

Department of Defense
Air Force Working Capital Fund
CONSOLIDATED BALANCE SHEET
As of December 31, 2006 and 2005

	2007 Consolidated	2006 Consolidated
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	\$ 1,454,739,180.57	\$ 1,179,565,906.83
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	0.00	0.00
2. Investments (Note 4)	0.00	0.00
3. Accounts Receivable (Note 5)	292,985,719.80	406,803,115.39
4. Other Assets (Note 6)	1,064,955.35	0.00
5. Total Intragovernmental Assets	<u>\$ 1,748,789,855.72</u>	<u>\$ 1,586,369,022.22</u>
B. Cash and Other Monetary Assets (Note 7)	\$ 0.00	\$ 0.00
C. Accounts Receivable, Net (Note 5)	219,374,546.65	214,660,817.08
D. Loans Receivable (Note 8)	0.00	0.00
E. Inventory and Related Property, Net (Note 9)	35,311,295,991.64	33,664,826,072.85
F. General Property, Plant and Equipment, Net (Note 10)	1,168,591,007.90	1,187,143,673.74
G. Investments (Note 4)	0.00	0.00
H. Other Assets (Note 6)	510,421,023.01	498,333,486.50
2. TOTAL ASSETS	<u><u>\$ 38,958,472,424.92</u></u>	<u><u>\$ 37,151,333,072.39</u></u>
3. LIABILITIES (Note 11)		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 83,346,012.99	\$ 98,745,910.22
2. Debt (Note 13)	0.00	0.00
3. Other Liabilities (Note 15 & 16)	133,823,606.87	159,959,950.94
4. Total Intragovernmental Liabilities	<u>\$ 217,169,619.86</u>	<u>\$ 258,705,861.16</u>
B. Accounts Payable (Note 12)	\$ 745,687,415.84	\$ 650,592,591.80
C. Military Retirement and Other Federal Employment Benefits (Note 17)	227,034,667.20	233,713,461.91
D. Environmental and Disposal Liabilities (Note 14)	0.00	0.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	1,108,086,695.76	1,272,753,514.12
4. TOTAL LIABILITIES	<u><u>\$ 2,297,978,398.66</u></u>	<u><u>\$ 2,415,765,428.99</u></u>
5. NET POSITION		
A. Unexpended Appropriations - Earmarked Funds (Note 23)	\$ 0.00	\$ 0.00
B. Unexpended Appropriations - Other Funds	43,882,000.00	0.00
C. Cumulative Results of Operations - Earmarked Funds	0.00	0.00
D. Cumulative Results of Operations - Other Funds	36,616,612,026.26	34,735,567,643.40
6. TOTAL NET POSITION	<u><u>\$ 36,660,494,026.26</u></u>	<u><u>\$ 34,735,567,643.40</u></u>
7. TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 38,958,472,424.92</u></u>	<u><u>\$ 37,151,333,072.39</u></u>

Department of Defense
 Air Force Working Capital Fund
CONSOLIDATED STATEMENT OF NET COST
 For the periods ended December 31, 2006 and 2005

	2007 Consolidated	2006 Consolidated
1. Program Costs		
A. Gross Costs	\$ 2,059,428,387.53	\$ 2,321,210,319.59
B. (Less: Earned Revenue)	(2,645,381,153.11)	(3,253,365,991.50)
C. Net Program Costs	<u>\$ (585,952,765.58)</u>	<u>\$ (932,155,671.91)</u>
2. Cost Not Assigned to Programs	0.00	0.00
3. (Less: Earned Revenue Not Attributable to Programs)	0.00	0.00
4. Net Cost of Operations	<u><u>\$ (585,952,765.58)</u></u>	<u><u>\$ (932,155,671.91)</u></u>

Department of Defense
Air Force Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended December 31, 2006 and 2005

	2007 Earmarked Funds	2007 All Other Funds
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 35,992,114,318.85
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	0.00	35,992,114,318.85
4. Budgetary Financing Sources:		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	0.00
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00	0.00
4.E. Transfers-in/out without reimbursement	0.00	0.00
4.F. Other budgetary financing sources	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	0.00
5.C. Imputed financing from costs absorbed by others	0.00	38,544,941.83
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources	0.00	38,544,941.83
7. Net Cost of Operations (+/-)	0.00	(585,952,765.58)
8. Net Change	0.00	624,497,707.41
9. Cumulative Results of Operations	0.00	36,616,612,026.26
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 0.00
11. Prior Period Adjustments:		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
12. Beginning balances, as adjusted	0.00	0.00
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	43,882,000.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	0.00
13.D. Appropriations used	0.00	0.00
14. Total Budgetary Financing Sources	0.00	43,882,000.00
15. Unexpended Appropriations	0.00	43,882,000.00
16. Net Position	0.00	36,660,494,026.26

Department of Defense
Air Force Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended December 31, 2006 and 2005

	2007 Eliminations	2007 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 35,992,114,318.85
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	0.00	35,992,114,318.85
4. Budgetary Financing Sources:		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	0.00
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00	0.00
4.E. Transfers-in/out without reimbursement	0.00	0.00
4.F. Other budgetary financing sources	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	0.00
5.C. Imputed financing from costs absorbed by others	0.00	38,544,941.83
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources	0.00	38,544,941.83
7. Net Cost of Operations (+/-)	0.00	(585,952,765.58)
8. Net Change	0.00	624,497,707.41
9. Cumulative Results of Operations	0.00	36,616,612,026.26
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 0.00
11. Prior Period Adjustments:		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
12. Beginning balances, as adjusted	0.00	0.00
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	43,882,000.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	0.00
13.D. Appropriations used	0.00	0.00
14. Total Budgetary Financing Sources	0.00	43,882,000.00
15. Unexpended Appropriations	0.00	43,882,000.00
16. Net Position	0.00	36,660,494,026.26

Department of Defense
Air Force Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended December 31, 2006 and 2005

	2006 Earmarked Funds	2006 All Other Funds
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 33,774,838,090.74
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	0.00	33,774,838,090.74
4. Budgetary Financing Sources:		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	0.00
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00	0.00
4.E. Transfers-in/out without reimbursement	0.00	0.00
4.F. Other budgetary financing sources	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	(10,606,169.45)
5.C. Imputed financing from costs absorbed by others	0.00	39,180,050.20
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources	0.00	28,573,880.75
7. Net Cost of Operations (+/-)	0.00	(932,155,671.91)
8. Net Change	0.00	960,729,552.66
9. Cumulative Results of Operations	0.00	34,735,567,643.40
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 0.00
11. Prior Period Adjustments:		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
12. Beginning balances, as adjusted	0.00	0.00
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	0.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	0.00
13.D. Appropriations used	0.00	0.00
14. Total Budgetary Financing Sources	0.00	0.00
15. Unexpended Appropriations	0.00	0.00
16. Net Position	0.00	34,735,567,643.40

Department of Defense
Air Force Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended December 31, 2006 and 2005

	2006 Eliminations	2006 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	\$ 0.00	\$ 33,774,838,090.74
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	0.00	33,774,838,090.74
4. Budgetary Financing Sources:		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	0.00
4.C. Nonexchange revenue	0.00	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00	0.00
4.E. Transfers-in/out without reimbursement	0.00	0.00
4.F. Other budgetary financing sources	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	(10,606,169.45)
5.C. Imputed financing from costs absorbed by others	0.00	39,180,050.20
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources	0.00	28,573,880.75
7. Net Cost of Operations (+/-)	0.00	(932,155,671.91)
8. Net Change	0.00	960,729,552.66
9. Cumulative Results of Operations	0.00	34,735,567,643.40
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances	\$ 0.00	\$ 0.00
11. Prior Period Adjustments:		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
12. Beginning balances, as adjusted	0.00	0.00
13. Budgetary Financing Sources:		
13.A. Appropriations received	0.00	0.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	0.00
13.D. Appropriations used	0.00	0.00
14. Total Budgetary Financing Sources	0.00	0.00
15. Unexpended Appropriations	0.00	0.00
16. Net Position	0.00	34,735,567,643.40

Department of Defense
Air Force Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended December 31, 2006 and 2005

	<u>2007 Combined</u>	<u>2006 Combined</u>
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	\$ 925,137,650.57	\$ 292,678,750.15
2. Recoveries of prior year unpaid obligations	3,850,978.96	445.51
3. Budget authority		
3.A. Appropriation	43,882,000.00	0.00
3.B. Borrowing authority	0.00	0.00
3.C. Contract authority	10,199,282,000.00	10,467,685,840.16
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	3,504,310,572.52	3,929,533,204.87
3.D.1.b. Change in receivables from Federal sources	(279,127,700.49)	(133,530,318.58)
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	(5,524,478.26)	16,160,854.08
3.D.2.b. Without advance from Federal sources	379,623,661.10	(273,019,300.79)
3.D.3. Anticipated for rest of year, without advances	4,069,494,342.91	4,272,950,814.88
3.D.4. Previously unavailable	0.00	0.00
3.D.5. Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	<u>17,911,940,397.78</u>	<u>18,279,781,094.62</u>
4. Nonexpenditure transfers, net, anticipated and actual	0.00	0.00
5. Temporarily not available pursuant to Public Law	0.00	0.00
6. Permanently not available	(1,845,472,347.27)	(1,396,816,587.88)
7. Total Budgetary Resources	<u><u>\$ 16,995,456,680.04</u></u>	<u><u>\$ 17,175,643,702.40</u></u>

Department of Defense
Air Force Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended December 31, 2006 and 2005

	2007 Combined	2006 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	\$ 0.00	\$ 0.00
8.B. Reimbursable	3,808,493,643.25	3,782,007,158.20
8.C. Subtotal	<u>3,808,493,643.25</u>	<u>3,782,007,158.20</u>
9. Unobligated balance:		
9.A. Apportioned	13,186,963,036.79	13,368,117,828.73
9.B. Exempt from apportionment	0.00	0.00
9.C. Subtotal	<u>13,186,963,036.79</u>	<u>13,368,117,828.73</u>
10. Unobligated balance not available	0.00	25,518,715.47
11. Total status of budgetary resources	<u>\$ 16,995,456,680.04</u>	<u>\$ 17,175,643,702.40</u>
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	8,603,843,236.77	8,621,327,352.90
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	<u>\$ (3,987,910,058.57)</u>	<u>\$ (4,967,391,264.45)</u>
12.C. Total unpaid obligated balance	4,615,933,178.20	3,653,936,088.45
13. Obligations incurred net (+/-)	<u>\$ 3,808,493,643.25</u>	<u>\$ 3,782,007,158.20</u>
14. Less: Gross outlays	(3,445,904,261.20)	(3,930,350,729.61)
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	<u>0.00</u>	<u>0.00</u>
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	<u>(3,850,978.96)</u>	<u>(445.51)</u>
17. Change in uncollected customer payments from Federal sources (+/-)	(100,495,960.61)	406,549,619.37
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	8,962,581,639.86	8,472,983,335.98
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	<u>(4,088,406,019.18)</u>	<u>(4,560,841,645.08)</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>4,874,175,620.68</u>	<u>3,912,141,690.90</u>
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	3,445,904,261.20	3,930,350,729.61
19.B. Less: Offsetting collections	(3,498,786,094.26)	(3,945,694,058.95)
19.C. Less: Distributed Offsetting receipts	0.00	0.00
19.D. Net Outlays	<u>\$ (52,881,833.06)</u>	<u>\$ (15,343,329.34)</u>

