USAID
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OFFICE OF INSPECTOR GENERAL

Report on the Audit of USAID's Financial Statements for Fiscal Years 2006 and 2005

AUDIT REPORT NO. 0-000-07-001-C
November 15, 2006

WASHINGTON, DC

Office of Inspector General

November 15, 2006

MEMORANDUM

TO: M/CFO/ICFO, Lisa D. Fiely

FROM: Deputy AIG/A, Alvin A. Brown, for Joseph Farinella /s/

SUBJECT: Report on the Audit of USAID's Financial Statements for Fiscal Years 2006 and 2005

With this memorandum, the Office of Inspector General (OIG) is transmitting its final report on the *Audit of USAID's Financial Statements for Fiscal Years 2006 and 2005*. Under the Government Management Reform Act of 1994, USAID is required to prepare consolidated fiscal year-end financial statements. In accordance with OMB Circular A-136, USAID is also required to submit a Performance and Accountability Report, including audited financial statements, to the Office of Management and Budget (OMB) and the U.S. Department of the Treasury by November 15, 2006.

The OIG has issued unqualified opinions on all five of USAID's principal financial statements for fiscal years 2006 and 2005.

With respect to internal control, our report discusses one material internal control weakness and five reportable conditions identified during the audit. The material internal control weakness addresses USAID's accounting for accruals. The reportable conditions address USAID's 1) reconciliations of its fund balance with the U.S. Treasury, 2) reconciliations of its intragovernmental transactions, 3) controls over its Treasury symbols, 4) accounting for foreign currency transactions, and 5) Management's Discussion and Analysis data.

The results of our tests indicate that USAID substantially complied with Federal financial management systems requirements, accounting standards, and the U.S. Standard General Ledger at the transaction level, as required by Section 803(a) of the Federal Financial Management Improvement Act. Our report on compliance identifies areas for improvement over several financial system processes, not affecting substantial compliance, and two Antideficiency Act violations.

This report contains seven recommendations to improve USAID's internal control over financial reporting and the preparation of its annual financial statements.

We appreciate the cooperation and courtesies that your staff extended to the OIG during the audit. The Office of Inspector General is looking forward to working with you on our audit of the fiscal year 2007 financial statements.

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SUMMARY OF RESULTS

In our opinion, USAID's consolidated balance sheets, consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing present fairly, in all material respects, the financial position of USAID as of September 30, 2006 and 2005; and its net cost, net position, and budgetary resources for the years then ended are in conformity with generally accepted accounting principles.

Our audit identified one material internal control weakness and five reportable conditions. The material internal control weakness relates to USAID's accounting and reporting of accruals.

The reportable conditions relate to USAID's:

- Reconciliations of its fund balance with the U.S. Treasury
- Intragovernmental reconciliations
- Controls over Treasury symbols
- Accounting for foreign currency transactions
- Management's Discussion and Analysis data

The results of our tests indicate that USAID substantially complied with Federal financial management systems requirements, accounting standards, and the U.S. Standard General Ledger at the transaction level, as required by Section 803(a) of the Federal Financial Management Improvement Act. Our report on compliance identifies areas for improvement over several financial system processes, not affecting substantial compliance, and two Antideficiency Act violations.

BACKGROUND

The United States Agency for International Development (USAID) was created in 1961 to advance the United States' foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. USAID has an overseas presence in approximately 90 countries, almost 50 of which have controller operations. In fiscal year 2006, USAID had total budgetary resources of $14.5 billion.

Under the Government Management Reform Act of 1994, USAID is required to annually submit audited financial statements to the Office of Management and Budget (OMB) and the U.S. Treasury. Pursuant to this Act, for fiscal year 2006, USAID has prepared the following:

- Consolidated Balance Sheets,
- Consolidated Statements of Changes in Net Position,
- Consolidated Statements of Net Cost,
- Combined Statements of Budgetary Resources,
- Consolidated Statements of Financing,
- Notes to the principal financial statements,
- Other Required Supplementary Information, and
- Management's Discussion and Analysis.

AUDIT OBJECTIVE

Did USAID's principal financial statements present fairly the assets, liabilities, net position, net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary resources for fiscal years 2006 and 2005?

In our opinion, the financial statements referred to above present fairly, in all material respects and in conformity with generally accepted accounting principles, USAID's assets, liabilities, and net position; net costs; changes in net position; budgetary resources; and reconciliation of net costs to budgetary resources as of September 30, 2006 and 2005 and for the years then ended.

In accordance with *Government Auditing Standards*, we have also issued reports (dated November 15, 2006) on our consideration of USAID's internal control over financial reporting and on our tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

Independent Auditor’s Report on USAID’s Financial Statements

We have audited the accompanying consolidated balance sheets of USAID as of September 30, 2006 and 2005, and the consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing of USAID for the years ended September 30, 2006 and 2005.

We conducted our audits in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 06-03. *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, USAID’s assets, liabilities, and net position; net costs; changes in net position; budgetary resources; and reconciliation of net costs to budgetary resources as of September 30, 2006 and 2005 and for the years then ended.

Management’s Discussion and Analysis, Required Supplementary Information, and other accompanying information contain a wide range of data, some of which are not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with USAID officials. Based on this limited work, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated November 15, 2006, on our consideration of USAID’s internal control over financial reporting and on our tests of USAID’s compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

/s/

USAID, Office of Inspector General
November 15, 2006

Report on Internal Control

We have audited the consolidated balance sheets of USAID as of September 30, 2006 and 2005. We have also audited the consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing for the fiscal years ended September 30, 2006 and 2005, and have issued our report thereon dated November 15, 2006. We conducted the audits in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements.*

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2006 and 2005, we considered its internal control over financial reporting by obtaining an understanding of the agency's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our system of internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of inherent limitations in internal control, misstatements, losses, or noncompliance may occur and not be detected. Our consideration of internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We identified one matter involving internal control and its operation that we consider to be a material weakness, and five matters that we consider to be reportable conditions.

