

ACMAT CORPORATION AND SUBSIDIARIES  
MARCH 31, 2007

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ACMAT CORPORATION AND SUBSIDIARIES  
Consolidated Balance Sheets

<u>Assets</u>	March 31, <u>2007</u> (Unaudited)	December 31, <u>2006</u>
Investments:		
Fixed maturities-available for sale at fair value (Cost of \$55,199,635 in 2007 and \$56,591,385 in 2006)	\$55,104,184	56,300,695
Equity securities, at fair value (Cost of \$17,110,238 in 2007 and \$14,763,359 in 2006)	17,383,498	15,140,013
Short-term investments, at cost which approximates fair value	<u>17,343,174</u>	<u>29,972,891</u>
Total investments	89,830,856	101,413,599
Cash and cash equivalents	15,403,323	7,584,783
Accrued interest receivable	340,422	270,410
Receivables, net of allowance for doubtful accounts of \$101,231 in 2007 and 2006	1,483,347	892,046
Reinsurance recoverable:	3,041,960	2,954,488
Unpaid losses	43,392	43,392
Paid losses	196,747	203,487
Prepaid expenses	10,564,816	10,672,517
Property & equipment, net	1,059,591	1,201,221
Deferred policy acquisition costs	985,095	1,837,031
Other assets	<u>1,920,360</u>	<u>1,920,360</u>
Intangibles	<u>\$124,869,909</u>	<u>128,993,334</u>
 <u>Liabilities &amp; Stockholders' Equity</u>		
Accounts payable	\$1,419,353	1,538,035
Reserves for losses and loss adjustment expenses	22,340,865	22,080,301
Unearned premiums	3,877,230	4,636,637
Collateral held	32,647,494	36,547,528
Income tax payable	620,366	299,762
Deferred income taxes	91,026	24,677
Accrued liabilities	2,357,530	2,573,272
Long-term debt	<u>10,651,242</u>	<u>11,306,288</u>
Total liabilities	74,005,106	79,006,500
 Stockholders' Equity:		
Common Stock (No par value; 3,500,000 shares authorized; 479,310 and 481,585 shares issued and outstanding)	479,310	481,585
Class A Stock (No par value; 10,000,000 shares authorized; 1,409,868 and 1,422,273 shares issued and outstanding)	1,409,868	1,422,273
Retained earnings	48,690,878	47,913,873
Accumulated other comprehensive income	<u>284,747</u>	<u>169,103</u>
Total stockholders' equity	<u>50,864,803</u>	<u>49,986,834</u>
	 <u>\$124,869,909</u>	 <u>\$128,993,334</u>

See Notes to Unaudited Consolidated Financial Statements.

ACMAT CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Earnings (Unaudited)  
Three Months Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Contract revenues	\$1,094,867	1,713,761
Earned premiums	2,922,525	2,698,805
Investment income, net	1,334,539	1,227,786
Net realized capital gains (losses)	(14,052)	887
Other income	<u>181,609</u>	<u>80,160</u>
	<u>5,519,488</u>	<u>5,721,399</u>
Cost of contract revenues	1,083,692	1,653,131
Losses and loss adjustment expenses	584,505	714,526
Amortization of policy acquisition costs	748,380	608,688
General and administrative expenses	1,272,622	1,197,163
Interest expense	<u>196,271</u>	<u>215,006</u>
	<u>3,885,470</u>	<u>4,388,514</u>
Earnings before income taxes	1,634,018	1,332,885
Income taxes	<u>561,181</u>	<u>451,912</u>
Net earnings	<u>\$1,072,837</u>	<u>880,973</u>
Basic Earnings Per Share	\$.56	.40
Diluted Earnings Per Share	\$.53	.38

See Notes to Unaudited Consolidated Financial Statements.

ACMAT CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Stockholders' Equity (Unaudited)  
March 31, 2007 and 2006