Department of Defense
 Air Force Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
 For the periods ended December 31, 2006 and 2005

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

Department of Defense
Air Force Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended December 31, 2006 and 2005

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

Department of Defense
Air Force Working Capital Fund
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended December 31, 2006 and 2005

	2007 Consolidated	2006 Consolidated
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Resources Used to Finance Activities:		
Budgetary Resources Obligated		
1. Obligations incurred	\$ 3,808,493,643.25	\$ 3,782,007,158.20
2. Less: Spending authority from offsetting collections and recoveries (-)	(3,603,133,033.83)	(3,539,144,885.09)
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3. Obligations net of offsetting collections and recoveries	205,360,609.42	242,862,273.11
4. Less: Offsetting receipts (-)	0.00	0.00
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5. Net obligations	205,360,609.42	242,862,273.11
Other Resources		
6. Donations and forfeitures of property	0.00	0.00
7. Transfers in/out without reimbursement (+/-)	0.00	(10,606,169.45)
8. Imputed financing from costs absorbed by others	38,544,941.83	39,180,050.20
9. Other (+/-)	0.00	0.00
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10. Net other resources used to finance activities	38,544,941.83	28,573,880.75
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11. Total resources used to finance activities	\$ 243,905,551.25	\$ 271,436,153.86
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Resources Used to Finance Items not Part of the Net Cost of Operations		
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
12a. Undelivered Orders (-)	(217,950,391.88)	22,721,589.49
12b. Unfilled Customer Orders	374,099,182.84	(256,858,446.71)
13. Resources that fund expenses recognized in prior periods	0.00	(4,733,709.47)
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	0.00	0.00
15. Resources that finance the acquisition of assets	(1,348,950,744.20)	(1,472,024,202.69)
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations		
16a. Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)	0.00	0.00
16b. Other (+/-)	0.00	10,606,169.45
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17. Total resources used to finance items not part of the net cost of operations	\$ (1,192,801,953.24)	\$ (1,700,288,599.93)
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18. Total resources used to finance the net cost of operations	\$ (948,896,401.99)	\$ (1,428,852,446.07)
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Department of Defense
Air Force Working Capital Fund
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended December 31, 2006 and 2005

	2007 Consolidated	2006 Consolidated
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Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Period:		
19. Increase in annual leave liability	0.00	0.00
20. Increase in environmental and disposal liability	0.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	0.00	6,499.91
23. Other (+/-)	0.00	0.00
24. Total components of Net Cost of Operations that will require or generate resources in future periods	<hr/> 0.00	<hr/> 6,499.91
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	36,111,446.54	40,286,035.47
26. Revaluation of assets or liabilities (+/-)	(486,062,192.21)	(707,457,289.92)
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	1,180,832,372.27	1,171,483,379.93
27c. Operating Material & Supplies Used	0.00	13,799,096.16
27d. Other	(367,937,990.19)	(21,420,947.39)
28. Total components of Net Cost of Operations that will not require or generate resources	<hr/> 362,943,636.41	<hr/> 496,690,274.25
29. Total components of net cost of operations that will not require or generate resources in the current period	<hr/> \$ 362,943,636.41	<hr/> \$ 496,696,774.16
30. Net Cost of Operations	<hr/> <hr/> \$ (585,952,765.58)	<hr/> <hr/> \$ (932,155,671.91)

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

These financial statements have been prepared to report the financial position and operating results of the United States Air Force Working Capital Fund (AFWCF), as required by the “Chief Financial Officers (CFO) Act of 1990,” expanded by the “Government Management Reform Act (GMRA) of 1994,” and other appropriate legislation. The financial statements have been prepared from the books and records of AFWCF in accordance with the “Department of Defense Financial Management Regulation (DoDFMR),” the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, and to the extent possible generally accepted accounting principles (GAAP). The accompanying financial statements account for all resources for which AFWCF is responsible. The AFWCF’s financial statements are in addition to the monthly financial reports that are prepared by the United States Air Force pursuant to OMB directives to monitor and control the Air Force’s use of budgetary resources.

The AFWCF is unable to fully implement all elements of GAAP and OMB Circular A-136, due to limitations of using nonfinancial feeder systems and processes that feed into the financial statements. The AFWCF derives its reported values and information for major asset and liability categories largely from nonfinancial feeder systems, such as inventory systems and logistic systems. These systems were designed to support reporting requirements for maintaining accountability over assets and reporting the status of federal appropriations, rather than preparing financial statements in accordance with GAAP. The AFWCF currently has several materiel departures from GAAP. The five primary auditor-identified financial statement materiel weaknesses are: (1) financial and nonfinancial feeder systems do not contain an adequate audit trail for the proprietary and budgetary accounts; (2) the Defense Finance and Accounting Service (DFAS) cannot accurately identify all intergovernmental transactions by customer, which is required for eliminations when preparing consolidated financial statements; (3) operating materials and supplies are not reflected at historical cost; (4) the problem disbursement and in-transit disbursements that have been reported by a disbursing station to the Department of Treasury have not been precisely matched against specific source obligations; this condition adversely affects the Balance Sheet line item for fund balance with treasury, and (5) adjustments for undistributed disbursements and collections are not supported at the detail level, which precludes expressing an opinion on accounts payable and accounts receivable.

The AFWCF continues to implement process and system improvements addressing these limitations, many of which are detailed below.

1.B. Mission of the Reporting Entity

The United States Air Force was created on September 18, 1947, by the National Security Act of 1947. The National Security Act Amendments of 1949 established the Department of Defense (DoD) and made the Air Force a department within DoD. The overall mission of DoD is to organize, train, and equip armed forces to deter aggression and, if necessary, defeat aggressors of the United States and its allies. The overall

mission of the Air Force is to deliver sovereign options for the defense of the United States of America and its global interest—to fly and fight in air, space, and cyberspace. Our priorities are: 1) win the Global War on Terror; 2) develop and care for our airmen, and 3) modernize and recapitalize our aircraft and equipment.

The stock and industrial revolving fund accounts were created by the National Security Act of 1947, as amended in 1949 and codified in United States Code 10 USC 2208. The revolving funds were established as a means to more effectively control the cost of work performed by DoD. The DoD began operating under the revolving fund concept as early as July 1, 1951.

1.C. Appropriations and Funds

The Air Force receives its appropriations and funds as general, working capital (revolving funds), trust, special and deposit funds. The Air Force uses these appropriations and funds to execute mission requirements and report on resource usage.

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

AFWCF receives no transfer appropriations related to parent-child relationship disclosure.

Air Force systems are not transaction driven for budgetary accounts. Therefore, in some cases proprietary and statistical accounts are used to develop the Report on Budget Execution (SF133) and Statement of Budgetary Resources for reporting budgetary data.

The FY 2006 AFWCF operations consist of two major activity groups: Supply Management and Depot Maintenance. Prior to FY 2006, there was a third activity group called Information Services Activity Group (ISAG). ISAG was removed from the Air Force Working Capital Fund at the end of FY 2005. In FY 2006, the remaining unfilled customer orders and balance sheet accounts are being liquidated in preparation for account closure in FY 2007.

Supply Management

The Air Force Stock Funds were established within the DoD under 10 U.S.C. 2208, as described in DoD 7000.14-R, Financial Management Regulation, to finance supply inventories. The majority of Air Force supply requirements are financed and managed within the stock fund. Exceptions include an item financed with a procurement appropriation or when financing by other means has been deemed to be more economical and efficient. A stock fund operates as a revolving fund replenishing inventories with funds received from sales to customers.

There are four active business activities in the Supply Management Activity Group (SMAG): 1) Materiel Support Division (MSD); 2) General Support Division (GSD); 3) Medical-Dental Division, and 4) Air Force Academy Division. The Fuels Division and Troop Support Division were closed prior to FY 2001. The residual accounts for these two divisions are in the process of being closed by end of FY 2007.

A brief description is provided below for the four active business activities.

Wholesale Supply

- MSD manages over 130 thousand depot-level repairables and consumable items, for which the Air Force is the Inventory Control Point, which are used to maintain weapon systems.

Retail Supply

- GSD manages over 1.5 million different supply items, which support field and depot maintenance of aircraft, ground and airborne communication and electronic systems.
- Medical-Dental manages over seven thousand different items, which are used to support medical and dental supply requirements
- Air Force Academy finances the purchase of uniforms and uniform accessories for the sale to cadets.

Depot Maintenance

The Air Force Depot Maintenance Activity Group (DMAG) repairs systems and spare parts that ensure readiness in peacetime and provide sustainment to combat forces in wartime. In peacetime, the Air Force enhances readiness by efficiently and economically repairing, overhauling, and modifying aircraft, engines, missiles, depot-level repairables, and software to meet customer demands. Depots have unique skills and equipment required to support and overhaul both new, complex components as well as aging weapon systems. An extremely important facet of the depots is that during wartime or contingencies, the Air Force can surge repair operations and realign capacity to support the war-fighters' immediate needs. This is achieved by employing the unique strengths of organic (in-house) and contracted (contract) repair resources.

Air Force Working Capital Fund Component

The purpose of the Air Force Component Activity is to provide an activity within AFWCF to record transactions that cannot be identified to a specific business area. The January 21, 1997 memorandum "Policy and Procedures for Cash Management Working Capital Funds (DWCF)" established the "Component-Level Adjustment" column. The Component account's primary activities involve fund balance transactions and are minimal in both number of transaction and dollar values.

Additional Defense Finance and Accounting Service (DFAS)-Arlington memorandums provided specific and detailed instructions and procedures to maintain accountability for fund balance with treasury.

Business Operations

Operations of the activities within the AFWCF are based on policies and procedures that include funds management. The AFWCF receives two fund types: operating authority and capital authority. These two fund types are received on a funding document.

(1) Operating Authority:

Funding is used for the daily recurring business operating expenses incurred to produce the service or supply items being demanded.

(2) Capital Program Authority:

Funding is used to procure investment items. These items are classified into four categories: 1) Equipment; 2) Software; 3) Hardware, and 4) Minor Construction. Procured items must be greater than \$100,000 and provide more than one year of service. These items are currently depreciated over the expected life of the asset.

All AFWCF groups establish rates and prices for full cost recovery. If an operating loss or gain is incurred, the activity will make the appropriate adjustment in following year prices to recoup the loss or return the gain to their customers.

1.D. Basis of Accounting

For FY 2006, AFWCF's financial management systems are unable to meet all of the requirements for full accrual accounting. Many of AFWCF's financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of GAAP for federal agencies. These systems were not designed to collect and record financial information on the full accrual accounting basis as required by GAAP.

The AFWCF has undertaken efforts to determine the actions required to bring its financial and nonfinancial feeder systems and processes into compliance with GAAP. One such action is the current revision of its accounting systems to record transactions based on the United States Standard General Ledger (USSGL). Until all of AFWCF's financial and nonfinancial feeder systems and processes are updated to collect and report financial information as required by GAAP, the AFWCF's financial data will be based on a combination of financial and nonfinancial feeder systems.

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

1.E. Revenues and Other Financing Sources

Each working capital activity group recognizes revenue in the following manner:

Supply Management

Supply Management activities recognize revenue from the sale of inventory items and receipt of direct reimbursement for the purchase of customer requested initial and readiness spares. Revenue from the sale of inventory is recognized at the time of sale. Revenue from the receipt of direct reimbursements is recognized upon receipt from the General Fund.

