/-)	0	0
Total Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balances	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>Depot Maintenance, Shipyards</u>	<u>Depot Maintenance, Aviation</u>	<u>Depot Maintenance, Marine Corps</u>
BUDGETARY RESOURCES			
Budget Authority:			
Appropriations Received	\$ 0	\$ 0	\$ 0
Borrowing Authority	0	0	0
Contract Authority	0	0	0
Net transfers (+/-)	0	0	0
Other	0	0	0
Unobligated Balance:			
Beginning of period	421,463	640,385	63,188
Net transfers, actual (+/-)	0	0	0
Anticipated Transfers Balances	0	0	0
Spending Authority from Offsetting Collections:			
Earned	0	0	0
Collected	2,655,831	2,342,024	215,430
Receivable from Federal sources	(586)	34,541	10,600
Change in unfilled customer orders	0	0	0
Advances received	65,403	2,281	1,075
Without advance from Federal sources	608,638	88,350	84,948
Anticipated for the rest of year, without advances	0	0	0
Transfers from trust funds	0	0	0
Subtotal	<u>\$ 3,329,286</u>	<u>\$ 2,467,196</u>	<u>\$ 312,053</u>
Recoveries of prior year obligations	\$ 0	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0	0
Permanently not available	(38,900)	(17,973)	0
Total Budgetary Resources	<u><u>\$ 3,711,849</u></u>	<u><u>\$ 3,089,608</u></u>	<u><u>\$ 375,241</u></u>



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred:			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable	2,431,161	2,112,126	255,736
Subtotal	<u>\$ 2,431,161</u>	<u>\$ 2,112,126</u>	<u>\$ 255,736</u>
Unobligated balance:			
Apportioned	\$ 1,280,688	977,482	119,505
Exempt from apportionment	0	0	0
Other available	0	0	0
Unobligated Balances Not Available	0	0	0
Total, Status of Budgetary Resources	<u>\$ 3,711,849</u>	<u>\$ 3,089,608</u>	<u>\$ 375,241</u>

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:

Obligated Balance, Net-beginning of period	\$ 279,894	\$ 160,824	\$ (16,419)
Obligated Balance transferred, net (+/-)	0	0	0
Obligated Balance, net-end of period:			
Accounts Receivable	(8,730)	(141,440)	(20,336)
Unfilled customer order from Federal sources	(1,506,419)	(911,219)	(133,756)
Undelivered Orders	598,499	174,417	35,339
Accounts Payable	311,824	827,871	19,570
Outlays:			
Disbursements	2,707,828	2,200,432	242,952
Collections	(2,721,235)	(2,344,305)	(216,504)
Subtotal	<u>\$ (13,407)</u>	<u>\$ (143,873)</u>	<u>\$ 26,448</u>
Less: Offsetting receipts	0	0	0
Net Outlays	<u>\$ (13,407)</u>	<u>\$ (143,873)</u>	<u>\$ 26,448</u>

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

BUDGETARY RESOURCES	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
Budget Authority:			
Appropriations Received	\$ 0	\$ 0	\$ 0
Borrowing Authority	0	0	0
Contract Authority	0	0	340
Net transfers (+/-)	0	0	0
Other	0	0	0
Unobligated Balance:			
Beginning of period	265,628	176,443	207,122
Net transfers, actual (+/-)	0	0	0
Anticipated Transfers Balances	0	0	0
Spending Authority from Offsetting Collections:			
Earned	0	0	0
Collected	1,025	1,796,663	1,652,496
Receivable from Federal sources	(135)	47,626	(15,269)
Change in unfilled customer orders	0	0	0
Advances received	(68)	0	30,142
Without advance from Federal sources	(2,553)	123,097	(9,705)
Anticipated for the rest of year, without advances	0	0	0
Transfers from trust funds	0	0	0
Subtotal	<u>\$ (1,731)</u>	<u>\$ 1,967,386</u>	<u>\$ 1,657,664</u>
Recoveries of prior year obligations	\$ 0	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0	0
Permanently not available	0	(134,684)	0
Total Budgetary Resources	<u><u>\$ 263,897</u></u>	<u><u>\$ 2,009,145</u></u>	<u><u>\$ 1,865,126</u></u>