The material internal control weakness relates to USAID's accounting and reporting of accruals. This issue was also identified by USAID during its OMB Circular A-123 assessment. The reportable conditions relate to USAID's:

- Reconciliations of its fund balance with the U.S. Treasury
- Intragovernmental reconciliations
- Controls over Treasury symbol information
- Accounting for foreign currency transactions
- Management's Discussion and Analysis data

With respect to internal control related to performance measures included in the Management's Discussion and Analysis (MD&A) Section of USAID's Performance and Accountability Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin 06-03, and determined whether they have been placed in operation. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not provide an opinion on such controls.

We also noted other matters involving the internal control over financial and performance reporting which we reported to USAID management in a separate letter dated November 15, 2006.

Material Weakness

USAID's Accounting for Accruals Needs Improvement

Summary: USAID's Accruals System in Phoenix produced erroneous information that limited the ability of Cognizant Technical Officers (CTOs) to accurately calculate estimates of accrued expenditures and accounts payable for recording in USAID's general ledger. In our testing of accruals in Washington, DC, the OIG determined that Phoenix did not always produce obligation information with the level of detail or reliability necessary for USAID's CTOs to make informed quarterly accrual estimates, and amounts identified as obligated in Phoenix did not always include contract modifications. We also noted that accruals maintained in the Phoenix Accruals System did not always post to the general ledger because of a programming error. Further, some USAID CTOs used incorrect or inaccurate information in estimating some quarterly accruals. As a result, USAID's accrued expenditures and accounts payable contained inaccuracies, and the OIG recommended a $123 million adjustment to more accurately reflect USAID's accrual activity as of September 30, 2006.

OMB's Core Financial System Requirements stipulate that an agency's core financial system must be able to provide timely and useful financial information to support: management's fiduciary role; budget formulation and execution functions; fiscal management of program delivery and program decision making; and internal and external reporting requirements. External reporting requirements include the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, reporting requirements prescribed by Treasury, and legal, regulatory and other special management requirements of the agency. The core financial system must provide complete, reliable, consistent, timely and useful financial management information on operations.

According to USAID's Automated Directives System (ADS) 631, financial documentation represents any documentation that impacts on or results in financial activity. It is not limited to documentation within the financial management operations but includes any source material resulting in a financial transaction. CTOs, Loan Officers, Grants Officers, Strategic Objective teams, and others are responsible for retaining financial documentation and ensuring its availability for audit. ADS 631 states that these individuals must gather cost data—such as supporting project documentation, activity reports, delivery reports, or fixed reoccurring expenses—for the quarterly accruals exercise and then compare the data to payment histories and advances to estimate quarterly accruals.

At USAID, accrued expenditures are accounting estimates of services or goods rendered which have not yet been paid. In conducting quarterly accrual estimates, USAID relied on the efforts of its CTOs at overseas missions and in Washington, DC. The OIG found that amounts accrued via accrual worksheets prepared by CTOs sometimes lacked sufficient documentation to support accrual estimates and that such documentation could often not be produced subsequent to the recording of the estimates.

Not all of the accruals generated by the Phoenix Accruals System were posted to the general ledger for the fiscal year 2006 4th quarter. The OIG noted that only $2.1 billion of the $2.2 billion generated by the Phoenix Accruals System were correctly batched and processed in USAID's general ledger. The difference was caused by a programming error that USAID corrected before preparing its 4th quarter financial statements. USAID subsequently posted an appended version of its accrual system that ultimately captured the correct accrual amounts in the general ledger.

Obligation amounts recorded in the Phoenix Accruals System were not correctly captured because periodic modifications to obligation amounts were not updated timely. As a result, CTO accrual modifications and system estimates were not always based on reliable unliquidated obligation information. We identified this condition in a significant number of the items we reviewed in 2006, but did not identify this condition in previous reports. With respect to CTO estimates for other accruals, we found documentation errors, incorrect calculations, misinterpretations of grantee information, and incorrect comparisons of estimated expenditure reports. Based on the projected errors of accruals estimated by CTOs in Washington and the differences associated with inaccurate obligations, the OIG recommended a $123 million adjustment to accounts payable and accrued expenditures.

USAID has worked to improve the quality of its CTO information, allowing the OIG to more easily locate the USAID managers responsible for maintaining accrual estimates and to perform a more complete analysis of the accrual information. However, USAID only trained 78 CTOs in Washington, DC during 2006 and some CTOs that we contacted had still never been trained.

The OIG has made previous recommendations to correct deficiencies in the former Accruals Reporting System[1], and to ensure that CTOs were properly trained in the

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[1] *Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004*, p. 7, November 14, 2005, http://www.usaid.gov/oig/public/fy06rpts/0-000-06-001-c.pdf

process of estimating accruals[2]. The calculations within the Phoenix Accruals System that caused the majority of the problems in 2005 are now operating correctly. To address the deficiencies of USAID's current system for recording and processing accruals, we are making the following recommendations:

> *Recommendation No. 1.1: We recommend that USAID's Office of the Chief Financial Officer prepare a quarterly reconciliation of its Phoenix Accruals System with the Phoenix general ledger, and document and resolve all differences.*

> *Recommendation No. 1.2: We recommend that USAID's Office of the Chief Financial Officer update its Accruals training course to ensure that Cognizant Technical Officers can make reasonable accrual estimates when contract modifications result in changes to obligation levels.*

Reportable Conditions

USAID's Process for Reconciling its Fund Balance with the U.S. Treasury Needs Improvement (Repeat Finding)

Summary: USAID had large undocumented differences between its Fund Balance and its cash balance reported by Treasury throughout 2006. As of September 30, 2006, these differences totaled to a cumulative net value of $66 million. The differences remained undocumented because USAID was not consistently investigating and resolving reconciling items, and is not completing reconciliations of its Fund Balance in accordance with Treasury Financial Manual (TFM) 2-5100. As a result, USAID recorded adjustments at the 2006 fiscal year-end to ensure that its Fund Balance with the U.S. Treasury reported on its Form 2108, *Year End Closing Statement*, agreed with the balance in Treasury's records, without fully documenting and investigating the reasons for the differences.