Depot Maintenance

Depot Maintenance (Organic) activities recognize revenue according to the percentage of completion method. Depot Maintenance (Contract) activities recognize revenue based on the number of units produced times the Unit Sales Price (USP) which is recognized upon completion of the repair. Due to the anticipated closure of contract activity in FY 2010, it is not cost-effective to implement system modifications to support the percentage of completion method.

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

1.F. Recognition of Expenses

For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. However, because the Air Force'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, environmental liabilities, and unbilled revenue. The Air Force's expenditures for capital and other long-term assets are recognized as operating expenses based on depreciation. In the case of Operating Materiel and Supplies (OM&S), operating expenses are generally recognized when the items are purchased. Efforts are underway to migrate towards the consumption method for recognizing OM&S expenses.

Under the accrual method revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds. In addition to the accrual basis of accounting, Depot Maintenance also uses the full absorption accounting principal. During FY 1996, the Defense Finance and Accounting Service-Denver Center (DFAS-DE); Secretary of the Air Force, Deputy Assistant Secretary Budget (SAF/FMB); and the Office of the Secretary of Defense, Financial Management (OSD/FM) jointly agreed on the use of this principal by Depot

Maintenance. This principal requires that overhead costs, such as depreciation and bad debt expenses, are included in the cost of services sold.

1.G. Accounting for Intragovernmental Activities

The Air Force, 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 Air Force as though the agency was a stand-alone entity.

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

Preparation of reliable financial statements requires the elimination of transactions occurring among entities within DoD or between two or more federal agencies. However, AFWCF cannot accurately identify most of its intragovernmental transactions by customer because the Air Force's systems do not track buyer and seller data needed to match related transactions. Seller entities within DoD 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 are adjusted to agree with DoD seller-side balances. IntraDoD balances are then eliminated. The AFWCF properly eliminates the revenue results from intraDoD sales of capitalized assets. The DoD is developing long-term system improvements that will include sufficient process checks and controls to eliminate the need for after-the-fact reconciliations. The volume of intragovernmental transactions is so large that after-the-fact reconciliation cannot be accomplished effectively with existing or foreseeable resources.

The Department of the Treasury Financial Management Service (FMS) is responsible for eliminating transactions between DoD and other federal agencies. The Treasury Financial Manual, Part 2 – Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government" and the Treasury's "Federal Intragovernmental Transactions Accounting Policy Guide," provide guidance for reporting and reconciling intragovernmental balances. While AFWCF is unable to fully reconcile intragovernmental transactions with all federal partners, AFWCF is able to reconcile balances pertaining to investments in federal securities, borrowings from the U.S. Treasury and the Federal Financing Bank, Federal Employees' Compensation Act transactions with the Department of Labor (DOL), and benefit program transactions with the Office of Personnel Management (OPM). The DoD's proportionate share of public debt and related expenses of the federal government are not included. The federal

government does not apportion debt and its related costs to federal agencies. The DoD's financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

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

1.H. Transactions with Foreign Governments and International Organizations

Each year, AFWCF sells spare parts and maintenance services to foreign governments and international organizations under the provisions of the "Arms Export Control Act of 1976." Under the provisions of the Act, the DoD has authority to sell defense articles and services to foreign countries and international organizations, generally at no profit or loss to the U.S. Government. Payment is required in advance.

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

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

In addition, 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 records this information to the applicable fund balance with treasury (FBWT) account. Differences between AFWCF's recorded balance in the FBWT accounts and Treasury's FBWT accounts sometimes result and are subsequently reconciled.

1.J. Foreign Currency

Not applicable.

1.K. Accounts Receivable

As presented on the Balance Sheet, accounts receivable includes accounts receivables, claims receivables, 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. The DoD does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against other federal agencies are to be resolved between the agencies in accordance with dispute resolution procedures defined in the Intragovernmental Business Rules published in Treasury Financial Management at <http://www.fms.treas.gov/tfm/voll/07-03.pdf>.

The AFWCF maintains an aging schedule of receivables. Aging allows for the management of collection action. The receivables are considered delinquent if not received within 30 days from date of invoice or notice of payment due, unless different

terms are specified by contract or other agreements. Interest, penalty and administrative charges are calculated on delinquent accounts from the public in accordance with 31 USC 3717. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type.

1.L. Direct Loans and Loan Guarantees

Not applicable.

1.M. Inventories and Related Property

Inventory for AFWCF is all held in SMAG except for work-in-process inventory, which is in the Depot Management Activity Group. SMAG inventory that is held for resale is reported based on Moving Average Cost (MAC) method of valuation. Therefore, SMAG is in full compliance with SFFAS No.3, Accounting for Inventory and Related Property. Programming changes for the SMAG accounting system are accomplished and the USSGL for supply accounting is being utilized.

Inventory held for repair is now valued at MAC, with an allowance for repair equal to the latest repair cost, to account for spares requiring repair.

The AFWCF manages only military or government specific materiel under normal conditions. Items commonly used that are readily available from the commercial sector are not managed in AFWCF. The AFWCF manages materiel based on military need and support for contingencies. Therefore, DoD does not attempt to account separately for “inventory held for sale” and “inventory held in reserve for future sale” based on SFFAS No. 3 definitions.

Related property includes operating materials and supplies (OM&S). OM&S are valued at standard purchase price. The DoD uses both the consumption method and the purchase method of accounting for OM&S. Items that are centrally managed and stored are generally recorded using the consumption method and are reported on the Balance Sheet as OM&S. When current systems cannot fully support the consumption method, AFWCF uses the purchase method. Under this method, materials and supplies are expensed when purchased. The AFWCF expenses significant amounts using the purchase method because the systems could not support the consumption method or management deemed that the item was in the hands of the end user.

The AFWCF recognizes condemned materiel as “Excess, Obsolete, and Unserviceable.” The cost of disposal is greater than the potential scrap value; therefore, the net value of condemned materiel is zero. Potentially redistributed materiel, presented in previous years as “Excess, Obsolete, and Unserviceable,” is included in the “Held for Use” or “Held for Repair” categories according to its condition.

Past audits identified uncertainties about completeness and existence of reported values of inventory. Inventory available and purchased for resale includes consumable spare and repairable items owned and managed by AFWCF. This inventory is retained to support military or national contingencies. Inventory held for repair is damaged inventory that requires repair to make available for sale. It is more economical to repair

than to procure these inventory items. Because AFWCF often relies on weapon systems and machinery that are no longer in production, support is provided for a process that encourages the repair and rebuilding of specific items. This repair cycle is essential in maintaining a ready, mobile, and armed military force. Work in process balances include costs related to the production or servicing of items, including direct materiel, direct labor, applied overhead, and other direct costs. Work in process also includes the value of finished products or completed services pending the submission of bills to the customer. The work in process designation may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of materiel ordered but not delivered.

1.N. Investments

Not applicable.

1.O. General Property, Plant and Equipment

The Department is moving away from a standard capitalization threshold for all categories (e.g. real property, military equipment, etc.) of General Property, Plant and Equipment (PP&E) to one that is specific for each individual category. The Under Secretary of Defense Comptroller issued a memorandum dated March 13, 2006 regarding a "Capitalization Threshold Policy for Real Property". This memorandum revised the Department's capitalization threshold from \$100,000 to \$20,000 in order to meet the Department's audit readiness objective to capitalize 99% of all real property expenses. All entities are required to update records and fully implement the new policy no later than March 31, 2008. The AFWCF is in the process of implementing this revised policy. The PP&E assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years and the acquisition cost equals or exceeds DoD capitalization threshold of \$100,000. DoD also requires capitalization of improvements over DoD capitalization threshold of \$100,000 for PP&E. The DoD depreciates all PP&E, other than land, on a straight-line basis. Minor construction projects that cost \$100,000 or more, but less than \$300,000, are funded through a separate section of the capital budget, and depreciated over a 20-year period.

Prior to FY 1996, General PP&E was capitalized if it had an acquisition cost of \$15,000, \$25,000, and \$50,000 for FY 1993, 1994, and 1995, respectively, and an estimated useful life of two or more years. General PP&E previously capitalized at amounts below \$100,000 were written off General Fund financial statements in FY 1998. No adjustment was made for WCF assets. These assets remain capitalized and reported on WCF financial statements.

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

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

1.P. Advances and Prepayments

The AFWCF records payments in advance of the receipt of goods and services as advances or prepayments and reports them as assets on the Balance Sheet. The AFWCF recognizes advances and prepayments as expenses when it receives the related goods and services.

1.Q. Leases

Not applicable.

1.R. Other Assets

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

Contract financing payments are defined in the Federal Acquisition Regulations (FAR), Part 32, as authorized disbursements of monies to a contractor prior to acceptance of supplies or services by the Government. These payments are designed to alleviate the potential financial burden on contractors performing on certain long-term contracts and facilitate competition for defense contracts. Contract financing payments clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advance and interim payments, progress payments based on cost, and interim payments under certain cost-reimbursement contracts. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, or progress payments based on a percentage or stage of completion, which the Defense Federal Acquisitions Regulations Supplement (DFARS) authorizes only for construction of real property, shipbuilding, and ship conversion, alteration, or repair. Progress payments for real property and ships are reported as Construction in Progress in Note 10.

The Federal Acquisition Regulation allows the AFWCF to make financing payments under fixed price contracts. The AFWCF reports these financing payments as "Other Assets" because AFWCF becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, AFWCF is not obligated to reimburse the contractor for its costs and the contractor is liable to repay AFWCF for the full amount of the advance.

1.S. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation,"

defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The AFWCF recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

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

1.T. Accrued Leave

The AFWCF reports as liabilities civilian annual leave and military leave that has been accrued and not used as of the Balance Sheet date. The liability reported at the end of the accounting period reflects the current pay rates.

1.U. Net Position

Net Position consists of unexpended appropriations and cumulative results of operations.

Unexpended appropriations represent amounts of authority that are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred.

Cumulative Results of Operations represent the net difference, since inception of an activity, between expenses and losses and financing sources (including appropriations, revenue, and gains). Beginning with FY 1998, the cumulative results also include donations and transfer in and out of assets without reimbursement.

1.V. Treaties for Use of Foreign Bases

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

1.W. Comparative Data

Financial statement fluctuations greater than two percent of total assets on the Balance Sheet or 10 percent from the previous period presented but no less than \$100 thousand, are explained within the notes to the financial statements.

1.X. Unexpended Obligations

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

1.Y. Undistributed Disbursements and Collection

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to a specific obligation, payable, or receivable in the activity field records as opposed to those reported by the U.S. Treasury. These amounts should agree with the undistributed amounts reported on the departmental accounting reports. In-transit payments are those payments that have been made to other agencies or entities that have not been recorded in their accounting records. These payments are applied to the entities' outstanding accounts payable balance. In-transit collections are those collections from other agencies or entities that have not been recorded in the accounting records. These collections are also applied to the entities' accounts receivable balance.

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

Note 2.	Nonentity Assets
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As of December 31	2007	2006
1. Intragovernmental Assets		
A. Fund Balance with Treasury	\$ 0.00	\$ 0.00
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 0.00	\$ 0.00
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	\$ 0.00	\$ 0.00
B. Accounts Receivable	0.00	0.00
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 0.00	\$ 0.00
3. Total Nonentity Assets	\$ 0.00	\$ 0.00
4. Total Entity Assets	\$ 38,958,472,424.92	\$ 37,151,333,072.39
5. Total Assets	\$ 38,958,472,424.92	\$ 37,151,333,072.39

Asset accounts are categorized as either entity or nonentity. Entity accounts consist of resources that are available for use in the operations of the entity. The Air Force is authorized to decide how to use resources in entity accounts. The Air Force may be legally obligated to use these resources to meet entity obligations. Nonentity accounts, on the other hand, consist of assets that are held by an entity that are not available for use in the operations of the entity.