	Common Stock par value	Class A Stock par value	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance as of December 31, 2005	\$510,585	1,699,848	49,220,834	(442,263)	50,989,004
Comprehensive income:					
Net unrealized gains on debt and equity securities	-	-	-	(325,412)	(325,412)
Net unrealized loss on derivatives qualifying As hedges	-	-	-	38,877	38,877
Net earnings	-	-	880,973	-	<u>880,973</u>
Total comprehensive income					516,684
Acquisition and retirement of 250 shares of Common Stock	(250)	-	(3,750)	-	(4,000)
Acquisition and retirement of 2,267 shares of Class A Stock	-	(2,267)	(35,134)	-	(37,401)
Balance as of March 31, 2006	<u>\$510,335</u>	<u>1,697,581</u>	<u>50,062,923</u>	<u>(806,552)</u>	<u>51,464,287</u>
Balance as of December 31, 2006	\$481,585	1,422,273	47,913,873	169,103	49,986,834
Comprehensive income:					
Net unrealized losses on debt and equity securities, net of reclassification	-	-	-	134,349	134,349
Net unrealized gain on derivatives qualifying as hedges	-	-	-	(18,705)	(18,705)
Net earnings	-	-	1,072,837	-	<u>1,072,837</u>
Total comprehensive income					1,188,481
Stock based compensation	-	-	35,244	-	35,244
Acquisition and retirement of 2,275 shares of Common Stock	(2,275)	-	(52,492)	-	(54,767)
Acquisition and retirement of 12,405 shares of Class A Stock	-	(12,405)	(278,584)	-	(290,989)
Balance as of March 31, 2007	<u>\$479,310</u>	<u>1,409,868</u>	<u>48,690,878</u>	<u>284,747</u>	<u>50,864,803</u>

See Notes to Unaudited Consolidated Financial Statements.

ACMAT CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows (Unaudited)  
Three Months Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net earnings	\$1,072,837	880,973
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	67,390	132,084
Stock option expense	35,244	57,073
Net realized capital (gains) losses	14,052	(887)
Changes in:		
Accrued interest receivable	(70,012)	9,261
Reinsurance recoverable	(87,472)	(140,432)
Receivables, net	(591,301)	(420,332)
Deferred policy acquisition costs	141,630	18,742
Prepaid expenses and other assets	858,676	233,383
Accounts payable and accrued liabilities	(353,129)	(2,600,846)
Cash collateral held	(3,900,034)	(2,754,548)
Reserves for losses and loss adjustment expenses	260,564	724,951
Income taxes, net	332,571	298,173
Unearned premiums	<u>(759,407)</u>	<u>(162,322)</u>
Net cash used for operating activities	<u>(2,978,391)</u>	<u>(3,724,727)</u>
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Fixed maturities—sold	2,824,855	--
Fixed maturities-matured	500,000	3,513,870
Purchases of:		
Fixed maturities	(1,906,250)	(1,987,324)
Equity securities	(2,250,000)	(750,000)
Short-term investments, (purchases) sales, net	12,629,717	(82,329)
Capital expenditures	<u>(589)</u>	<u>(92,395)</u>
Net cash provided by investing activities	<u>11,797,733</u>	<u>601,822</u>
Cash flows from financing activities:		
Repayments on long-term debt	(655,046)	(654,620)
Payments for acquisition & retirement of stock	<u>(345,756)</u>	<u>(41,401)</u>
Net cash used for financing activities	<u>(1,000,802)</u>	<u>(696,021)</u>
Net change in cash and cash equivalents	7,818,540	(3,818,926)
Cash and cash equivalents at beginning of period	7,584,783	14,729,289
Cash and cash equivalents at end of period	<u>\$15,403,323</u>	<u>10,910,363</u>

See Notes to Unaudited Consolidated Financial Statements.

ACMAT CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Financial Statements

The consolidated financial statements include the accounts of ACMAT Corporation ("ACMAT" or the "Company") and its subsidiaries. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and are unaudited.

The interim financial information contained in this report has been prepared from the books and records of the Company and its subsidiaries and reflects, in the opinion of the management of the Company, all adjustments (consisting of normal and recurring accruals) necessary to fairly present results of operations for the periods indicated. All significant intercompany accounts and transactions have been eliminated in consolidation.

These statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2006.

(2) Adoption of New Accounting Standards

**Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts**

In September 2005, the Accounting Standards Executive Committee (AcSEC) issued Statement of Position 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts (SOP 05-1). SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in FAS 97, "Accounting and Reporting by Insurance Enterprises for Certain Long Duration Contracts and for Realized Gains and Losses from the Sale of Investments". SOP 05-1 defines an internal replacement as a modification of product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or order to a contract, or by the election of a feature or coverage within a contract. The adoption of SOP 05-1 effective January 1, 2007 did not have a material effect on operations, financial condition or liquidity.

**Accounting for Uncertainty in Income Taxes**

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes the recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under FIN 48, evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of the position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met.

The adoption of FIN 48 at January 1, 2007 did not have a material effect on the Company's results of operations, financial condition or liquidity.