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred:			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable	53,569	1,798,511	1,627,419
Subtotal	<u>\$ 53,569</u>	<u>\$ 1,798,511</u>	<u>\$ 1,627,419</u>
Unobligated balance:			
Apportioned	\$ 210,328	210,634	237,707
Exempt from apportionment	0	0	0
Other available	0	0	0
Unobligated Balances Not Available	<u>0</u>	<u>0</u>	<u>0</u>
Total, Status of Budgetary Resources	<u>\$ 263,897</u>	<u>\$ 2,009,145</u>	<u>\$ 1,865,126</u>

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:

Obligated Balance, Net-beginning of period	\$ (36,110)	\$ 241,275	\$ 105,108
Obligated Balance transferred, net (+/-)	0	0	0
Obligated Balance, net-end of period:			
Accounts Receivable	(826)	(143,258)	(144,004)
Unfilled customer order from Federal sources	(15,027)	(158,231)	(252,069)
Undelivered Orders	6,318	(17,495)	170,814
Accounts Payable	(91,803)	514,603	347,565
Outlays:			
Disbursements	121,486	1,673,444	1,635,195
Collections	(957)	(1,796,663)	(1,682,638)
Subtotal	<u>\$ 120,529</u>	<u>\$ (123,219)</u>	<u>\$ (47,443)</u>
Less: Offsetting receipts	<u>0</u>	<u>0</u>	<u>0</u>
Net Outlays	<u>\$ 120,529</u>	<u>\$ (123,219)</u>	<u>\$ (47,443)</u>

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>Research & Development</u>	<u>Supply Management</u>	<u>Component Level</u>
BUDGETARY RESOURCES			
Budget Authority:			
Appropriations Received	\$ 0	\$ 40,200	\$ 0
Borrowing Authority	0	0	0
Contract Authority	0	557,804	0
Net transfers (+/-)	0	0	0
Other	0	0	0
Unobligated Balance:			
Beginning of period	1,199,702	711,212	432,078
Net transfers, actual (+/-)	10,501	(10,505)	(30,196)
Anticipated Transfers Balances	0	0	0
Spending Authority from Offsetting Collections:			
Earned	0	0	0
Collected	9,766,600	6,842,601	312,877
Receivable from Federal sources	(145,480)	(50,647)	(312,877)
Change in unfilled customer orders	0	0	0
Advances received	78,047	1,359	0
Without advance from Federal sources	967,075	104,325	0
Anticipated for the rest of year, without advances	0	0	0
Transfers from trust funds	0	0	0
Subtotal	<u>\$ 10,666,242</u>	<u>\$ 6,897,638</u>	<u>\$ 0</u>
Recoveries of prior year obligations	\$ 0	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0	0
Permanently not available	(12,583)	0	0
Total Budgetary Resources	<u><u>\$ 11,863,862</u></u>	<u><u>\$ 8,196,349</u></u>	<u><u>\$ 401,882</u></u>



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>Research & Development</u>	<u>Supply Management</u>	<u>Component Level</u>
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred:			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable	10,828,358	8,158,986	(2,235)
Subtotal	<u>\$ 10,828,358</u>	<u>\$ 8,158,986</u>	<u>\$ (2,235)</u>
Unobligated balance:			
Apportioned	\$ 1,035,503	156,152	404,116
Exempt from apportionment	0	0	0
Other available	1	0	1
Unobligated Balances Not Available	0	(118,789)	0
Total, Status of Budgetary Resources	<u>\$ 11,863,862</u>	<u>\$ 8,196,349</u>	<u>\$ 401,882</u>

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:

Obligated Balance, Net-beginning of period	\$ 52,929	\$ 3,343,567	\$ (1,145,306)
Obligated Balance transferred, net (+/-)	0	0	0
Obligated Balance, net-end of period:			
Accounts Receivable	13,750	(217,164)	320,911
Unfilled customer order from Federal sources	(4,813,043)	(966,366)	0
Undelivered Orders	2,243,490	4,787,060	0
Accounts Payable	2,703,194	914,048	(1,173,973)
Outlays:			
Disbursements	9,912,300	6,931,297	18,398
Collections	(9,844,646)	(6,843,960)	(312,877)
Subtotal	<u>\$ 67,654</u>	<u>\$ 87,337</u>	<u>\$ (294,479)</u>
Less: Offsetting receipts	0	0	0
Net Outlays	<u>\$ 67,654</u>	<u>\$ 87,337</u>	<u>\$ (294,479)</u>