The Air Force Working Capital Fund has no Nonentity Assets.

Note 3.	Fund Balance with Treasury
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As of December 31	2007	2006
1. Fund Balances		
A. Appropriated Funds	\$ 0.00	\$ 0.00
B. Revolving Funds	1,454,739,180.57	1,179,565,906.83
C. Trust Funds	0.00	0.00
D. Special Funds	0.00	0.00
E. Other Fund Types	0.00	0.00
F. Total Fund Balances	\$ 1,454,739,180.57	\$ 1,179,565,906.83
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	\$ 1,437,025,247.64	\$ 350,900,821.73
B. Fund Balance per AFWCF	1,454,739,180.57	1,179,565,906.83
3. Reconciling Amount	\$ (17,713,932.93)	\$ (828,665,085.10)

The reconciling amount on line 3 above represents \$17.7 million for the United States Transportation Command (USTC), which is reported at the Department of the Treasury as part of the Air Force Working Capital Fund (AFWCF). However, for the purposes of Audited Financial Statements (AFS), USTC is included with the Other Defense Organizations (ODO) reporting, which is separate from the AFWCF. Therefore, USTC cash is not included on the AFWCF AFS statements. The Reconciling Amount is an abnormal balance reported by USTC.

Fluctuations

The \$275.2 million (23%) increase in the Fund Balance with Treasury (FBWT) is primarily due to profits experienced in the Organic Depot Maintenance Activity Group (DMAG) during the twelve month period ending December 31, 2006. The profit resulted in a \$216.2 million increase in the FBWT. All three of the Air Logistic Centers (ALC) contributed to this increase and the details are as follows:

Organic DMAG at Warner Robins Air Logistic Center had a \$78.8 million increase in FBWT due to the collection of funds resulting from the 4% increase in customer orders in excess of the budgeted performance levels when compared to the previous 12 month period. The majority of the increase is from the repair of spare parts and special operations weapon systems.

Organic DMAG at Oklahoma City Air Logistic Center had a \$77.0 million increase in FBWT due to decreased material consumption. Repair rates are established to recover a planned level of material usage during the repair process. Since material consumption is below the amount budgeted in the sales rates, we did not have to purchase as much material as we had planned, therefore, we are not disbursing the funds collected and they are accumulating in our FBWT. The majority of the increase is in the F100 engine core repair line which are the engines used on the F15 and F16 fighter aircraft.

Organic DMAG at Ogden Air Logistic Center had a \$60.4 million increase in FBWT due to decreased material consumption primarily attributable to changes in the workload mix. The majority of the workload requiring less material usage during the repair process is in the missile commodity group.

Status of Fund Balance with Treasury

As of December 31	2007	2006
1. Unobligated Balance		
A. Available	\$ 9,117,468,693.88	\$ 9,120,685,729.32
B. Unavailable	0.00	0.00
2. Obligated Balance not yet Disbursed	\$ 8,962,581,639.86	\$ 8,472,983,335.98
3. Nonbudgetary FBWT	\$ 0.00	\$ 0.00
4. NonFBWT Budgetary Accounts	\$ (16,625,311,153.17)	\$ (16,414,103,158.47)
5. Total	\$ 1,454,739,180.57	\$ 1,179,565,906.83

Fluctuations

There is a \$275.2 million (23%) increase in the total Status of Fund Balance with Treasury. Of this amount, \$489.6 million (6%) is due to the increase in Obligated not yet Disbursed resulting from increased undelivered and delivered orders driven by the increase in inventory level.

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

Unobligated Balance represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Unobligated Balance is classified as available or unavailable and is associated with appropriations expiring at fiscal year end that remain available only for obligation adjustments until the account is closed. There are no restrictions on the Unobligated Balance.

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

Non-Budgetary Fund Balance with Treasury (FBWT) includes entity and nonentity Fund Balance with Treasury accounts which do not have budgetary authority, such as unavailable receipt accounts or clearing accounts.

Non-FBWT Budgetary Accounts include budgetary accounts that do not affect Fund Balance with Treasury, such as contract authority, borrowing authority and investment accounts. This category reduces the Status of Fund Balance with Treasury

Disclosures Related to Suspense/Budget Clearing Accounts

As of December 31	2005	2006	2007	(Decrease)/ Increase from FY 2006 - 2007
Account				
F3845 – Personal Property Proceeds	\$ 0.00	\$ 0.00	\$ 0.00	0.00
F3875 – Disbursing Officer Suspense	0.00	0.00	0.00	0.00
F3880 – Lost or Cancelled Treasury Checks	0.00	0.00	0.00	0.00
F3882 – Uniformed Services Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
F3885 – Interfund/IPAC Suspense	0.00	0.00	0.00	0.00
F3886 – Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ 0.00	\$ 0.00	0.00

Disclosures Related to Problem Disbursements and In-Transit Disbursements
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As of December 31	2005	2006	2007	(Decrease)/ Increase from FY 2006 to 2007
1. Total Problem Disbursements, Absolute Value				
A. Unmatched Disbursements (UMDs)	\$ 16,989,719.69	\$ 19,292,689.34	\$ 40,332,160.76	21,039,471.42
B. Negative Unliquidated Obligations (NULO)	2,407,773.58	1,856,603.76	3,321,823.76	1,465,220.00
2. Total In-transit Disbursements, Net	\$ 776,593,940.54	\$ 244,522,896.16	\$ 207,908,871.39	(36,614,024.77)

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

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

The In-transit Disbursements, Net represent the net value of disbursements and collections made by a DOD disbursing activity on behalf of an accountable activity and have not been posted to the accounting system.

Fluctuations

The AFWCF had a \$22.5 million increase in problem disbursements and a \$17 million decrease in in-transits. Defense Finance and Accounting Service has efforts underway to improve the systems, to resolve all previous problem disbursements, and to process all in-transit disbursements in a timely manner. The amount of UMDs and NULOs over 180 days old is \$0.00. The amount of In-transit disbursements over 180 days old is (\$30) thousand. The amount of UMDs and NULOs over 120 days old is \$0.00.

The decrease in in-transits of \$36.6 million can be attributed to Interfund activity and an increase in the utilization of the DFAS Transaction Interface Module (DTIMS). If Interfund transactions are not posted to the accounting system by the end of the month, they remain in-transit. DTIMS is an accounting tool that posts transactions more timely and accurately.

The increase of \$21 million in UMDs can be attributed to the reclassification of Unsupported Undistributed to UMDs starting in FY 2007. There was a backlog of Unsupported Undistributed that had not been cleared. This increase in UMD's is the result of posting errors.

The increase of \$1.5 million in NULOs can be attributed to payments made against obligations that were greater than the obligation. This is the result of posting errors.

The AFWCF has no problem disbursements related to Foreign Military Sales. In addition, there are no discrepancies between the amounts reported and the problem disbursement metric.

Note 4.	Investments and Related Interest
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As of December 31	2007				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
1. Intragovernmental Securities					
A. Nonmarketable, Market-Based					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	0.00		0.00	0.00	0.00
4. Other Funds	0.00		0.00	0.00	0.00
5. Total Nonmarketable, Market-Based	0.00		0.00	0.00	0.00
B. Accrued Interest	0.00			0.00	0.00
C. Total Intragovernmental Securities	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Other Investments					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A
3. Intragovernmental Securities					
A. Nonmarketable, Market-Based					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	0.00		0.00	0.00	0.00
4. Other Funds	0.00		0.00	0.00	0.00
5. Total Nonmarketable, Market-Based	0.00		0.00	0.00	0.00
B. Accrued Interest	0.00			0.00	0.00
C. Total Intragovernmental Securities	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
4. Other Investments					
A. Total Other Investments	\$ 0.00		\$ 0.00	\$ 0.00	N/A

The Air Force Working Capital Fund has no Investments and Related Interest.

Note 5.	Accounts Receivable
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As of December 31	2007			2006
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intragovernmental Receivables	\$ 292,985,719.80	N/A	\$ 292,985,719.80	\$ 406,803,115.39
2. Nonfederal Receivables (From the Public)	\$ 219,374,546.65	\$ 0.00	\$ 219,374,546.65	\$ 214,660,817.08
3. Total Accounts Receivable	\$ 512,360,266.45	\$ 0.00	\$ 512,360,266.45	\$ 621,463,932.47

Fluctuations

The Air Force Working Capital Fund (AFWCF) had a \$113.8 million (28%) decrease in Intragovernmental Receivables. The decrease can be attributed to a \$47.7 million decrease in the General Supply Division (GSD) and a \$35.6 million decrease in the Information Systems Activity Group (ISAG) which was moved to the General Funds.

The \$47.7 million decrease in the General Support Division (GSD) can be attributed to a \$77 million decrease in revenue between the 1st Quarter of FY 2006 and 1st Quarter of FY 2007. This revenue decrease results from a decline in unprogrammed requirements, coupled with the concerted effort to return inventory to pre-contingency stock levels.

During the 1st Quarter of FY2006, GSD had sales for unprogrammed requirements such as the Base Expeditionary Airfield Resource (BEAR) kits and Individual Body Armor. Through the 1st Quarter of FY 2007, GSD does not have the same level of demand for such unprogrammed requirements. In addition, our customer requirements for inventory are more in alignment with pre 9-11 demand, and inventory levels are returning to pre-contingency levels. The impact of these events, results in decreases in Revenue and Accounts Receivables.

The \$35.6 million decrease in the Information Services Activity Group (ISAG) is due to discontinuing operations of ISAG as an activity within the Working Capital Fund. At the end of September 2005 ISAG was removed from the Air Force Working Capital Fund and moved to the General Fund, and has not accepted any new orders. Only the remaining unfilled customer orders are being worked within the Working Capital Fund, and the customer orders along with the remaining open balance sheet accounts are being liquidated in preparation for account closure targeted for the end of FY 2007.

Aged Accounts Receivable

As of December 31	2007		4th Quarter 2006	
	Intragovernmental	Nonfederal	Intragovernmental	Nonfederal
CATEGORY				
Nondelinquent				
Current	\$ 425,019,340.00	\$ 208,909,781.00	\$ 727,178,971.00	\$ 220,311,919.00
Noncurrent	0.00	0.00	0.00	0.00
Delinquent				
1 to 30 days	\$ 3,499,108.00	\$ 1,781,866.00	\$ 623,857.00	\$ 436,177.00
31 to 60 days	1,370,275.00	253,070.00	2,352,986.00	264,009.00
61 to 90 days	2,605,068.00	416,497.00	2,323,109.00	936,377.00
91 to 180 days	2,717,403.00	2,518,790.00	(520,537.00)	717,569.00
181 days to 1 year	331,433.00	1,223,239.00	128,782.00	3,656,202.00
Greater than 1 year and less than or equal to 2 years	55,253.00	4,192,614.00	1,023,057.00	5,274,487.00
Greater than 2 years and less than or equal to 6 years	101,616.00	687,651.00	13,073.00	651,160.00
Greater than 6 years and less than or equal to 10 years	(529,985.00)	124,532.00	0.00	124,532.00
Greater than 10 years	0.00	2,793.00	0.00	2,793.00
Subtotal	\$ 435,169,511.00	\$ 220,110,833.00	\$ 733,123,298.00	\$ 232,375,225.00
Less Supported Undistributed Collections	107,191.79	0.00	(467,268.00)	0.00
Less Eliminations	(143,369,675.61)	0.00	(312,643,239.14)	0.00
Less Other	1,078,692.62	(736,286.35)	61,670.57	(61,671.90)
Total	\$ 292,985,719.80	\$ 219,374,546.65	\$ 420,074,461.43	\$ 232,313,553.10

Fluctuations

The AFWCF public delinquent receivables decreased primarily due to aggressive collection actions. The AFWCF governmental delinquent receivables increased primarily due to problems processing various accounts receivable documents and errors on accounts receivable documents. These problems have either been resolved or will be resolved before January 31, 2007.