U.S. Treasury reconciliation procedures state that an agency (1) may not arbitrarily adjust its fund balance with the U.S. Treasury account, and (2) can adjust its fund balance with the U.S. Treasury account balance only after clearly establishing the causes for any errors and properly correcting those errors. Treasury's guidance for reconciling fund balances requires that Federal agencies research and resolve differences reported by the U.S. Treasury on a monthly basis.

USAID Chief Financial Officer Bulletin 06-1001, *Reconciliation With U.S. Treasury*, requires USAID to perform timely monthly reconciliations with the U.S. Treasury. The Bulletin also requires a written justification for carrying forward unpaid and unsupported transactions over 90 days old, provides specific written guidance for write-offs, and requires a certification that reconciliations have been performed in accordance with TFM Volume 1, Part 2-5100. Bulletin 06-1001 has not been fully implemented.

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[2] *Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2004 and 2003*, p. 12, November 15, 2004, http://www.usaid.gov/oig/public/fy05rpts/0-000-05-001-c.pdf

As of the fiscal 2006 year-end, USAID reported its Fund Balance as $19.3 billion - $66 million more than the balance reported by Treasury on its September 30, 2006 account statement. This occurred partly because Treasury symbol changes were not routinely updated to ensure that transactions in Phoenix were recorded against the correct appropriation (see finding in Reportable Conditions Section). Also, $12 million of cash transactions were fully processed at the Department of Treasury, as of the fiscal year-end, but remained in a suspense status at USAID pending additional information. USAID could not identify the reasons for many other differences, including some items that have not been reconciled with Treasury since 2002. For financial reporting purposes, USAID adjusted its Fund Balance to match the cash balance reported by Treasury without fully documenting the reasons for the unreconciled conditions.

USAID made some attempts to resolve unreconciled Treasury items by working with accounting divisions in Washington, but did not always document the efforts made to investigate and reconcile the differences. USAID's overseas missions also continue to have large unreconciled balances which are not resolved in a timely manner. Of the ten missions that were audited, five had total unreconciled differences of approximately $50 million and one mission was not performing any fund balance reconciliations.

> *Recommendation No. 2.1: We recommend that USAID's Office of the Chief Financial Officer document monthly reconciliations of its Fund Balance with Treasury as required by TFM 2-5100, and ensure that overseas missions are performing and documenting monthly Fund Balance reconciliations.*
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> *Recommendation No. 2.2: We recommend that USAID's Office of the Chief Financial Officer implement policies to ensure that all transactions recorded in the general ledger are reported to Treasury on the SF 224 and that all differences and suspense items are investigated and resolved in a timely manner.*

USAID's Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Summary: The U.S. Treasury reported a $2.8 billion net difference in intragovernmental transactions between USAID and other Federal agencies at the 2006 fiscal year-end, with an absolute value of $6.1 billion. OMB Circular A-136 requires Federal agencies to perform quarterly reconciliations of intragovernmental transactions in accordance with the *FMS Federal Intragovernmental Transactions Accounting Policies Guide*. The differences between USAID's records and those of its trading partners occurred because USAID did not consistently reconcile material differences identified by FMS in its quarterly Material Differences/Status of Disposition Certification (MD/SD) Report and other differences equal to or greater than $50 million, and it did not consistently reconcile other significant differences by reciprocal category with its Federal trading partners throughout FY 2006. USAID did demonstrate significant progress from 2005, when fiscal year-end unreconciled net differences were $6.0 billion. Until intragovernmental transactions are reconciled, USAID's financial statements are subject to error.

Treasury FMS has informed Federal agencies that if trading partner "confirmed reporting" exceeds the $50 million threshold it has established, Agency CFOs will be required to provide FMS a "plan of action" to address these differences, as required by

Treasury Financial Manual, Vol. I, Part 2-Chapter 4700, Section 4706.30, *Agency Reporting Requirements for the Financial Report of the United States Government*.

USAID has made some progress in reconciling its trading partner activities and has reduced the difference reported by Treasury by 46 % from the third quarter to the fourth quarter of 2006. Significant differences persist, however. While some timing differences may ultimately be resolved, differences due to accounting errors or different accounting methodologies require a special effort by USAID and its trading partners for timely resolution. The Federal Intragovernmental Transactions Accounting Policy Guide suggests that agencies should work together to estimate accruals and to record corresponding entries in each set of records so that they are in agreement and so that long term accounting policy differences can be identified. Until these reconciliations are complete, USAID's year-end balances related to intragovernmental line items reported on the financial statements are subject to error.

Although we identified $4 billion of unreconciled general fund transactions between USAID and Treasury that are not required to be reconciled, FMS does suggest that Federal agencies confirm that these differences represent general fund activities. USAID did not consistently document these confirmations.

We made a recommendation to improve the intragovernmental reconciliation process in our previous audit report[3]. We will not make a new recommendation, but will continue to monitor USAID's progress in reducing intragovernmental balances, in future audits.

USAID's Controls Over Treasury Symbols Need Improvement

Summary: USAID experienced difficulty accounting for the activity under its many different Treasury symbols which provide the underlying support for its Statement of Budgetary Resources. This occurred because the processes employed by USAID to update and maintain information on appropriation Treasury symbols did not contain adequate controls to consistently ensure their accuracy. As a result, USAID's Treasury symbol appropriation information in Phoenix required significant adjustments throughout the year and impacted USAID's ability to accurately report to OMB on its quarterly budget activity.

Treasury symbols are numeric codes which contain unique accounting information that identify: 1) a Federal agency, 2) a period of availability of funds, and 3) a four-digit appropriation number. Under Section 511 of the Foreign Operations Appropriation Act (P.L. 109-102 for 2006), USAID may extend the availability of its appropriations, as identified by its Treasury symbols, by four years from the original appropriation before the funds move to an expired status and become unavailable for new obligations. Phoenix does not have the ability to automatically convert existing appropriations to those with extended availability so Treasury symbol conversions are performed manually at USAID.