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

BUDGETARY RESOURCES	<u>2003 Combined</u>	<u>2002 Combined</u>
Budget Authority:		
Appropriations Received	\$ 40,200	\$ 0
Borrowing Authority	0	0
Contract Authority	558,144	818,950
Net transfers (+/-)	0	0
Other	0	0
Unobligated Balance:		
Beginning of period	4,117,221	3,106,657
Net transfers, actual (+/-)	(30,200)	0
Anticipated Transfers Balances	0	0
Spending Authority from Offsetting Collections:		
Earned	0	0
Collected	25,585,547	24,242,264
Receivable from Federal sources	(432,227)	(478,538)
Change in unfilled customer orders	0	0
Advances received	178,239	58,673
Without advance from Federal sources	1,964,175	773,407
Anticipated for the rest of year, without advances	0	0
Transfers from trust funds	0	0
Subtotal	<u>\$ 27,295,734</u>	<u>\$ 24,595,806</u>
Recoveries of prior year obligations	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0
Permanently not available	(204,140)	(417,232)
Total Budgetary Resources	<u><u>\$ 31,776,959</u></u>	<u><u>\$ 28,104,181</u></u>



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>2003 Combined</u>	<u>2002 Combined</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 0	\$ 0
Reimbursable	27,263,631	23,986,959
Subtotal	<u>\$ 27,263,631</u>	<u>23,986,959</u>
Unobligated balance:		
Apportioned	\$ 4,632,115	4,117,221
Exempt from apportionment	0	0
Other available	2	1
Unobligated Balances Not Available	<u>(118,789)</u>	<u>0</u>
Total, Status of Budgetary Resources	<u>\$ 31,776,959</u>	<u>\$ 28,104,181</u>

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:

Obligated Balance, Net-beginning of period	\$ 2,985,762	\$ 2,421,105
Obligated Balance transferred, net (+/-)	0	0
Obligated Balance, net-end of period:		
Accounts Receivable	(341,097)	(773,326)
Unfilled customer order from Federal sources	(8,756,130)	(6,791,954)
Undelivered Orders	7,998,442	7,327,957
Accounts Payable	4,372,899	3,223,082
Outlays:		
Disbursements	25,443,332	23,127,436
Collections	(25,763,785)	(24,300,937)
Subtotal	<u>\$ (320,453)</u>	<u>(1,173,501)</u>
Less: Offsetting receipts	<u>0</u>	<u>0</u>
Net Outlays	<u>\$ (320,453)</u>	<u>\$ (1,173,501)</u>

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>Depot Maintenance, Shipyards</u>	<u>Depot Maintenance, Aviation</u>	<u>Depot Maintenance, Marine Corps</u>
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
Obligations Incurred	\$ 2,431,161	\$ 2,112,126	\$ 255,736
Less: Spending Authority from offsetting collections and recoveries (-)	(3,329,287)	(2,467,195)	(312,052)
Obligations net of offsetting collections and recoveries	\$ (898,126)	\$ (355,069)	\$ (56,316)
Less: Offsetting receipts (-)	0	0	0
Net obligations	\$ (898,126)	\$ (355,069)	\$ (56,316)
Other Resources			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	29,841	(16,050)	0
Imputed financing from costs absorbed by others	0	0	7,609
Other (+/-)	0	0	0
Net other resources used to finance activities	\$ 29,841	\$ (16,050)	\$ 7,609
Total resources used to finance activities	<u>\$ (868,285)</u>	<u>\$ (371,119)</u>	<u>\$ (48,707)</u>
Resources Used to Finance Items not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided			
Undelivered orders (-)	\$ (7,452)	\$ 38,944	\$ (7,252)
Unfilled Customer Orders	674,041	90,631	86,022
Resources that fund expenses recognized in prior periods	0	0	0
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations			
Operations	0	0	0
Resources that finance the acquisition of assets	81,564	122,835	(18,899)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations			
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0	0
Other (+/-)	0	0	0
Total resources used to finance items not part of the Net Cost of Operations	<u>\$ 748,153</u>	<u>\$ 252,410</u>	<u>\$ 59,871</u>
Total resources used to finance the Net Cost of Operations	<u>\$ (120,132)</u>	<u>\$ (118,709)</u>	<u>\$ 11,164</u>