Relevant Information for Comprehension

Delinquent public receivables over 60 days old are referred to Debt Management Office (DMO) at Columbus and those over 180 days are referred to the Department of Treasury (DOT) or the Department of Justice (DOJ) by Columbus for collection action as appropriate. Debt returned uncollectible from DOT of \$500 thousand or more must be referred to DOJ. Debt returned less than \$100 thousand can be terminated by DMO upon notification to fund holder. Write offs after 2 years in most cases are mandatory unless special circumstances exist. Collection actions involving amounts of \$600 or more will appropriately be transferred to DMO after a 60 day delinquency.

The "Other" Line represents intragovernmental receivables that were incorrectly reported on the monthly receivables data report as public.

As of December 31, 2006, DOT has \$69.3 thousand and DOJ has \$122.5 thousand.

Note 6.	Other Assets
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As of December 31	2007	2006
1. Intragovernmental Other Assets		
A. Advances and Prepayments	\$ 1,064,955.35	\$ 0.00
B. Other Assets	0.00	0.00
C. Total Intragovernmental Other Assets	\$ 1,064,955.35	\$ 0.00
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	\$ 50,393,485.91	\$ 0.00
B. Other Assets (With the Public)	460,027,537.10	498,333,486.50
C. Total Nonfederal Other Assets	\$ 510,421,023.01	\$ 498,333,486.50
3. Total Other Assets	\$ 511,485,978.36	\$ 498,333,486.50

Fluctuations and AbnormalitiesIntragovernmental other assets

The \$1.0 million (100%) increase to Intragovernmental Other Assets is due to an advance that was recorded in error in December 2006. The Air Force General Fund recorded an advance from Depot Maintenance Activity Group (DMAG) for \$1.0 million. A correction will be processed and the advance reversed in the Air Force Working Capital Fund (AFWCF) in the 2nd Quarter of FY 2007.

Non-federal other assets

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

The contract financing payment balance of \$50.4 million is comprised of \$30 million in contract financing payments and an additional \$20.4 million in estimated future funded payments that will be paid to the contractor upon future delivery and Government acceptance of a satisfactory product.

Non-Federal Information Related Other Assets

Types of Asset	2007
Advances -	
SMAG - Advances and Prepayments	309.7
Total Advances	309.7
Other Assets -	
SMAG - Other assets returns to vendors pending credit	146.4
DMAG – Unallocated labor and materials	3.9
Total Other Assets	150.3
Total Non-Federal Other Assets	460.0

Note 7.	Cash and Other Monetary Assets
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As of December 31	2007	2006
1. Cash	\$ 0.00	\$ 0.00
2. Foreign Currency	0.00	0.00
3. Other Monetary Assets	0.00	0.00
4. Total Cash, Foreign Currency, & Other Monetary Assets	\$ 0.00	\$ 0.00

The Air Force Working Capital Fund currently has no Cash or Other Monetary Assets

Note 8.	Direct Loan and/or Loan Guarantee Programs
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As of December 31

Direct Loan and/or Loan Guarantee Programs

Air Force Working Capital Fund has no Direct Loan and/or Loan Guarantee Programs.

Direct Loans Obligated After FY 1991

As of December 31	2007	2006
Loan Programs		
1. Military Housing Privatization Initiative		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans	\$ 0.00	\$ 0.00
2. Foreign Military Financing Account		
A. Loans Receivable Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans	\$ 0.00	\$ 0.00
3. Total Loans Receivable	\$ 0.00	\$ 0.00

Air Force Working Capital Fund has no Direct Loans Obligated After FY 1991.

Total Amount of Direct Loans Disbursed

As of December 31	2007	2006
Direct Loan Programs		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Foreign Military Financing Account	0.00	0.00
3. Total	\$ 0.00	\$ 0.00

Air Force Working Capital Fund has no Direct Loans.

Subsidy Expense for Post FY 1991 Direct Loan

As of December 31

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

Air Force Working Capital Fund has no Subsidy Expense for Post FY 1991 Direct Loan.

Subsidy Rate for Direct Loans

As of December 31	Interest Differential	Defaults	Fees and other Collections	Other	Total
Direct Loan Programs					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Foreign Military Financing Account	0.00%	0.00%	0.00%	0.00%	0.00%

Air Force Working Capital Fund has no Direct Loans.

Schedule for Reconciling Subsidy Cost Allowance Balances for Post 1991 Direct Loans
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As of December 31	2007	2006
1. Beginning Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00
2. Add: Subsidy Expense for Direct Loans Disbursed during the Reporting Years by Component		
A. Interest Rate Differential Costs	\$ 0.00	\$ 0.00
B. Default Costs (Net of Recoveries)	0.00	0.00
C. Fees and Other Collections	0.00	0.00
D. Other Subsidy Costs	0.00	0.00
E. Total of the above Subsidy Expense Components	\$ 0.00	\$ 0.00
3. Adjustments		
A. Loan Modifications	\$ 0.00	\$ 0.00
B. Fees Received	0.00	0.00
C. Foreclosed Property Acquired	0.00	0.00
D. Loans Written Off	0.00	0.00
E. Subsidy Allowance Amortization	0.00	0.00
F. Other	0.00	0.00
G. Total of the above Adjustment Components	\$ 0.00	\$ 0.00
4. Ending Balance of the Subsidy Cost Allowance before Re-estimates	\$ 0.00	\$ 0.00
5. Add or Subtract Subsidy Re-estimates by Component		
A. Interest Rate Re-estimate	\$ 0.00	\$ 0.00
B. Technical/Default Reestimate	0.00	0.00
C. Total of the above Reestimate Components	\$ 0.00	\$ 0.00
6. Ending Balance of the Subsidy Cost Allowance	\$ 0.00	\$ 0.00

Air Force Working Fund has no Direct Loans.

Defaulted Guaranteed Loans from Post FY 1991 Guarantees
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As of December 31	2007	2006
Loan Guarantee Program(s)		
1. Military Housing Privatization Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0.00	\$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$ 0.00
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	\$ 0.00	\$ 0.00

Air Force Working Capital Fund has no Defaulted Guaranteed Loans from Post FY 1991 Guarantees.

Guaranteed Loans Outstanding

As of December 31	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
3. Total	\$ 0.00	\$ 0.00
2007		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
3. Total	\$ 0.00	\$ 0.00
2006		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
3. Total	\$ 0.00	\$ 0.00

Air Force Working Capital Fund has no Guaranteed Loans Outstanding.

Liabilities for Post FY 1991 Loan Guarantees, Present Value
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As of December 31	2007	2006
Loan Guarantee Program(s)		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
3. Total	\$ 0.00	\$ 0.00

Air Force Working Capital Fund has no Liabilities for Post FY 1991 Loan Guarantees, Present Value.

Subsidy Expense for Post FY 1991 Loan Guarantees

As of December 31

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

Air Force Working Capital Fund has no Subsidy Expense for Post FY 1991 Loan Guarantees.

Subsidy Rates for Loan Guarantees

As of December 31	Interest Supplements	Defaults	Fees and other Collections	Other	Total
Loan Guarantee Programs:					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Armament Retooling & Manufacturing Support Initiative	0.00%	0.00%	0.00%	0.00%	0.00%

Air Force Working Fund has no Subsidy Rates for Loan Guarantees.

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

As of December 31	2007		2006	
1. Beginning Balance of the Loan Guarantee Liability	\$	0.00	\$	0.00
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component				
A. Interest Supplement Costs	\$	0.00	\$	0.00
B. Default Costs (Net of Recoveries)		0.00		0.00
C. Fees and Other Collections		0.00		0.00
D. Other Subsidy Costs		0.00		0.00
E. Total of the above Subsidy Expense Components	\$	0.00	\$	0.00
3. Adjustments				
A. Loan Guarantee Modifications	\$	0.00	\$	0.00
B. Fees Received		0.00		0.00
C. Interest Supplements Paid		0.00		0.00
D. Foreclosed Property and Loans Acquired		0.00		0.00
E. Claim Payments to Lenders		0.00		0.00
F. Interest Accumulation on the Liability Balance		0.00		0.00
G. Other		0.00		0.00
H. Total of the above Adjustments	\$	0.00	\$	0.00
4. Ending Balance of the Loan Guarantee Liability before Reestimates	\$	0.00	\$	0.00
5. Add or Subtract Subsidy Reestimates by Component				
A. Interest Rate Reestimate		0.00		0.00
B. Technical/default Reestimate		0.00		0.00
C. Total of the above Reestimate Components	\$	0.00	\$	0.00
6. Ending Balance of the Loan Guarantee Liability	\$	0.00	\$	0.00

Air Force Working Capital Fund has no Loan Guarantee Liability Balances for Post FY 1991 Loan Guarantees.

Air Force Working Capital Fund

Administrative Expenses

Air Force Working Capital Fund has no Direct Loan Administrative Expenses.

Note 9. Inventory and Related Property

As of December 31	2007	2006
1. Inventory, Net	\$ 34,953,595,418.56	\$ 33,188,502,230.26
2. Operating Materials & Supplies, Net	357,700,573.08	476,323,842.59
3. Stockpile Materials, Net	0.00	0.00
4. Total	\$ 35,311,295,991.64	\$ 33,664,826,072.85

Inventory, Net

As of December 31	2007			2006	Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
1. Inventory Categories					
A. Available and Purchased for Resale	\$ 24,665,111,121.25	\$ (25,632,831.33)	24,639,478,289.92	\$ 23,182,754,758.75	LAC,MAC
B. Held for Repair	14,307,284,987.03	(4,271,532,539.12)	10,035,752,447.91	9,763,754,699.65	LAC,MAC
C. Excess, Obsolete, and Unserviceable	800,943,960.87	(800,943,960.87)	0.00	0.00	NRV
D. Raw Materials	0.00	0.00	0.00	0.00	MAC,SP,LAC
E. Work in Process	278,364,680.73	0.00	278,364,680.73	241,992,771.86	AC
F. Total	\$ 40,051,704,749.88	\$ (5,098,109,331.32)	34,953,595,418.56	\$ 33,188,502,230.26	

Legend for Valuation Methods:

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

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

Fluctuations

Total inventory increased \$1.6 billion (5%), caused by the \$1.8 billion increase in Net Inventory, and a decrease of \$118 million in Operating Materials & Supplies, Net. The increase in Net Inventory can be attributed to a \$903 million increase in the Material Support Division (MSD) and a \$679 million increase in the General Support Division (GSD) within the Supply Management Activity Group.

Initial findings indicate that while shipments of inventory to repair contractors are specifically identified and recorded as increases to in-transit inventory, it appears receipts of contractor repaired inventory being returned are being recorded in accounts other than those used to reduce the in-transit inventory, and as a result, inventory increases are being erroneously recorded through the monthly in-transit reconciliation process.