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[3] *Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004*, p. 9, November 14, 2005, http://www.usaid.gov/oig/public/fy06rpts/0-000-06-001-c.pdf

Like all Federal agencies, USAID must submit a Report on Budget Execution and Budgetary Resources (SF 133) to OMB each quarter for every one of its open appropriation Treasury symbols. These SF 133s are combined each quarter in developing a Federal Agency's Statement of Budgetary Resources. As a result, the compilation of a Federal Agency's SF 133s should generally agree with an Agency's Statement of Budgetary Resources. At year-end, Budgetary Resources are also reported separately for certain Treasury symbols as Required Supplementary Information in accordance with OMB Circular A-136.

USAID made significant adjustments to its Treasury symbol information in Phoenix during the 4th quarter of 2006. These adjustments were necessary to correct transactions posted to valid appropriations with invalid Treasury symbols. Errors with Treasury symbol information occurred primarily because so many valid USAID appropriation numbers change during their life to accommodate the Section 511 flexibility available to USAID. This requires USAID to account for two Treasury symbols for every appropriation. This is difficult to manage within USAID, but Section 511 flexibility makes it even more difficult for other Federal agencies to stay updated on USAID's currently valid Treasury symbols when they use the Intragovernmental Payment and Collection Process. Activity under this process appears first at Treasury, then at USAID, and requires a reconciliation between USAID and Treasury appropriation information to correct any errors.

When invalid appropriation Treasury symbols appeared in Phoenix, either internally or as a result of intragovernmental activity, USAID did not effectively review or monitor the transactions to ensure that the correct appropriations were impacted. USAID currently has no process for reviewing the output related to valid and invalid Treasury symbols and only makes corrections if errors are noted either during the process of reconciling with U.S. Treasury information, or the process of preparing quarterly financial statements.

CFO officials have expressed concerns with Section 511 authority granted to USAID that requires the management of so many appropriation Treasury symbols. The officials believe that, because Section 511 accounting conditions are not managed in other Federal agencies, there is and will be no government-wide or core accounting system approach to handling appropriations that change during their life. We therefore expect Treasury symbol reporting errors to continue, but recognize that the process is almost unmanageable from an accounting perspective without a significant financial and human resource commitment. Some progress can be made immediately, however, so we are making the following recommendation.

> *Recommendation No. 3: We recommend that USAID's Office of the Chief Financial Officer develop and implement monthly payment review procedures to identify transactions that have been posted in Phoenix to invalid appropriation Treasury symbols.*

USAID's Process for Accumulating Foreign Currency Information in Phoenix Needs Improvement

Summary: USAID's process for accumulating foreign currency information in Phoenix needs improvement. USAID prepares an adjustment using information reported via e-mail from its overseas missions on a quarterly basis, instead of using foreign currency information already in Phoenix. This is because USAID's foreign currency information in Phoenix is incomplete and inaccurate. As a result, USAID did not use Phoenix to assist in compiling foreign currency information for its FY 2006 financial statements. The quarterly email information does not report the balance per the mission's books but reports the balance per the mission's bank statement. This process eliminates USAID's ability to separately identify interest earned and currency exchange gains or losses affecting the accounts. As long as the information in Phoenix is incorrect, USAID will continue to rely on external sources for foreign currency assets and liabilities, and will not have complete accounting information.

USAID's foreign currency balances represent cash held in local banks throughout the world. These accounts are owned and managed by USAID on behalf of local governments. As a result, USAID records an asset and a liability for the balances in these accounts.

We observed that, despite the accounting migration to Phoenix, USAID continues to collect foreign currency balance information by requesting the data from the Missions via e-mail. Because Phoenix foreign currency information is considered to be unreliable, many USAID missions maintain cuff records of the foreign currency accounts they manage locally. However, when USAID/Washington requests quarterly balance information from these missions, it is only looking for the mission's cash balance per the mission's bank statement. This would not allow the missions to account for reconciling items between its bank statements and cuff records. To record this activity, USAID makes one accounting entry for the net change in the cash balances between the current quarter and the previous quarter by charging the foreign currency asset against Other Liabilities, and records a second entry against Operating and Administrative Expenses and Donated Revenue. By simply recording the differences in the account value between quarters, USAID does not provide information on interest earned or on the difference in the value of the cash balances due to currency market fluctuations.

We also noted that, in the event that a Mission fails to respond to the request, M/CFO/CAR uses the amount reported on the R0010 (Trust Fund Status Report – Status of Funds/U-106) report downloaded from USAID's Phoenix reporting tool (Business Objects Enterprise). Because Business Objects Enterprise contains the same information as that recorded in Phoenix, the amounts reported on the R0010 are only as reliable as the information in Phoenix. USAID's total Foreign Currency asset balance, as well as its corresponding liability balance as of September 30, 2006, was $327 million.

The Missions are not entering their foreign currency transactions in Phoenix because staff members do not believe that the system is working properly. USAID agrees that the transactions ideally should be processed by the system. We also inquired as to why there was no entry posted to record the interest expense and the fluctuation in the foreign currency. USAID responded by saying that the funds do not really belong to the Agency, and that the CFO's Office is only really interested in ensuring that the cash balance is properly reflected, and that revenue and expenses are accurate in total. As a result, USAID does not have a complete accounting of its foreign currency accounts, and cannot identify the amount of interest earned on these accounts, or the periodic differences associated with currency exchange gains and losses. USAID has already instructed its overseas Missions to use Phoenix for all foreign currency transactions.

Recommendation No. 4: We recommend that USAID's Office of the Chief Financial Officer perform monthly reconciliations of local bank balances with the same information in Phoenix and record, in Phoenix, interest earned and gains or losses associated with foreign currency fluctuations for each of its foreign currency accounts.

Support and Quality of Performance Data Used In the Management's Discussion & Analysis Need Improvement

Summary: OIG obtained an understanding of the significant internal controls of the FY 2006 performance measures reported in the MD&A section of USAID's Performance and Accountability Report and determined whether they were operational, as required by OMB Bulletin 06-03. Our procedures were not designed to provide assurance on internal controls over reported performance measures and, accordingly, we do not provide an opinion on such controls. We reviewed the FY 2006 MD&A, and selected data from the addendum to the FY 2005 Performance and Accountability Report, which was issued in April 2006, and which provided final performance data for FY 2005.