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>Depot Maintenance, Shipyards</u>	<u>Depot Maintenance, Aviation</u>	<u>Depot Maintenance, Marine Corps</u>
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 Periods:			
Increase in annual leave liability	\$ 0	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0	0
Upward/Downward reestimates of credit subsidy expense	0	0	0
Increase in exchange revenue receivable from the public (-)	0	0	0
Other (+/-)	0	0	959
Total components of Net Cost of Operations that will require or generate resources in future periods	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 959</u>
Components not Requiring or Generating Resources:			
Depreciation and amortization	\$ 39,256	\$ 30,273	\$ 3,564
Revaluation of assets and liabilities (+/-)	0	0	0
Other (+/-)	0	0	0
Total components of Net Cost of Operations that will not require or generate resources	<u>\$ 39,256</u>	<u>\$ 30,273</u>	<u>\$ 3,564</u>
Total components of Net Cost of Operations that will not require or generate resources in the current period	<u>\$ 39,256</u>	<u>\$ 30,273</u>	<u>\$ 4,523</u>
Net Cost of Operations	<u><u>\$ (80,876)</u></u>	<u><u>\$ (88,436)</u></u>	<u><u>\$ 15,687</u></u>

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
Obligations Incurred	\$ 53,569	\$ 1,798,511	\$ 1,627,419
Less: Spending Authority from offsetting collections and recoveries (-)	1,730	(1,967,386)	(1,657,664)
Obligations net of offsetting collections and recoveries	\$ 55,299	\$ (168,875)	\$ (30,245)
Less: Offsetting receipts (-)	0	0	0
Net obligations	\$ 55,299	\$ (168,875)	\$ (30,245)
Other Resources			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	0	(425)	51,141
Imputed financing from costs absorbed by others	0	0	0
Other (+/-)	0	0	0
Net other resources used to finance activities	\$ 0	\$ (425)	\$ 51,141
Total resources used to finance activities	\$ 55,299	\$ (169,300)	\$ 20,896
Resources Used to Finance Items not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided			
Undelivered orders (-)	\$ 5,289	\$ 48,047	\$ 69,090
Unfilled Customer Orders	(2,621)	123,097	20,437
Resources that fund expenses recognized in prior periods	0	0	0
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations			
Operations	0	0	0
Resources that finance the acquisition of assets	(58,311)	(62,812)	(141,549)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations			
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0	0
Other (+/-)	0	0	0
Total resources used to finance items not part of the Net Cost of Operations	\$ (55,643)	\$ 108,332	\$ (52,022)
Total resources used to finance the Net Cost of Operations	\$ (344)	\$ (60,968)	\$ (31,126)



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
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 Periods:			
Increase in annual leave liability	\$ 0	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0	0
Upward/Downward reestimates of credit subsidy expense	0	0	0
Increase in exchange revenue receivable from the public (-)	0	0	0
Other (+/-)	0	0	0
	<hr/>	<hr/>	<hr/>
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 0	\$ 0	\$ 0
Components not Requiring or Generating Resources:			
Depreciation and amortization	\$ 0	\$ 6,025	\$ 16,135
Revaluation of assets and liabilities (+/-)	0	0	0
Other (+/-)	0	0	0
	<hr/>	<hr/>	<hr/>
Total components of Net Cost of Operations that will not require or generate resources	\$ 0	\$ 6,025	\$ 16,135
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ 0	\$ 6,025	\$ 16,135
Net Cost of Operations	\$ (344)	\$ (54,943)	\$ (14,991)