Available and Purchased for Resale increased \$1.5 billion primarily due to surges in MSD and GSD in-transit inventory between storage facilities. MSD in-transit inventory increased by a net \$1.0 billion during the twelve month period ending December 31, 2006, due to the recording of \$1.6 billion of inventory transfers out to repair contractors without any corresponding transfers in of inventory from repair contractors, offset by a \$600 million decrease in the in-transit inventory between government storage facilities.

Due to the increase in the in-transit account over the last 12 month's, coupled with the numerous studies and audit reports that have noted the process of accounting for in-transit inventory to be a

material weakness of the AFWCF financial statements, the AFWCF MSD team has begun research of the in-transit accounts in an effort to determine the root cause of the increases in these accounts.

Due to legacy system limitations, including the lack of a supporting subsidiary ledger for in-transit inventory, the reconciliation of inventory transfers to and from both organic and contractor locations is significantly impeded and this issue may contribute to increases in MSD inventory until resolved.

The \$679 million increase in the General Support Division (GSD) can be attributed to a \$436 million correcting adjustment processed in July of FY 2006. Due to a significant decrease in GSD's inventory value when compared to historical averages, a review of inventory transfers between storage facilities was conducted in FY 2006. The analysis determined the in-transit inventory between storage locations balance was being adjusted incorrectly resulting in \$436 million of inventory not being recorded. In July 2006, a journal voucher was processed to correct the value of GSD In-transit inventory.

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

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

Definitions

Inventory available and purchased for resale includes consumable spare and repair parts as well as repairable items owned and managed by the Department. 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.

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

Excess, obsolete, and unserviceable inventory consists of scrap materials or items that cannot be economically repaired and are awaiting disposal. Potentially reusable material, 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.

Work in process balances include costs related to the production or servicing of items, including direct material, direct labor, applied overhead, and other direct costs. Work in process also

includes the value of finished products or completed services pending the submission of bills to the customer. The work in process designation may also be used to accumulate the amount paid to a contractor under cost-reimbursable contracts, including 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.

General Composition of Inventory

Inventory includes spare and repair parts, clothing and textiles, fuels, and ammunition. Inventory is tangible personal property that is (1) held for sale or held for repair for eventual 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.

The category inventory held for repair consists of damaged material that requires repair to make it usable. Excess inventory is condemned material that must be retained for management purposes. The category held for sale includes all issuable material. The category held for repair includes all economically repairable material. Work in process includes depot maintenance work with its associated labor, applied overhead, and supplies used in the delivery of maintenance services. The U.S. Standard General Ledger does not include a separate work in process account unrelated to sales. Inventory is assigned to categories based on guidance in the DoD Financial Management Regulation, Volume 11B.

Operating Materials and Supplies, Net

As of December 31	2007			2006	Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net	
1. OM&S Categories					
A. Held for Use	\$ 357,700,573.08	\$ 0.00	\$ 357,700,573.08	\$ 476,323,842.59	SP, LAC
B. Held for Repair	0.00	0.00	0.00	0.00	SP, LAC
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00	NRV
D. Total	\$ 357,700,573.08	\$ 0.00	\$ 357,700,573.08	\$ 476,323,842.59	

Legend for Valuation Methods:

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

SP = Standard Price

AC = Actual Cost

NRV = Net Realizable Value

O = Other

General Composition of Operating Materials and Supplies

OM&S include spare and repair parts. The OM&S data reported on the financial statements are derived from logistics systems designed for material management purposes, i.e. accountability and visibility. The reported balances from these systems are not recorded at historical cost, in conformance with the valuation requirements in the Statement of Federal Financial Accounting Standard (SFFAS) No. 3, "Accounting for Inventory and Related Property." Instead, the Air Force uses standard price to value OM&S without computing unrealized holding gains or losses. Furthermore, past audit results have led to uncertainties pertaining to the completeness and existence of the OM&S quantities used to derive the balances reported in the financial statements.

For the most part, DMAG uses the consumption method of accounting for OM&S, since OM&S is defined in the SFFAS No. 3 as material which has not yet been issued to the end user. Once issued, the material is expensed. As stated above, current financial and logistics systems cannot fully support the consumption method. According to federal accounting standards, the consumption method of accounting should be used to account for OM&S unless (1) the amount of OM&S is not significant, (2) OM&S are in the hands of the end user for use in normal operations, or (3) it is cost-beneficial to expense OM&S when purchased (purchase method). The DoD, in consultation with its auditors, is (1) developing specific criteria for determining when OM&S amounts are not significant for the purpose of using the consumption method, (2) developing functional requirements for feeder systems to support the consumption method, (3) identifying feeder systems that are used to manage OM&S items, and (4) developing plans to revise those systems to support the consumption method. The department reported significant amounts using the purchase method either because the systems could not support the consumption method or because management deems that the item is in the hands of the end user.

There are no restrictions on the use of OM&S.

Stockpile Materials, Net

As of December 31	2007			2006		Valuation Method
	Stockpile Materials Amount	Allowance for Gains (Losses)	Stockpile Materials, Net	Stockpile Materials, Net		
1. Stockpile Materials Categories						
A. Held for Sale	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00	AC, LCM
B. Held in Reserve for Future Sale	0.00	0.00	0.00	0.00	0.00	AC, LCM
C. Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00	

Legend for Valuation Methods:

LAC = Latest Acquisition Cost

SP = Standard Price

AC = Actual Cost

NRV = Net Realizable Value

LCM = Lower of Cost or Market

O = Other

The Air Force Working Capital Fund has no Stockpile Materials.

Note 10. General PP&E, Net

As of December 31	2007					2006
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
1. Major Asset Classes						
A. Land	N/A	N/A	\$ 0.00	N/A	\$ 0.00	\$ 0.00
B. Buildings, Structures, and Facilities	S/L	20 Or 40	896,079,969.93	\$(582,191,957.70)	313,888,012.23	299,553,523.90
C. Leasehold Improvements	S/L	lease term	0.00	0.00	0.00	0.00
D. Software	S/L	2-5 Or 10	1,054,779,994.58	(754,344,326.76)	300,435,667.82	337,347,645.81
E. General Equipment	S/L	5 or 10	2,110,011,703.04	(1,601,833,380.78)	508,178,322.26	509,848,950.93
F. Military Equipment	S/L	Various	0.00	0.00	0.00	0.00
G. Assets Under Capital Lease	S/L	lease term	0.00	0.00	0.00	0.00
H. Construction-in- Progress	N/A	N/A	46,089,005.59	N/A	46,089,005.59	40,393,553.10
I. Other			0.00	0.00	0.00	0.00
J. Total General PP&E			\$ 4,106,960,673.14	\$(2,938,369,665.24)	\$ 1,168,591,007.90	\$ 1,187,143,673.74

¹ Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

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

Information Related to General PP&E, Net

Real property reported by the Automated Civil Engineering System (ACES), equipment reported by the Air Force Equipment Management System (AFEMS) and Information Processing Management System (IPMS) have not been validated and reconciled. The Depot Maintenance Air Logistic Centers (ALC) and Aerospace Maintenance and Regeneration Center (AMARC) use ACES to capture the costs of real property based on preponderance of use for each building. The ALC's and AMARC use the straight-line method for recording depreciation maintained on spreadsheets in place of the ACES schedule. The accounting entries are recorded directly into the field-level trial balances.

The value of Air Force General PP&E in the possession of contractors is included in the value reported above for the Major Asset Classes of Land and Buildings, Structures, and Facilities. The value of General PP&E (Major Asset Classes of Software and Equipment) does not include all of the General PP&E in the possession of contractors that is above the Department of Defense (DoD) capitalization threshold. The net book amount of such property is immaterial in relation to the total General PP&E net book value. In accordance with a strategy approved by the Office of Management and Budget, the Government Accountability Office, and the DoD Inspector General, DoD is developing new policies and a contractor-reporting process to capture General PP&E information for future reporting purposes in compliance with generally accepted accounting practices.

Past audit results have identified uncertainties as to whether all General PP&E assets in the possession or control (existence) of the Department are properly and accurately recorded in the system (completeness).

There are no restrictions on the use or convertibility of General PP&E.

The Air Force Working Capital Fund has no Military Equipment.

The Air Force Working Capital Fund has no heritage assets or stewardship land.

The Air Force Working Capital Fund has no assets Under Capital Lease.

Assets Under Capital Lease

As of December 31	2007	2006
1. Entity as Lessee, Assets Under Capital Lease		
A. Land and Buildings	\$ 0.00	\$ 0.00
B. Equipment	0.00	0.00
C. Accumulated Amortization	0.00	0.00
D. Total Capital Leases	\$ 0.00	\$ 0.00

The Air Force Working Capital Fund has no Assets Under Capital Lease.

Note 11.	Liabilities Not Covered by Budgetary Resources
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As of December 31	2007	2006
1. Intragovernmental Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	0.00	0.00
C. Other	0.00	0.00
D. Total Intragovernmental Liabilities	\$ 0.00	\$ 0.00
2. Nonfederal Liabilities		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement and Other Federal Employment Benefits	227,034,639.39	233,713,461.91
C. Environmental Liabilities	0.00	0.00
D. Other Liabilities	0.00	0.00
E. Total Nonfederal Liabilities	\$ 227,034,639.39	\$ 233,713,461.91
3. Total Liabilities Not Covered by Budgetary Resources	\$ 227,034,639.39	\$ 233,713,461.91
4. Total Liabilities Covered by Budgetary Resources	\$ 2,070,943,759.27	\$ 2,182,051,967.08
5. Total Liabilities	\$ 2,297,978,398.66	\$ 2,415,765,428.99

Information Related to Liabilities Not Covered by Budgetary Resources

Line 2.B. represents the Actuarial Federal Employee Compensation future liabilities as provided annually by the Department of Labor.

The Military Retirement and Other Federal Employee Benefits reflects \$227 million for the actuarial Federal Employees Compensation Act (FECA) liabilities. Of this amount, DMAG has \$203 million and SMAG has \$24 million.

Note 12.	Accounts Payable
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As of December 31	2007			2006
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 83,346,012.99	\$ N/A	\$ 83,346,012.99	\$ 98,745,910.22
2. Nonfederal Payables (to the Public)	745,687,415.84	0.00	745,687,415.84	650,592,591.80
3. Total	\$ 829,033,428.83	\$ 0.00	\$ 829,033,428.83	\$ 749,338,502.02

Fluctuations and Abnormalities

Intragovernmental payables decreased by \$15.4 million (16%). This decrease is primarily due to a \$24.0 million decrease in Contract Depot Maintenance Activity Group (CDMAG) at Ogden Air Logistic Center (OO-ALC). This decrease is due to an adjustment processed in July of 2006 to correct an erroneous account balance. During FY 2006, OO-ALC began an effort to reconcile the accounts payable subsidiary ledger to the trial balance. The analysis specifically identified \$34.0 million in month end disbursement reconciliation adjustments that were processed in FY 2005 that erroneously reduced the other liability account in lieu of the accounts payable. A correcting adjustment was processed in July of 2006 to correct the error, resulting in an overall decrease in Ogden's Intragovernmental Accounts Payable.

Nonfederal payables increased \$95.1 million (15%), of which \$76.9 can be attributed to the net affect of three events; a \$343 million increase in the overall Public Payables due to a reclassification of Intragovernmental Accounts Payables to Nonfederal, a \$133.5 million decrease in the Material Supply Division (MSD), and a \$132.6 million decrease in the Information Services Activity Group (ISAG).