Our review found that while USAID took actions to improve its controls over data management, the Bureau needs to improve these controls to ensure that data submitted to the missions' Annual Report system are accurate and adequately supported, and that required data quality assessments are performed.

In 7 missions reviewed, officials did not ensure the accuracy of reported data, as required by USAID's Automated Directives System 596. Specifically, for 19 of the 42 performance indicators we reviewed at the 7 missions, data from source documents did not match the data presented in the addendum to the FY 2005 Performance and Accountability Report. This occurred because, according to mission officials, managers did not review data before input into the Annual Report system to ensure accuracy; staff made data entry errors; and missions collected information by telephone or email without subsequently reviewing supporting documentation.

In addition, at 4 of 7 missions, data quality assessments were not conducted in accordance with Automated Directives System 203.3.8. These assessments should be conducted at least every three years to determine the strengths and weaknesses of the data in general, and whether the data can be trusted. Mission officials said, among other causes, that these assessments were not conducted because they had overlooked the requirement, did not have sufficient time to conduct assessments, or did not have a Performance Management Plan prepared.

Based on our limited review, USAID cannot be reasonably assured that all performance data reported in the MD&A section in USAID’s Performance and Accountability Report are accurate. Without reliable information, stakeholders will not be able to make informed decisions regarding USAID’s programs and budget. At present, USAID does not require its bureaus and missions to certify whether Annual Report data has been reviewed for accuracy and that data quality assessments have been performed at least every three years.

> *Recommendation No. 5: We recommend that USAID require all bureaus and missions to certify that performance data submitted for publication are accurate, adequately supported, and that the required data quality assessments have been performed.*

This report is intended solely for the information and use of the management of USAID, OMB and Congress, and is not intended to be and should not be used by anyone other than those specified parties. This report is a matter of public record, however, and its distribution is not limited.

/s/

USAID, Office of Inspector General
November 15, 2006

Report on Compliance with Laws and Regulations

We have audited the consolidated balance sheets of USAID as of September 30, 2006 and 2005. We have also audited the consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing for the fiscal years ended September 30, 2006 and 2005, and have issued our report thereon. We conducted the audit in accordance with generally accepted auditing standards. *Government Auditing Standards*, (issued by the Comptroller General of the United States) and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

The management of USAID is responsible for complying with laws and regulations applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations—noncompliance with which could have a direct and material effect on the determination of financial statement amounts and with certain other laws and regulations specified in OMB Bulletin 06-03, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Under FFMIA, we are required to report whether USAID's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements. The results of our tests showed that USAID is in substantial compliance with FFMIA Section 803(a).

Our tests disclosed instances of noncompliance considered to be reportable under *Government Auditing Standards*, including Antideficiency Act violations. However, our objective was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

OMB Circular A-123, *Management's Responsibility for Internal Control*, implements the requirements of the Federal Managers' Financial Integrity Act (FMFIA). Appendix A of OMB Circular A-123 contains an assessment process that management should implement in order to properly assess and improve internal controls over financial reporting. The assessment process should provide management with the information needed to properly support a separate assertion on the effectiveness of the internal controls over financial reporting, as a subset of the overall FMFIA report.

USAID elected to complete its assessment in accordance with OMB Circular A-123, Appendix A over three years. This plan provides for identifying, testing, and assessing a significant percentage of USAID's key business processes and controls in each year and demonstrates how USAID will meet the A-123, Appendix A requirements by September

2008.

USAID's A-123 assessment process was implemented in substantial accordance with the OMB-approved plan. USAID's Statement of Assurance accurately reflects the amount of work completed and the results of the assessment, and includes an appropriate scope limitation.

Federal Financial Management Improvement Act of 1996

The results of our tests disclosed that USAID's core financial system substantially complied with the Office of Management and Budget's (OMB) November 2001 Federal financial management systems requirements. OMB issued new requirements in January 2006 and the results of our work related to these new requirements are documented in a separate letter dated November 14, 2006. We also identified areas for improvement over several financial system processes not affecting substantial compliance with FFMIA.

Account De-obligation and Closing Processes Need Improvement

Summary: USAID's account de-obligation, budget carryover, and annual account closing processes need improvement. FY 2005 budget and obligation post-closing balances in Phoenix were not accurate because of obligation reporting issues between USAID missions and USAID/Washington. This had occurred at a time in fiscal year 2006 when USAID was still not using Phoenix worldwide. Throughout fiscal year 2006, USAID then experienced difficulty accounting for the budget activity providing the underlying support for its Statement of Budgetary Resources. As a result of post-closing problems, Phoenix budget and obligation opening balances at the start of fiscal year 2006 were not accurate. USAID later posted manual adjustments to reflect accurate budget and obligation balances. Budget and obligation balances from seven of USAID's fund accounts were still not successfully carried forward at the beginning of FY 2007. As a result, USAID continued to perform a manual adjustment for these seven fund accounts at the start of FY 2007.

Core financial system requirements under FFMIA require Federal agency systems to have the ability to:

- Collect accurate, timely, complete, reliable, and consistent information;
- Provide for adequate agency management reporting;
- Support government-wide and agency level policy decisions;
- Support the preparation and execution of agency budgets;
- Facilitate the preparation of financial statements, and other financial reports in accordance with Federal accounting and reporting standards;
- Provide information to central agencies for budgeting, analysis, and government-wide reporting, including consolidated financial statements; and
- Provide a complete audit trail to facilitate audits.

In accordance with ADS 621, deobligations are entered in Phoenix using information on funding sources and fiscal year. For prior-year unilateral obligations, deobligations are recorded as recoveries and returned to the correct appropriation. USAID's CFO then compiles a "Recoveries" report and requests apportionment from OMB to make the funds available for re-obligation. Further, it states that, after program funds have been deobligated, apportioned by OMB, and made available in the accounting system for reprogramming, USAID will return 50 percent of each of its Bureau's remaining current year recoveries, after taking out amounts necessary to fund upward adjustments, and 100 percent of originating Bureau's fund accounts that are designated for specific Bureaus. Operating expense funds, however, are not available for return to recovering offices since projected recoveries of prior year balances are incorporated into the Operating Year Budget levels.