(3) Accounting Standards Not Yet Adopted

**Fair Value Measurements**

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurement. It applies to other pronouncements that require or permit fair value but does not require any new fair value measurements. The statement defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

FAS 157 establishes a fair value hierarchy to increase consistency and comparability in fair value measurements and disclosures. The hierarchy is based on the input used in valuation and gives the highest priority to quoted prices in active markets. The highest possible level should be used to measure fair value.

FAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the provisions of FAS 157 to have a material effect on its results of operations, financial condition or liquidity.

#### **Fair Value Option for Financial Assets and Financial Liabilities**

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAA 159). FAS 159 permits an entity to irrevocably elect fair value on a contract-by-contract basis as the initial and subsequent measurement attributed for many financial assets and liabilities and certain other items including property and casualty insurance contracts. Entities electing the fair value option would be required to recognize changes in fair value in earnings and to expense upfront costs and fees associated with the item for which the fair value option is elected. Entities electing the fair value option are required to distinguish on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. An entity can accomplish this by either reporting the fair value and non-fair value carrying amounts as separate line items or aggregate those amounts and disclose parenthetically the amount of fair value included in the aggregate amount.

FAS 159 is effective for fiscal years beginning after November 15, 2007. Upon adoption, an entity is permitted to elect the fair value option irrevocably for any existing asset or liability within the scope of the standard. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of initial adoption. Retrospective application would not be permitted. The Company does not intend to elect the fair value option for assets and liabilities currently held, and therefore FAS 159 will not have an impact on the Company's results of operations, financial condition or liquidity.

#### **Collateral Assignment Split-Dollar Life Insurance Arrangements**

In March 2007, the FASB issued Emerging Issues Task Force Issue No. 06-10, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements* (EITF 06-10). EITF 06-10 provides guidance on the recognition and measurement of assets related to collateral assignment split-dollar life insurance arrangements. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company does not expect the provisions of EITF 06-10 to have a material effect on its results of operations, financial condition or liquidity.

#### (4) Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share ("EPS") computations for the three-month periods ended March 31, 2007 and 2006:

	<u>Earnings</u>	<u>Average Shares Outstanding</u>	<u>Per-Share Amount</u>
<u>2007:</u>			
Basic EPS:			
Earnings available to stockholders	\$1,072,837	1,899,062	\$.56
Effect of Dilutive Securities:			
Stock options	---	<u>140,136</u>	
Diluted EPS:			
Earnings available to stockholders	<u>\$1,072,837</u>	<u>2,039,198</u>	<u>\$.53</u>
<u>2006</u>			
Basic EPS:			
Earnings available to stockholders	\$880,973	2,208,583	\$.40
Effect of Dilutive Securities:			
Stock options	---	<u>101,349</u>	
Diluted EPS:			
Earnings available to stockholders	<u>\$880,973</u>	<u>2,309,932</u>	<u>\$.38</u>

### (5) Supplemental Cash Flow Information

Income tax paid during the three months ended March 31, 2007 and 2006 was \$228,610 and \$153,739, respectively. Interest paid for the three months ended March 31, 2007 and 2006 was \$197,615 and \$211,802, respectively.

### (6) Comprehensive Income

The following table summarizes reclassification adjustments for other comprehensive income (loss) and the related tax effects for the three months ended March 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Unrealized gains (losses) on investments:		
Unrealized holding gain (loss) arising during period, net of income tax	\$143,623	(324,827)
Less reclassification adjustment for gains (losses) included in net earnings, net of income tax (benefit) expense of (\$4,778) and \$302 in 2007 and 2006, respectively	9,274	(585)
Unrealized loss on derivatives qualifying as cash flow hedges	<u>(18,705)</u>	<u>(38,877)</u>
Other comprehensive income (loss)	<u>\$115,644</u>	<u>(364,289)</u>

### (7) Stock-Based Compensation

The Company periodically grants non-qualified stock options giving such individuals the right to purchase restricted shares of the Company's Common Stock and Class A Stock. The majority of the options outstanding to officers generally vest evenly over a five to ten year period and generally have a term of 10 years. The exercise price is equal to the fair value at the date of grant. The Company uses a variation of the Black-Scholes option pricing model to value stock options.

Compensation expense of \$35,244 and \$57,073 is reflected in net earnings for the first quarter of 2007 and 2006, respectively. The Company applied the recognition and measurement principles of SFAS 123R, Share Based Payment beginning January 1, 2006.

As of March 31, 2007 there were 378,000 stock options outstanding of which 121,735 were not yet vested. The compensation costs related to non-vested share compensation arrangements granted but not yet recognized was approximately \$210,000 as of March 31, 2007. The Company expects to recognize that cost over a weighted average period of 3.2 years.