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>Research & Development</u>	<u>Supply Management</u>	<u>Component Level</u>
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
Obligations Incurred	\$ 10,828,358	\$ 8,158,986	\$ (2,235)
Less: Spending Authority from offsetting collections and recoveries (-)	(10,666,242)	(6,897,638)	0
Obligations net of offsetting collections and recoveries	\$ 162,116	\$ 1,261,348	\$ (2,235)
Less: Offsetting receipts (-)	0	0	0
Net obligations	\$ 162,116	\$ 1,261,348	\$ (2,235)
Other Resources			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	(3,379)	819,764	(894,419)
Imputed financing from costs absorbed by others	0	0	535,772
Other (+/-)	0	0	0
Net other resources used to finance activities	\$ (3,379)	\$ 819,764	\$ (358,647)
Total resources used to finance activities	\$ 158,737	\$ 2,081,112	\$ (360,882)
Resources Used to Finance Items not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided			
Undelivered orders (-)	\$ (283,624)	\$ (531,309)	\$ (35,261)
Unfilled Customer Orders	1,045,122	105,684	0
Resources that fund expenses recognized in prior periods	0	0	0
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations			
Operations	0	0	8
Resources that finance the acquisition of assets	(1,072,496)	(178,443)	(571,533)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations			
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0	0
Other (+/-)	0	0	0
Total resources used to finance items not part of the Net Cost of Operations	\$ (310,998)	\$ (604,068)	\$ (606,786)
Total resources used to finance the Net Cost of Operations	\$ (152,261)	\$ 1,477,044	\$ (967,668)



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>Research & Development</u>	<u>Supply Management</u>	<u>Component Level</u>
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 Periods:			
Increase in annual leave liability	\$ 0	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0	0
Upward/Downward reestimates of credit subsidy expense	0	0	0
Increase in exchange revenue receivable from the public (-)	0	0	0
Other (+/-)	<u>0</u>	<u>0</u>	<u>82,968</u>
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 0	\$ 0	\$ 82,968
Components not Requiring or Generating Resources:			
Depreciation and amortization	\$ 139,599	\$ 8,903	\$ 0
Revaluation of assets and liabilities (+/-)	0	74,973	0
Other (+/-)	<u>0</u>	<u>275</u>	<u>0</u>
Total components of Net Cost of Operations that will not require or generate resources	\$ <u>139,599</u>	\$ <u>84,151</u>	\$ <u>0</u>
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ 139,599	\$ 84,151	\$ 82,968
Net Cost of Operations	\$ <u>(12,662)</u>	\$ <u>1,561,195</u>	\$ <u>(884,700)</u>

Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>2003 Combined</u>	<u>2002 Combined</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 27,263,631	\$ 23,986,959
Less: Spending Authority from offsetting collections and recoveries (-)	(27,295,734)	(24,595,804)
Obligations net of offsetting collections and recoveries	\$ (32,103)	\$ (608,845)
Less: Offsetting receipts (-)	0	0
Net obligations	\$ (32,103)	\$ (608,845)
Other Resources		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	(13,527)	0
Imputed financing from costs absorbed by others	543,381	465,589
Other (+/-)	0	0
Net other resources used to finance activities	\$ 529,854	\$ 465,589
Total resources used to finance activities	\$ 497,751	\$ (143,256)
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
Undelivered orders (-)	\$ (703,528)	\$ (3,023,627)
Unfilled Customer Orders	2,142,413	832,080
Resources that fund expenses recognized in prior periods	0	(46,725)
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	8	0
Resources that finance the acquisition of assets	(1,899,644)	5,167,247
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations		
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0
Other (+/-)	0	0
Total resources used to finance items not part of the Net Cost of Operations	\$ (460,751)	\$ 2,928,975
Total resources used to finance the Net Cost of Operations	\$ 37,000	\$ 2,785,719



Department of Defense
 Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
 For the years ended September 30, 2003 and 2002
 (\$ in thousands)

	<u>2003 Combined</u>	<u>2002 Combined</u>
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 Periods:		
Increase in annual leave liability	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0
Upward/Downward reestimates of credit subsidy expense	0	0
Increase in exchange revenue receivable from the public (-)	0	0
Other (+/-)	83,927	0
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 83,927	\$ 0
Components not Requiring or Generating Resources:		
Depreciation and amortization	\$ 243,755	\$ 210,489
Revaluation of assets and liabilities (+/-)	74,973	(555,389)
Other (+/-)	275	(41)
Total components of Net Cost of Operations that will not require or generate resources	\$ 319,003	\$ (344,941)
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ 402,930	\$ (344,941)
Net Cost of Operations	\$ 439,930	\$ 2,440,774