USAID had difficulty properly recording deobligated funds. We identified no activity during the year in Account 4871 (Recoveries), and discovered that Phoenix was systematically recording Recoveries of prior-year obligated funds improperly against Account 4801 (Undelivered Orders – Obligations, Unpaid).

We noticed significant activity in Account 4119 (Other Appropriations Realized) not supported by Treasury warrants and discovered that much of this activity should have been posted to different accounts as part of the automated account closing in Phoenix. The automated closing process in Phoenix contained errors that posted accounts more regularly to 4119 than to the proper accounts, however, so USAID had to make manual adjustments for this activity also.

Some USAID transactions systematically posted to the 2006 general ledger after the financial statements were prepared, creating many differences between reported 2005 year-end balances and 2006 beginning balances. This occurred because USAID's general ledger remained open for new fiscal year 2005 activity after the 2005 financial statements were prepared. USAID also did not have a policy to review and delete unprocessed held transactions from Phoenix in a timely manner. Our analysis showed that over 9,000 held and rejected transactions were residing in Phoenix as of October 20, 2006. USAID is currently developing policies to address the management of all held and rejected documents.

> *Recommendation No 6: We recommend that the Office of the Chief Financial Officer (a) research Phoenix problems causing manual adjustments to the account closing and deobligation processes and implement a plan to resolve these deficiencies in FY 2007 and (b) ensure that Phoenix properly records Recoveries of prior year obligations throughout the year.*

Lease Obligation Antideficiency Act Violations

USAID incurred two Antideficiency Act violations when it improperly executed a lease for office space outside of the Ronald Reagan Building during FY 2005. The lease contained indemnification clauses that subjected USAID to unlimited liability and did not contain language conditioning future lease payments as "subject to availability of funds." The results of these violations are documented in reports to the USAID Administrator prepared by the Office of Inspector General and USAID General Counsel, as a result of work conducted separately from this audit.

USAID also created separate administrative funds control violations when it executed the Homer Building Lease without obligating funds for future lease costs. USAID/M/AS had $2.03 million available in its operating expense budget at the 2005 fiscal year-end to cover costs associated with USAID offices moving to the Homer Building. With $579,000 originally obligated and the unobligated $2.03 million, USAID would have sufficiently covered the $2.5 million originally intended for obligation. However, because USAID did not obligate the entire $2.5 million as stated in its June 29, 2005 notification to Congress, it does not appear that USAID was ready to execute a lease agreement for outside office space.

USAID also did not record an obligation in Phoenix when it executed the Homer Building Lease. As specified in Automated Directives System (ADS) 621.3.6, obligations are to be recorded when the Federal government places an order for an item or service, awards a contract, or enters into similar transactions that will require payments in the same or a future period. ADS 634.3.5.2 then states that an administrative funds control violation occurs in the following circumstances:

a. Over-obligation or over-expenditure of a budget allowance,
b. Obligations or expenditures in excess of an operational year budget,
c. Obligations incurred prior to the commitment of funds, and
d. Failure to record an obligation in the accounting system.

By signing a lease agreement prior to the recording of an obligation, USAID was in violation of USAID funds control policies, as specified in (c) and (d) above. Congress has since included bill language prohibiting USAID from using appropriated funds to lease space domestically, in response to USAID's attempt to lease additional space in Washington, DC.

Recommendation No. 7: We recommend that USAID's Office of the Chief Financial Officer direct each of USAID's missions and offices in Washington to ensure that obligations are not incurred prior to the commitment of funds and valid obligations are recorded in Phoenix as required by Automated Directive System 634.3.5.2.

This report is intended solely for the information and use of the management of USAID, OMB and Congress, and is not intended to be and should not be used by anyone other than those specified parties. This report is a matter of public record, however, and its distribution is not limited.

/s/

USAID, Office of Inspector General
November 15, 2006

EVALUATION OF MANAGEMENT COMMENTS

We have received USAID's management comments to the findings and recommendations included in our draft report. We have evaluated USAID management comments on the recommendations and have reached management decisions on all of the recommendations. The following is a brief summary of USAID's management comments on each of the recommendations included in this report and our evaluation of those comments.

USAID management agreed to implement **Recommendation No. 1.1** and have already begun a reconciliation effort for January 2007.

USAID management agreed to implement **Recommendation No. 1.2** and has agreed to enhance training and identify other means to develop effective accruals practices

USAID management has agreed to implement **Recommendation No. 2.1** and will review its current procedures for consistency with Treasury guidance

USAID management has agreed to implement **Recommendation No. 2.2**.

USAID management has agreed to implement **Recommendation No. 3** and intends to identify processes that will ensure that all types of transactions are properly posted.

USAID management has agreed to implement **Recommendation No. 4** and will coordinate the validation of accounting information between USAID's missions and its central accounting ledgers.

USAID management has agreed to implement **Recommendation No. 5** and will re-establish policies and procedures to ensure that accurate performance information is documented and that required data quality assessments are performed.

USAID management has agreed to implement **Recommendation No. 6**. Efforts to improve the overall management of Section 511 funding are underway.

USAID management has agreed to implement **Recommendation No. 7**. The CFO will issue an immediate General Notice reminding all Agency personnel of the necessity to ensure that all legal, regulatory, and internal USAID policies are followed for compliance with funds control practices.

SCOPE AND METHODOLOGY

USAID management is responsible for (1) preparing the financial statements in accordance with generally accepted accounting principles, (2) establishing, maintaining and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, (3) ensuring that USAID's financial management systems substantially comply with FFMIA requirements, and (4) complying with applicable laws and regulations.