### (8) Investments

The Company's portfolio is comprised primarily of fixed maturity securities rated AA or better by Standard and Poor's and includes mostly U.S. Treasuries and tax-free municipal securities.

The Company makes investments in collateralized mortgage obligations (CMOs). CMOs typically have high credit quality, offer good liquidity, and provide a significant advantage in yield and total return compared to U.S. Treasury securities. The Company's investment strategy is to purchase CMO tranches which offer the most favorable return given the risks involved. One significant risk evaluated is prepayment sensitivity. This drives the investment process to generally favor prepayment protected CMO tranches including planned amortization classes and last cash flow tranches. The Company does invest in other types of CMO tranches if a careful assessment indicates a favorable risk/return tradeoff. The Company does not purchase residual interests in CMOs.

An investment in debt or equity security is impaired if its fair value falls below its book value and the decline is considered to be other-than temporary. Factors considered in determining whether a decline is other-than-temporary include the length of time and the extent to which fair value has been below cost, the financial condition and the near-term prospects of the issuer; and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. Additionally, for certain securitized financial assets with contractual cash flows (including asset backed securities), EITF 99-20 requires the Company to periodically update its best estimate of cash flows over the life of the security. If management determines that the fair value of its securitized financial asset is less than its carrying amount and there has been a decrease in the present value of the estimated cash flows since the last revised estimate, considering both timing and amount, then an other-than-temporary impairment charge is recognized. A debt security is impaired if it is probable that the Company will not be able to collect all amounts due under the security's contractual terms. Equity investments are impaired when it becomes apparent that the Company will not recover its cost over the expected holding period and consideration is given to the financial condition of the issue. Further, for securities expected to be sold, an other-than-temporary impairment charge is recognized if the Company does not expect the fair value of a security to recover the cost prior to the expected date of sale.



The Company's process for reviewing invested assets for impairments during any quarter includes the following:

- Identification and evaluation of investments which have possible indications of impairment;
- Analysis of investments with gross unrealized investment losses that have fair value less than 80% of amortized cost during successive quarterly periods over a rolling one-year period;
- Management review of for other-than-temporary impairments based on the investee's current financial condition, liquidity, near term recovery prospects and other factors, as well as consideration of other investments that were not recommended for other-than-temporary impairments;
- Consideration of evidential matter, including an evaluation of factors or triggers that would or could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairments; and
- Determination of the status of each analyzed investment as other-than-temporary or not.

The gross unrealized investment losses and related fair value for fixed maturities and equity securities at March 31, 2007 and 2006 were as follows:

	<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>
<u>2007:</u>						
Fixed maturities:						
States, municipalities and political subdivisions	\$ --	--	729,488	12,803	729,488	12,803
United States government and government agencies	486,990	10,579	4,165,115	51,367	4,652,105	61,946
Mortgage-backed securities	1,492,544	15,874	20,204,161	191,338	21,696,705	207,212
Industrial and miscellaneous	<u>1,468,215</u>	<u>31,785</u>	<u>987,120</u>	<u>12,880</u>	<u>2,455,335</u>	<u>44,665</u>
Total fixed maturities	3,447,749	58,238	26,085,884	268,388	29,533,633	326,626
Equity securities – common stocks:	--	--	--	--	--	--
Equity securities – redeemable preferred:	996,000	4,000	1,996,600	3,400	2,992,600	7,400
Equity securities – perpetual preferred:	--	--	--	--	--	--
Total equity	996,000	4,000	1,996,600	3,400	2,992,600	7,400
Total temporarily impaired securities	<u>\$4,443,749</u>	<u>62,238</u>	<u>28,082,484</u>	<u>271,788</u>	<u>32,526,233</u>	<u>334,026</u>
<u>2006:</u>						
Fixed maturities:						
States, municipalities and political subdivisions	---	---	723,315	24,461	723,315	24,461
United States government and government agencies	3,897,148	75,434	4,962,013	135,625	8,859,161	211,059
Mortgage-backed securities	36,459,384	374,298	4,002,555	91,393	40,461,939	465,691
Industrial and miscellaneous	<u>2,019,410</u>	<u>14,872</u>	<u>9,687,489</u>	<u>329,007</u>	<u>11,706,899</u>	<u>343,879</u>
Total fixed maturities	42,375,942	464,604	19,375,372	580,486	61,751,314	1,045,090
Equity securities – common stocks:	---	---	---	---	---	---
Equity securities – redeemable preferred:	1,723,300	26,700	2,842,600	168,800	4,565,900	195,500
Equity securities – perpetual preferred:	---	---	<u>958,000</u>	<u>42,000</u>	<u>958,000</u>	<u>42,000</u>
Total equity	1,723,300	26,700	3,800,600	210,800	5,523,900	237,500
Total temporarily impaired securities	<u>\$44,099,242</u>	<u>491,304</u>	<u>23,175,972</u>	<u>791,286</u>	<u>67,275,214</u>	<u>1,282,590</u>