DEPARTMENT OF THE NAVY
**NAVY WORKING CAPITAL FUND
REQUIRED SUPPLEMENTARY INFORMATION**



Navy Working Capital Fund
 General Property, Plant, and Equipment
Real Property Deferred Annual Sustainment and Restoration Tables
 As of September 30, 2003
 (\$ in Millions)

Annual Sustainment F Y 2003			
	Required	Actual	Difference
Navy			
Marine Corps			
Building, Structures, and Utilities	1,360	1,360	0

Annual Deferred Sustainment Trend				
	FY 2000	FY 2001	FY 2002	FY 2003
Navy				
Marine Corps				
Building, Structures, and Utilities	0	72	0	0

Restoration and Modernization Requirements			
	End FY 2002	End FY 2003	Change
Navy			
Marine Corps			
Building, Structures, and Utilities	0	0	0

Narrative Statement:

In FY 2003, Navy Working Capital Fund facilities transitioned to OSD's Facility Sustainment Model for calculating deferred sustainment and restoration.

The quality of data used in the Facility Sustainment Model continued to undergo quality checks in FY 2003, resulting in a more accurate accounting of deferred sustainment requirements.

Presently, a separate breakout between the Navy and Marine Corps sustainment amounts cannot be provided. Due to this limitation, information in the Real Property Deferred Annual Sustainment and Restoration Tables are presented as overall Totals for the Department of the Navy (DON).

The Facility Sustainment Model calculates facility sustainment investment based on the DON property inventory, facility type, key units of measure, geographic location and industry standards. The variables are constantly being examined to reduce errors and disconnects for unique DON facility requirements.

The NWCF has no material amounts of deferred sustainment for General Property, Plant, and Equipment category of Personal Property.

Schedule, Part A DoD Intra-governmental (\$ Amounts in Thousands)	Treasury Index	Fund Balance with Treasury	Accounts Receivable	Loans Receivable	Investments	Other
Department of Agriculture	12		\$5			
Department of Commerce	13		182			
Department of the Interior	14		91			
Department of Justice	15		286			
Navy General Fund	17		420,647			
United States Postal Service	18		6			
Department of State	19		320			
Department of the Treasury	20	\$1,827,646	35			
Army General Fund	21		17,241			
Nuclear Regulatory Commission	31		10			
Department of Veterans Affairs	36		255			
General Service Administration	47		60			
National Science Foundation	49		5			
General Accounting Office	5		1,504			
Air Force General Fund	57		10,108			
Federal Emergency Management Agency	58		15			
Environmental Protection Agency	68		374			
Department of Transportation	69		12,131			
Agency for International Development	72		13			
Department of Health and Human Services	75		348			
National Aeronautics and Space Administration	80		267			
Department of Energy	89		437			
Department of Education	91		79			
US Army Corps of Engineers	96		394			
Other Defense Organizations General Funds	97		82,406			
Other Defense Organizations Working Capital Funds	97-4930		27,041			
Army Working Capital Fund	97-4930.001		1,141			\$933
Air Force Working Capital Fund	97-4930.003		4,323			9,458
DoD Medicare-Eligible Retiree Health Care Fund			3,050			
Totals:		\$1,827,646	\$582,774	\$ -	\$ -	\$10,391

Note: Totals might not match the amounts shown on the Principal Statements.