The Office of Inspector General is responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The Office of Inspector General is also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether USAID's financial management systems substantially comply with the three FFMIA requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (4) performing limited procedures with respect to certain other information appearing in the Performance and Accountability Report.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements, (2) assessed the accounting principles used and significant estimates made by management, (3) evaluated the overall presentation of the financial statements, (4) obtained an understanding of internal control related to financial reporting (including safeguarding assets), compliance with laws and regulations (including execution of transactions in accordance with budget authority), and performance measures reported in Management's Discussion and Analysis of the Performance and Accountability Report, (5) tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal controls, (6) considered the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act, (7) tested whether USAID's financial management systems substantially complied with the three FFMIA requirements, and (8) tested USAID's compliance with selected provisions of the following laws and regulations:

- Antideficiency Act
- Improper Payments Information Act
- Prompt Payment Act
- Debt Collection and Improvement Act
- Federal Credit Reform Act
- OMB Circular A-136
- OMB Circular A-123
- Foreign Assistance Act of 1961

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to USAID. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal years ended September 30, 2006 and 2005. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

In forming our opinion, the OIG considered potential aggregate errors exceeding $313 million for any individual statement to be material to the presentation of the overall financial statements.

FFMIA

We assessed whether USAID complied with the Federal financial management systems requirements under FFMIA. The Office of Management and Budget's (OMB) Core Financial System Requirements (CFSR) dated November 2001 were the required standard that agencies were expected to meet in fiscal year 2006 even though the CFSR were updated in January 2006.

In assessing USAID's compliance with federal financial management systems requirements, we evaluated the Agency's Phoenix financial management system using the updated January 2006 CFSR. To determine whether the Agency substantially complied with system requirements, we assumed that if the Agency met an OMB 2006 requirement, then it met the equivalent 2001 requirement. In addition, for each January 2006 requirement that the Agency did not comply with, we tested whether the Agency complied with the equivalent November 2001 requirement.

To perform our fieldwork we interviewed USAID staff and contract personnel and reviewed documentation related to the capabilities of Phoenix. Documentation included reports, system queries, system screen captures, system documentation, testing documentation generated during system implementation, and documentation generated for certification and accreditation activity. Scenario driven transactional testing was not conducted.

MD&A

With respect to the Management's Discussion and Analysis (MD&A), we gained an understanding of USAID's system of collecting and reporting performance information. We did not assess the quality of the performance indicators and performed limited tests to assess the controls established by USAID. We conducted a limited review of the internal controls related to the existence and completeness assertions relevant to the performance measures included in the MD&A.

MANAGEMENT COMMENTS

USAID
FROM THE AMERICAN PEOPLE

November 10, 2006

MEMORANDUM

TO: AIG/A, Joseph Farinella

FROM: CFO, Lisa D. Fiely /s/

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2006 and 2005 (Report No. 0-000-07-001-C)

Fiscal year 2006 was another significant year for federal financial management at USAID. We are pleased that your draft report so fairly presents both our progress and our remaining challenges. We are extremely pleased that you are able to issue unqualified opinions on all of USAID's five principal financial statements. Thank you for the OIG's dedication and cooperation throughout the audit process and the professional counsel and support the auditors continue to provide. The acknowledgements of the Agency's improvements in financial systems and processes throughout the report are greatly appreciated.

Following are our comments and management decisions regarding the findings and proposed audit recommendations:

Material Weakness: USAID's Accounting for Accruals Needs Improvement.

Recommendation 1.1: We recommend that USAID's Office of the Chief Financial Officer prepare a quarterly reconciliation of its Phoenix Accruals System with the Phoenix general ledger, document and resolve all differences.

Management Decision: We agree to implement the recommendation. We have already commenced a reconciliation effort which will be demonstrated during January 2007 and will be accomplished in each subsequent accruals cycle. Target completion date is January 31, 2007.

Recommendation 1.2: We recommend that USAID's Office of the Chief Financial Officer update its Accruals training course to ensure that Cognizant Technical Officers can make reasonable accrual estimates when contract modifications result in changes to obligation levels.

Management Decision: We agree to implement this recommendation. Discussions between the CFO's office and OIG have led to an understanding that this is a multifaceted issue that will require collaboration across the Agency. In addition, training of CTOs in the area of accruals was identified through our own A-123 assessment as a material weakness and we are in the process of putting together a corrective action plan to address the issue. We will move to review and enhance training and identify other means to improve recognition of the need for effective accrual practices. Target completion date is September 30, 2007.

Reportable Condition: USAID's Process for Reconciling its Fund Balance with the U.S. Treasury Needs Improvement.

Recommendation 2.1: We recommend that USAID's Office of the Chief Financial Officer document monthly reconciliations of its Fund Balance with Treasury as required by TFM 2-5100, and ensure that overseas missions are performing and documenting monthly Fund Balance reconciliations.

Management Decision: We agree to implement the recommendation. The CFO's Office will review current procedures for consistency with the Treasury guidance and modify the procedures as appropriate. We will also consider alternatives to ensure mission reconciliation compliance. Target completion date is September 30, 2007.

Recommendation 2.2: We recommend that USAID's Office of the Chief Financial Officer implement policies to ensure that all transactions recorded in the general ledger are reported to Treasury on the SF 224 and that all differences and suspense items are investigated and resolved in a timely manner.

Management Decision: We agree to implement the Recommendation. Target completion date is September 30, 2007.

Reportable Condition: USAID's Intragovernmental Transactions Remain Unreconciled.

There are no recommendations associated with this Reportable Condition. The CFO implemented corrective actions related to two audit recommendations issued under Fiscal Years 2004 and 2005 GMRA audit reports and will continue to implement improvements in this area.

Reportable Condition: USAID's Control Over Treasury Symbols Need Improvement.

Recommendation 3: We recommend that USAID's Office of the Chief Financial Officer develop and implement monthly payment review procedures to identify transactions that have been posted in Phoenix to invalid appropriation Treasury symbols.

Management Decision: We concur with the recommendation. In addition to reviewing procedures related to payment transactions, it is our intent to identify processes that will ensure that all types of transactions are properly identified and posted. Where corrective actions are necessary, the CFO's Office will resolve discrepancies as quickly as possible. Efforts to improve interfacing of transactions from the Department of Health and Human Services related to grant processing are currently underway and these actions are expected to correct this finding. Target completion date is September 30, 2007.

Reportable Condition: USAID's Process for Accumulating Foreign Currency Information in Phoenix Needs Improvement.