The reclassification of \$343 million from Intragovernmental Accounts Payables to Nonfederal contributed to the increase in Nonfederal Accounts Payable. Initial analysis indicates that the reclassification of payables appears to have been in error, due to an understatement of the sellers' Accounts Receivables. Defense Logistics Agency (DLA), our largest supplier, confirmed that their Intragovernmental Accounts Receivables decreased \$269 million, which may be in error. As a result, instead of eliminating the Intragovernmental payable through the elimination process, the Working Capital Fund had to reclassify it as a Public payable. To determine the root cause, we initiated a validation of our Intragovernmental balances, to then reconcile with the seller data.

The \$133.5 million decrease in MSD is primarily due to the resolution of a systemic issue that caused the 1st Quarter FY 2006 payables to be overstated. During the FY 2006 1st Quarter Financial Statement analysis, it was discovered that the MSD accounts payable balance was approximately \$130.8 million overstated due to a disconnect between the Financial Inventory Accounting and

Billing System (FIABS) and the General Accounting and Financial System (GAFS). During the remainder of FY 2006, the problem was researched, the root cause identified, and the accounts payables corrected, thus resulting in a decrease in accounts payable between the two comparative periods.

The \$132.6 million decrease in the Information Services Activity Group (ISAG) is due to discontinuing operations of ISAG as an activity within the Working Capital Fund. At the end of September 2005 ISAG was removed from the Air Force Working Capital Fund and moved to the General Fund, resulting in no new customer orders being received. Only the remaining unfilled customer orders are being worked within the Working Capital Fund. The unfilled customer orders along with the remaining open balance sheet accounts are being liquidated in preparation for account closure targeted for the end of FY 2007.

Note 13.	Debt
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As of December 31	2007			2006	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)					
A. Debt to the Treasury	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00	0.00
C. Total Agency Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Total Debt	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

The Air Force Working Capital Fund has no Debt.

Note 14.	Environmental Liabilities and Disposal Liabilities
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As of December 31	2007			2006	
	Current Liability	Noncurrent Liability	Total	Total	
1. Environmental Liabilities-- Nonfederal					
A. Accrued Environmental Restoration Liabilities					
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ 0.00	\$ 0.00	\$ 0.00	\$	0.00
2. Active Installations—Military Munitions Response Program (MMRP)	0.00	0.00	0.00	0.00	0.00
3. Formerly Used Defense Sites— IRP and BD/DR	0.00	0.00	0.00	0.00	0.00
4. Formerly Used Defense Sites-- MMRP	0.00	0.00	0.00	0.00	0.00
B. Other Accrued Environmental Liabilities—Active Installations					
1. Environmental Corrective Action	0.00	0.00	0.00	0.00	0.00
2. Environmental Closure Requirements	0.00	0.00	0.00	0.00	0.00
3. Environmental Response at Operational Ranges	0.00	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00	0.00
C. Base Realignment and Closure (BRAC)					
1. Installation Restoration Program	0.00	0.00	0.00	0.00	0.00
2. Military Munitions Response Program	0.00	0.00	0.00	0.00	0.00
3. Environmental Corrective Action / Closure Requirements	0.00	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00	0.00
D. Environmental Disposal for Weapons Systems Programs					
1. Nuclear Powered Aircraft Carriers	0.00	0.00	0.00	0.00	0.00
2. Nuclear Powered Submarines	0.00	0.00	0.00	0.00	0.00
3. Other Nuclear Powered Ships	0.00	0.00	0.00	0.00	0.00
4. Other National Defense Weapons Systems	0.00	0.00	0.00	0.00	0.00
5. Chemical Weapons Disposal Program	0.00	0.00	0.00	0.00	0.00
6. Other	0.00	0.00	0.00	0.00	0.00
2. Total Environmental Liabilities	\$ 0.00	\$ 0.00	\$ 0.00	\$	0.00

The Air Force Working Capital fund has no Environmental Liabilities and Disposal Liabilities.

Environmental Disclosures

As of December 31	2007	2006
A. Amount of operating and capital expenditures used to remediate legacy waste. Legacy wastes are the remediation efforts covered by IRP, MMRP, and BD/DR regardless of funding source.	0.00	0.00
B. The unrecognized portion of the estimated total cleanup costs associated with general property, plant, and equipment.	0.00	0.00
C. The estimated cleanup costs associated with general property, plant, and equipment placed into service during each fiscal year.	0.00	0.00
D. Changes in total cleanup costs due to changes in laws, regulations, and/or technology.	0.00	0.00
E. Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods.	0.00	0.00

The Air Force Working Capital fund has no Environmental Disclosures.

Note 15.	Other Liabilities
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As of December 31	2007			2006
	Current Liability	Noncurrent Liability	Total	Total
1. Intragovernmental				
A. Advances from Others	\$ 128,532,671.22	\$ 0.00	\$ 128,532,671.22	\$ 155,018,712.70
B. Deposit Funds and Suspense Account Liabilities	0.00	0.00	0.00	0.00
C. Disbursing Officer Cash	0.00	0.00	0.00	0.00
D. Judgment Fund Liabilities	0.00	0.00	0.00	0.00
E. FECA Reimbursement to the Department of Labor	0.00	0.00	0.00	0.00
F. Other Liabilities	5,290,935.65	0.00	5,290,935.65	4,941,238.24
G. Total Intragovernmental Other Liabilities	\$ 133,823,606.87	\$ 0.00	\$ 133,823,606.87	\$ 159,959,950.94
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	\$ 93,032,440.22	\$ 0.00	\$ 93,032,440.22	\$ 84,350,411.36
B. Advances from Others	10,677,237.28	0.00	10,677,237.28	7,881,586.46
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	866,463.70	0.00	866,463.70	54,760,242.28
E. Temporary Early Retirement Authority	0.00	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities				
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	0.00	0.00	0.00
G. Accrued Unfunded Annual Leave	0.00	0.00	0.00	0.00
H. Capital Lease Liability	0.00	0.00	0.00	0.00
I. Other Liabilities	983,126,838.19	20,383,716.37	1,003,510,554.56	1,125,761,274.02
J. Total Nonfederal Other Liabilities	\$ 1,087,702,979.39	\$ 20,383,716.37	\$ 1,108,086,695.76	\$ 1,272,753,514.12
3. Total Other Liabilities	\$ 1,221,526,586.26	\$ 20,383,716.37	\$ 1,241,910,302.63	\$ 1,432,713,465.06

Fluctuations and Abnormalities

Intragovernmental Other Liabilities decreased \$26.1 million (16%) which can be attributed to the \$26.5 million decrease in advances from others. Progress billings within the Contract Depot Maintenance Activity Group (CDMAG) are decreasing as a result of the phasing out of Contract DMAG from the Working Capital Fund (WCF). Contract DMAG is working towards discontinuing operations and in October FY 2007, fielded the Contract Asset Visibility (CAV) II system. As a result of the implementation of CAV II, contract repair workload is moving from Contract DMAG to being funded directly by each customer. The Material Support Division, the General Fund and other Contract DMAG customers are now able to purchase repair work directly from contractors. After FY 2008, Contract DMAG will no longer be accepting customer orders within the Working Capital Fund and is targeted to be fully liquidated and closed by FY 2010.

Intragovernmental Information Related to Other Liabilities

(In thousands)	FY2007
DMAG Health Benefits	2,367
DMAG Life Insurance	45
DMAG Retirement	2,331
SMAG Health Benefits	248
SMAG Life Insurance	6
SMAG Retirement	294
Total	5,291

Nonfederal Other Liabilities decreased \$164.7 million (13%) due to the following events:

Other Liabilities decreased \$122.3 million primarily caused by the \$151.0 million decrease in DMAG Accrued Expenses. During the 4th Quarter of FY 2006, Contract DMAG wrote off \$202 million in accrued expenses as a result of a reconciliation of completed contracts. This reconciliation is being performed in preparation for Contract DMAG closure as a Working Capital Fund activity, and as a result, accrued liabilities are decreasing. This trend will continue until Contract DMAG is liquidated and removed from the Working Capital Fund targeted for FY 2010.

Deposits Funds and Suspense Accounts decreased \$53.9 million due to write-off of unsupported undistributed collections in September 2006 based upon the Office of the Secretary of Defense Comptroller guidance directing the write off of stabilized unsupported amounts.

Non Federal Information Related to Other Liabilities

(In thousands)	FY2007
Misc Liabilities	239
DMAG – WIP Accrued Expenses	944,036
SMAG – Future Purchase - Foreign Military Sales	28,376
SMAG – Other Accrued Liabilities	10,476
MOCAS/Contract Financing Payments	20,384
Total	1,003,511

The Supply Management Activity Group (SMAG) future purchase – foreign military sales consist of money that various countries have deposited with the SMAG as a buy-in on future purchases

they plan to make under the foreign military sales program. These funds are considered a liability as the funds are returned if the countries do not make future purchases. Revenue is not recognized on these transactions until the purchase takes place.

The Mechanization of Contract Administration Services (MOCAS)/Contract Financing Payments include \$20.4 million in estimated future contract financing payments that will be paid to the contractor upon delivery and Government acceptance of a satisfactory product. In accordance with contract terms, specific rights to the contractor's work vests with the Government when a specific type of contract financing payments is made, thereby protecting taxpayer funds in the event of contract nonperformance. These rights should not be misconstrued as the rights of ownership. The Department is under no obligation to pay the contractor for amounts greater than the amounts authorized in the contract until delivery and Government acceptance of a satisfactory product. Since it is probable that the contractor will complete its efforts and deliver a satisfactory product to the Department and the amount of potential future payment are estimable; the Department has recognized a contingent liability for estimated future payments, which are conditional pending delivery and Government acceptance of a satisfactory product.

Capital Lease Liability

As of December 31	2007				2006	
	Asset Category					
	Land and Buildings	Equipment	Other	Total	Total	
1. Future Payments Due						
A. 2007	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. 2008	0.00	0.00	0.00	0.00	0.00	0.00
C. 2009	0.00	0.00	0.00	0.00	0.00	0.00
D. 2010	0.00	0.00	0.00	0.00	0.00	0.00
E. 2011	0.00	0.00	0.00	0.00	0.00	0.00
F. 2012	0.00	0.00	0.00	0.00	0.00	0.00
G. After 5 Years	0.00	0.00	0.00	0.00	0.00	0.00
H. Total Future Lease Payments Due	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
I. Less: Imputed Interest Executory Costs	0.00	0.00	0.00	0.00	0.00	0.00
J. Net Capital Lease Liability	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Capital Lease Liabilities Covered by Budgetary Resources				\$ 0.00	\$ 0.00	\$ 0.00
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ 0.00	\$ 0.00	\$ 0.00

The Air Force Working Capital Fund has no Capital Lease Liability.

Note 16.	Commitments and Contingencies
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The Air Force Working Capital Fund has no Commitments and Contingencies.

AFWCF has no undelivered orders or open contract citing cancelled appropriations which remain unfulfilled or unreconciled and for which the reporting entity may incur a contractual commitment for payment.

AFWCF has no amounts for contractual arrangements such as fixed price contracts with escalation, price redetermination, or incentive clauses: contracts authorizing variations in quantities; and contracts where allowable interest may become payable base on contractor claims under the “Disputes” clause contained in contracts.