Schedule, Part B DoD Intra-governmental Entity Liabilities (\$ Amounts in Thousands)	Treasury Index	Accounts Payable	Debts/Borrowings From Other Agencies	Other
Executive Office of the President	11			\$397
Department of Agriculture	12			3,429
Department of Commerce	13			2,215
Department of the Interior	14			1,918
Department of Justice	15			26,561
Navy General Fund	17	\$145,038		130,165
United States Postal Service	18			10,095
Department of State	19			2,144
Department of the Treasury	20		\$615,648	1,051
Office of Personnel Management	24			38,056
Social Security Administration	28			185
Nuclear Regulatory Commission	31			98
Smithsonian Institution	33			1,396
Department of Veterans Affairs	36			209
General Service Administration	47			88
National Science Foundation	49			19,058
Securities and Exchange Commission	50			38
Air Force General Fund	57	236		133
National Foundation on the Arts and Humanities	59			195
Environmental Protection Agency	68			1,652
Department of Transportation	69			8,423
Agency for International Development	72			264
Small Business Administration	73			5
Department of Health and Human Services	75			2,868
National Aeronautics and Space Administration	80			12,969
Department of Housing and Urban Development	86			4
Department of Energy	89			1,805
Department of Education	91			4,630
US Army Corps of Engineers	96	3		
Other Defense Organizations General Funds	97	2,193		10
Other Defense Organizations Working Capital Funds	97-4930	145,115		
Army Working Capital Fund	97-4930.001	9,085		
Air Force Working Capital Fund	97-4930.003	12,118		
The General Fund of the Treasury	99			11,617
Homeland Security				7,590
Totals:		\$313,788	\$615,648	\$289,268

Note: Totals might not match the amounts shown on the Principal Statements.

Schedule, Part C DoD Intra-governmental revenue and related costs (\$ Amounts in Thousands)	Treasury Index	Earned Revenue
Executive Office of the President	11	\$ 4,968
Department of Agriculture	12	5,562
Department of Commerce	13	9,252
Department of the Interior	14	1,135
Department of Justice	15	88,634
Navy General Fund	17	18,912,777
United States Postal Service	18	3,019
Department of State	19	9,534
Department of the Treasury	20	5,794
Army General Fund	21	281,499
Social Security Administration	28	912
Nuclear Regulatory Commission	31	548
Smithsonian Institution	33	66
Department of Veterans Affairs	36	4,217
General Service Administration	47	926
National Science Foundation	49	14,248
General Accounting Office	5	373
Air Force General Fund	57	329,269
Federal Emergency Management Agency	58	190
National Foundation on the Arts and Humanities	59	205
Consumer Product Safety Commission	61	172
Environmental Protection Agency	68	4,020
Department of Transportation	69	36,744
Agency for International Development	72	7,032
Department of Health and Human Services	75	9,410
National Aeronautics and Space Administration	80	41,654
Department of Housing and Urban Development	86	27
Department of Energy	89	33,448
US Army Corps of Engineers	96	2,082
Other Defense Organizations General Funds	97	1,605,987
Other Defense Organizations Working Capital Funds	97-4930	188,156
Army Working Capital Fund	97-4930.001	24,929
Air Force Working Capital Fund	97-4930.003	238,319
The General Fund of the Treasury	99	(11,617)
DoD Medicare-Eligible Retiree Health Care Fund		6,756
	Total:	\$ 21,860,247

Note: Totals might not match the amounts shown on the Principal Statements.



Schedule, Part E DoD Intragovernmental non-exchange revenues (\$ Amounts in Thousands)	Treasury Index	Transfers In	Transfers Out
Navy General Fund	17		\$ 13,526
	Totals:	\$ -	\$ 13,526

Note: Totals might not match the amounts shown on the Principal Statements.



DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
OTHER ACCOMPANYING INFORMATION



APPROPRIATIONS, FUNDS, AND ACCOUNTS INCLUDED IN THE FINANCIAL STATEMENTS

REPORTING ENTITY

Navy Working Capital Fund

Fund/Account Treasury Symbol and Title:

97X4930 002

Navy Working Capital Fund Activity Group Treasury Symbol and Title:

97X4930.NA1*	Depot Maintenance-Shipyards
97X4930.NA2*	Depot Maintenance-Aviation
97X4930.NA4*	Depot Maintenance- Other (Marine Corps)
97X4930.NA3* a	Ordnance
97X4930.ND*	Transportation
97X4930.NE* *	Base Support
97X4930.NH**	Research and Development
97X4930.NC**	Supply Management

Notes

- * - The "*" represents alpha or numeric characters which identify an activity or reporting segment of the activity group.
- a - The Ordnance activity group became a part of the DON General Fund in FY 2000. The Ordnance information included in this report represents residual NWCF accounting for this group.



DEPARTMENT OF THE NAVY
AUDIT OPINIONS



