Management has determined that the above unrealized losses were temporary

## (9) Segment Reporting

The Company has two reportable operating segments: ACMAT Contracting and ACSTAR Bonding. The Company's reportable segments are primarily the main legal entities of the Company which offer different products and services. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Bonding operating segment provides surety bonds written for prime, specialty trade, environmental, asbestos and lead abatement contractors and miscellaneous obligations. ACSTAR also offers commercial and other miscellaneous surety such as workers' compensation bonds, supply bonds, subdivision bonds and license and permit bonds as well as some general liability insurance.

ACMAT Contracting provides construction contracting services to commercial and governmental customers. ACMAT Contracting also provides underwriting services to its insurance subsidiaries. In addition, ACMAT Contracting owns a commercial office building in New Britain Connecticut and leases office space to its subsidiaries as well as to third parties.

The Company evaluates performance based on earnings before income taxes and excluding interest expense. The Company accounts for intersegment revenue and expenses as if the products/services were to third parties. Information relating to the three segments for the three-month periods ended March 31, 2007 and 2006 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Revenues:		
ACSTAR Bonding	\$3,966,241	3,642,361
ACMAT Contracting	<u>1,857,764</u>	<u>2,411,265</u>
	<u>\$5,824,005</u>	<u>6,053,626</u>
Operating Earnings (Loss):		
ACSTAR Bonding	\$2,143,312	1,786,681
ACMAT Contracting	<u>(313,023)</u>	<u>(238,790)</u>
	<u>\$1,830,289</u>	<u>1,547,891</u>
Depreciation and Amortization:		
ACSTAR Bonding	(\$46,130)	4,609
ACMAT Contracting	<u>113,520</u>	<u>127,475</u>
	<u>\$67,390</u>	<u>132,084</u>
Identifiable Assets:		<u>December 31, 2006</u>
ACSTAR Bonding	\$ 98,413,539	100,630,884
ACMAT Contracting	<u>26,456,370</u>	<u>28,362,450</u>
	<u>\$124,869,909</u>	<u>128,993,334</u>

The components of revenue for each segment for the three-month periods ended March 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
ACSTAR Bonding:		
Premiums	\$2,922,525	2,698,805
Investment income, net	1,081,914	941,853
Capital gains (losses)	(14,052)	887
Other income (expense)	<u>(24,146)</u>	<u>816</u>
	<u>\$3,966,241</u>	<u>3,642,361</u>
ACMAT Contracting:		
Contract revenues	\$1,094,867	1,713,761
Investment income, net	176,289	203,428
Intersegment revenue:		
Rental income	79,149	79,149
Underwriting services and agency commissions	454,628	335,583
Other	<u>52,831</u>	<u>79,344</u>
	<u>\$1,857,764</u>	<u>2,411,265</u>

The following is a reconciliation of segment totals for revenue and operating income to corresponding amounts in the Company's statement of earnings:

Revenue:	<u>2007</u>	<u>2006</u>
Total revenue for reportable segments	\$5,824,005	6,053,626
Intersegment eliminations	<u>(304,517)</u>	<u>(332,227)</u>
	<u>\$5,519,488</u>	<u>5,721,399</u>

The adjustments and eliminations required to arrive at consolidated amounts shown above consist principally of the elimination of the intersegment revenues related to the performance of certain services and rental charges. Identifiable assets are those assets that are used by each segment's operations.

Operating Earnings:	<u>2007</u>	<u>2006</u>
Total operating earnings for reportable segments	\$1,830,289	1,547,891
Interest expense	<u>(196,271)</u>	<u>(215,006)</u>
	<u>\$1,634,018</u>	<u>1,332,885</u>

Operating earnings for ACMAT contracting are operating revenues less cost of contract revenues and identifiable selling, general and administrative expenses. Operating earnings for the bonding and liability insurance segments are revenues less losses and loss adjustment expenses, amortization of policy acquisition costs and identifiable general and administrative expenses.