Note 17.	Military Retirement and Other Federal Employment Benefits
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As of December 31	2007				2006
	Present Value of Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liability	Present Value of Benefits
1. Pension and Health Actuarial Benefits					
A. Military Retirement Pensions	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits	0.00		0.00	0.00	0.00
C. Military Medicare-Eligible Retiree Benefits	0.00		0.00	0.00	0.00
D. Total Pension and Health Actuarial Benefits	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Other Actuarial Benefits					
A. FECA	\$ 227,034,639.39		\$ 0.00	\$ 227,034,639.39	\$ 233,713,461.91
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00	0.00
C. DoD Education Benefits Fund	0.00		0.00	0.00	0.00
D. Total Other Actuarial Benefits	\$ 227,034,639.39		\$ 0.00	\$ 227,034,639.39	\$ 233,713,461.91
3. Other Federal Employment Benefits	\$ 27.81		\$ (27.81)	\$ 0.00	\$ 0.00
4. Total Military Retirement and Other Federal Employment Benefits:	\$ 227,034,667.20		\$ (27.81)	\$ 227,034,639.39	\$ 233,713,461.91

Actuarial Cost Method Used:

Assumptions:

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

FluctuationsMilitary Retirements Pensions

The Air Force Working Capital has no Military Retirement Pensions.

Military Retirements Health Benefits

The Air Force Working Capital Fund has no Military Retirement Health Benefits

Federal Employees Compensation Act (FECA)

The Air Force Working Capital Fund's (AFWCF) actuarial liability for workers' compensation benefits is developed by the Department of Labor and provided to the AFWCF at the end of each fiscal year. The FECA is not related to and should not be misinterpreted to represent the Federal Unemployment Compensation Act. The liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit

payment patterns related to a specific incurred period to predict the ultimate payments. The projected annual benefit payments have been discounted to present value using the Office of Management and Budget's (OMB's) economic assumptions for 10-year Treasury notes and bonds. Cost-of-living adjustments and medical inflation factors are also applied to the calculation of projected future benefits.

The liability for future workers' compensation (FWC) benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefits payments have been discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

2006

5.170% in Year 1
5.313% in Year 2
And thereafter

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

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

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

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

The Military Retirement and Other Federal Employee Benefits reflects \$227 million for the actuarial Federal Employees Compensation Act (FECA) liabilities. Of this amount, DMAG has \$203 million and SMAG has \$24 million.

Note 18.	General Disclosures Related to the Statement of Net Cost
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Intragovernmental Costs and Exchange Revenue		
As of December 31	2007	2006

As of December 31	2007	2006
1. Intragovernmental Costs	\$ 730,306,108.77	\$ 1,142,874,562.21
2. Public Costs	1,329,122,278.76	1,178,335,757.38
3. Total Costs	\$ 2,059,428,387.53	\$ 2,321,210,319.59
4. Intragovernmental Earned Revenue	\$ (2,298,479,328.90)	\$ (2,424,653,362.37)
5. Public Earned Revenue	(346,901,824.21)	(828,712,629.13)
6. Total Earned Revenue	\$ (2,645,381,153.11)	\$ (3,253,365,991.50)
7. Net Cost of Operations	\$ (585,952,765.58)	\$ (932,155,671.91)

General Disclosures related to Statement of Net Cost

Fluctuations and Abnormalities

Gross Costs

Gross Costs had a decrease of \$261.8 million (11%), which can be attributed to a \$200.7 million decrease in the Supply Management Activity Group (SMAG) and \$97.1 million decrease in the Information Services Activity Group (ISAG).

The decrease of \$200.7 million in SMAG is primarily due to reductions in revenues reported by the Defense Logistics Agency (DLA). AFWCF purchases both inventory and services such as transportation, storage and warehouse issues/receipts from DLA. Due to trading partner eliminations, AFWCF is required to balance with DLA's revenue. In comparison to the previous 12 month period, the Air Force has purchased the same level of services and inventory for resale. After a review of the business events during the comparative period, AFWCF does not agree with DLA's reported revenue reduction and a reconciliation has begun to resolve the discrepancy. The target completion date is 2nd quarter of FY 2007.

The \$97.1 million decrease in the (ISAG) is due to discontinuing operations of ISAG as an activity within the Working Capital Fund. At the end of September 2005 ISAG was removed from the Air Force Working Capital Fund and moved to the General Fund. Only remaining unfilled customer orders are being worked within the Working Capital Fund. The unfilled customer orders along with the remaining open balance sheet accounts are being liquidated in preparation for account closure targeted for the end of FY 2007.

Earned Revenue

Earned Revenue had a decrease of \$608 million (19%) which is primarily attributed to a \$510.5 million decrease in the Material Support Division (MSD).

The decrease of \$510.5 million in MSD is due to gains incurred during the 1st Quarter of FY 2006 from inventory valuation changes. These valuation changes result from reconciliations focused on identifying system and price discrepancies in the valuation of inventory. As we continue our commitment to accurately state inventory values, there will likely be future gains and losses recognized which will impact earned revenue.

Information Related to the Statement of Net Cost (SoNC)

The Consolidated SoNC in the federal government is unique because its principles are based on understanding the net cost and/or organizations that the federal government supports through appropriations or other means. This statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and/or organization administered by a responsible reporting entity.

The AFWCF records transactions on an accrual basis. The AFWCF may not have all the actual costs and revenues input into the system in time for reporting. Accrual estimates based upon budget information, historical data and current data not yet input are made as required by generally accepted accounting principles. These estimates are reversed in order to allow actual cost and revenue data to populate the general ledger in subsequent months.

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

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

Note 19.	Disclosures Related to the Statement of Changes in Net Position
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As of December 31	2007		2006	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance				
A. Changes in Accounting Standards	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. Errors and Omissions in Prior Year Accounting Reports	0.00	0.00	0.00	0.00
C. Total Prior Period Adjustments	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Imputed Financing				
A. Civilian CSRS/FERS Retirement	\$ 10,094,995.45	\$ 0.00	\$ 12,918,497.95	\$ 0.00
B. Civilian Health	28,397,642.00	0.00	26,202,358.00	0.00
C. Civilian Life Insurance	52,304.38	0.00	59,194.25	0.00
D. Judgment Fund	0.00	0.00	0.00	0.00
E. IntraEntity	0.00	0.00	0.00	0.00
F. Total Imputed Financing	\$ 38,544,941.83	\$ 0.00	\$ 39,180,050.20	\$ 0.00

Information Related to the Statement of Changes in Net Position

Imputed Financing

The amounts remitted to the Office of Personnel Management (OPM) by and for employees covered by the 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. OPM provides the cost factors to the Defense Finance and Accounting Service (DFAS) for computation of imputed financing cost. DFAS provides the costs to OUSD (Personnel and Readiness) for validation. Approved imputed costs are provided to the reporting components for inclusion in their financial statements.

Note 20.	Disclosures Related to the Statement of Budgetary Resources
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As of December 31	2007	2006
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 7,369,714,496.81	\$ 6,914,827,965.40
2. Available Borrowing and Contract Authority at the End of the Period	12,536,905,133.99	11,853,261,513.39

Information Related to the Statement of Budgetary Resources

Intra-entity Transactions

The Statement of Budgetary Resources (SBR) does not eliminate intra-entity transactions because the statements are presented as combined and combining.

Apportionment Categories

Office of Management and Budget Circular A-136, specifically requires disclosure of the amount of direct and reimbursable obligations incurred against amounts apportioned under categories A, B, and exempt from apportionment. This disclosure should agree with the aggregate of the related information as included in each reporting entity's SF 133 and in the SBR, lines 8A and 8B. There are no Category A direct or reimbursable obligations. Category B reimbursable obligations total \$3.8 billion. There are no category B direct or exempt obligations.

Appropriations Received

The Medical Dental Division of the Supply Management Activity Group received a Congressional appropriation of \$43.9 million in November 2006 to maintain War Readiness Materials. Of this amount, \$43.9 million has been obligated as of December 31, 2006.

Note 21.	Disclosures Related to the Statement of Financing
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The objective of the Statement of Financing is to reconcile the difference between budgetary obligations and the net cost of operations reported. Due to the Department of the Air Force's financial system limitations, budgetary data is not in agreement with proprietary expenses and assets capitalized. Differences between budgetary and proprietary data constitutes a previously identified deficiency.

Other Information Related to the Statement of Financing

Budgetary data is not in agreement with Proprietary Expenses and Assets Capitalized. This causes a difference in net cost between the Statement of Net Cost (SoNC) and the Statement of Financing. "Resources that finance the acquisition of assets" is adjusted in order to align the amount of net cost on the Statement of Financing with the amount reported on the (SoNC). This adjustment was \$34 million, absolute value.

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

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

At the end of FY 2005, ISAG discontinued activity operations. During FY 2007, remaining unfilled customer orders and balance sheet accounts are being liquidated in preparation for account closure in FY 2007.

The value for "Other" reported under "Components Not Requiring or Generating Resources in Future Period" is for applied overhead, bad debt expense and expenses not requiring budgetary resources.

The Balance Sheet line, "The Military Retirement and Other Federal Employee Benefits", reflects \$227,034,667.20 for the actuarial Federal Employees Compensation Act (FECA) liabilities. The Statement of Financing line, "Components Requiring or Generating Resources in Future Periods", reflects \$0 for the actuarial FECA liabilities. FECA numbers are provided during the last quarter of the year. The difference is attributed to the way the amounts are displayed on the two statements. The Statement of Financing reflects net change for the year and the balance sheet displays the ending balance for the FECA amount.

Note 22.	Disclosures Related to the Statement of Custodial Activity
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The Air Force Working Capital Fund has no custodial activity. As a result, there are no disclosures related to the Statement of Custodial Activity.

Note 23.**Earmarked Funds****BALANCE SHEET**As of December 31,
2006Military Retirement
FundMedicare Eligible
Retiree Health Care
FundOther Earmarked
Funds

Eliminations

Total

ASSETS

Fund balance with

Treasury	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Investments		0.00		0.00		0.00		0.00		0.00
Accounts and Interest Receivable		0.00		0.00		0.00		0.00		0.00
Other Assets		0.00		0.00		0.00		0.00		0.00
Total Assets	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00

**LIABILITIES and NET
POSITION**Military Retirement
Benefits and Other
Federal Employment
Benefits

Other Liabilities	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Unexpended Appropriations		0.00		0.00		0.00		0.00		0.00
Cumulative Results of Operations		0.00		0.00		0.00		0.00		0.00
Total Liabilities and Net Position	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00

**STATEMENT OF NET
COST**For the period ended
December 31, 2006

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

**STATEMENT OF
CHANGES IN NET
POSITION**For the period ended
December 31, 2006

Net Position Beginning of the Period	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Net Cost of Operations		0.00		0.00		0.00		0.00		0.00
Budgetary Financing Sources		0.00		0.00		0.00		0.00		0.00
Other Financing Sources		0.00		0.00		0.00		0.00		0.00
Change in Net Position	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Net Position End of Period	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00

The Air Force Working Capital Fund has no Earmarked Funds.

Note 24.	Other Disclosures
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As of December 31	2007			
	Asset Category			
	Land and Buildings	Equipment	Other	Total

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

Future Payments Due

Fiscal Year

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

**Total Future Lease
Payments Due**

	\$	0.00	\$	0.00	\$	0.00	\$	0.00
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The Air Force Working Capital Fund has no Other Disclosures.

Note 25.	Restatements
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The Air Force Working Capital Fund had no restatements of prior-period adjustments for material errors.