Recommendation 4: We recommend that USAID's Office of the Chief Financial Officer perform monthly reconciliations of local bank balances with the same information in Phoenix and record, in Phoenix, interest earned and gains or losses associated with foreign currency fluctuations for each of its foreign currency accounts.

Management Decision: We agree to implement the recommendation. The CFO's Phoenix team has been charged with responsibility for reviewing foreign currency accounting in Phoenix and assuring that foreign currency accounting is improved in the upcoming year. In the meantime, we will coordinate validation of accounting information between missions and our central accounting ledgers Target completion date is September 30, 2007.

Reportable Condition: USAID's Support and Quality of Performance Data Used in MD&A Need Improvement.

Recommendation 5: We recommend that USAID require all bureaus and missions to certify that performance data submitted for publication are accurate, adequately supported, and that the required data quality assessments have been performed.

Management Decision: We concur with this recommendation. Recognizing that accurate and verifiable performance information is critical to management of the Agency, USAID will re-establish policies and procedures to ensure that accurate performance information is documented and that required data quality assessments are performed. Also, USAID is currently going through a restructuring exercise to ensure that all functional responsibilities are properly assigned to responsible units within the Agency. Once this is completed, we can assign responsibility for this action to the appropriate unit. Target completion date is September 30, 2007.

FFMIA Noncompliance: Account De-obligation and Closing Processes Need Improvement.

Recommendation 6: We recommend that the Office of the Chief Financial Officer (a) research Phoenix problems causing manual adjustments to the account closing and deobligation processes and implement a plan to resolve these deficiencies in FY 2007 and (b) ensure that Phoenix properly records Recoveries of prior year obligations throughout the year.

Management Decision: We agree to implement the recommendation. Efforts to improve the overall management of Section 511 in the Phoenix accounting system operations are underway and are expected to improve overall operation of this authority inside the core accounting system. Target completion date is March 31, 2007.

Antideficiency Act Noncompliance: Lease Obligation Antideficiency Act Violations.

Recommendation 7: We recommend that USAID's Office of the Chief Financial Officer direct each of USAID's missions and offices in Washington to ensure that obligations are not incurred prior to the commitment of funds and valid obligations are recorded in Phoenix as required by Automated Directive System 634.3.5.2.

Management Decision: We agree to implement the recommendation. The CFO will issue an immediate General Notice reminding all Agency personnel of the necessity to ensure that all legal, regulatory, and internal USAID policies are followed for compliance with funds control practices. Target completion date is December 15, 2006.

In closing, I would like to restate USAID's commitment to continual improvement in financial management. I intend to ensure that all necessary steps are taken to institutionalize strong financial management performance throughout the Agency. We will continue the improvements made in the last few years as we work further to develop and implement long-term solutions to address the issues cited in your report. The completion of the implementation of our worldwide financial management system, Phoenix, during FY 2006 has been the critical first step in a strategy of consistent improvement of financial management resources at USAID that will continue for years to come.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

OMB Circular A-50 states that a management decision on audit recommendations shall be made within a maximum of six months after a final report is issued. Corrective action should proceed as rapidly as possible. Several audit recommendations directed to USAID from prior audits either have not been corrected or final action has not been completed as of September 30, 2006. We have also noted where final action was taken subsequent to fiscal year-end but prior to the date of this report.

Status of 2005 Findings and Recommendations

Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004, *Audit Report No. 0-000-06-001-C, November 14, 2005*

> Recommendation No. 1: We recommend that USAID's Office of the Chief Financial Officer modify USAID's interface between the Accruals Reporting System and the USAID accounting system general ledger so that it correctly calculates and posts accrual information and that it establishes a review mechanism in the Accruals Reporting System to review accrual information for propriety before it is posted to the general ledger.

This recommendation is closed. We have issued an updated finding and recommendation related to the new Phoenix Accruals System.

> Recommendation No. 2: We recommend that the Office of the Chief Financial Officer ensure that USAID financial managers and mission controllers implement the reconciliation guidelines specified by Chief Financial Officer Bulletin No. 06-1001, Reconciliation with U. S. Treasury, dated October 2005 to ensure Fund Balance with Treasury accounts are reconciled in a timely manner, reconciling items are investigated and resolved, and that adequate documentation is retained to support the reconciliation procedures performed.

This recommendation is pending final action by USAID.

> Recommendation No 3: We recommend that USAID's Office of the Chief Financial Officer develop a system for reviewing transactions reported under Trading Partner 99 to ensure that they are properly classified and appropriately reported, as recommended by section 4706.30 of TFM 2-4700, "Agency Reporting Requirements for the Financial Report of the United States Government."

This recommendation is closed.

USAID’s Process for Recognizing and Reporting Its Overseas Accounts Receivable Needs Improvement (No recommendation)

This finding was not reported in 2006.

Federal Financial Management Improvement Act Noncompliance (No recommendations)

- Phoenix is Not Fully Deployed, but Progress is Being Made
- Legacy Financial Systems at Overseas Missions Did Not Comply With U.S. Government Standard General Ledger at the Transaction Level
- Financial Reporting Capabilities Need Improvement

In 2006, Phoenix was fully deployed as USAID’s worldwide accounting system. Accounting transactions entered by overseas missions now comply with U.S. Standard General Ledger requirements at the transaction level. USAID has also increased the number of standard reports now available to users through its Business Objects software.

Unresolved Prior Year Findings and Recommendations

Report on USAID’s Consolidated Financial Statements, Internal Controls and Compliance for Fiscal-Year 2002, Audit Report No. 0-000-03-001-C, January 24, 2003

Recommendation No. 2: We recommend that the Chief Financial Officer:

2.2 Reconcile the mission adjustment account in the general ledger to the cumulative amounts in the mission ledgers and resolve differences between the general ledger and the mission ledgers.

This recommendation is pending final action by USAID.

FINANCIAL STATEMENTS

U.S. Agency for International Development

CONSOLIDATED BALANCE SHEET

As of September 30, 2006 and 2005
(Dollars in Thousands)

	FY 2006	FY 2005
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 19,333,383	$ 17,503,843
Accounts Receivable (Note 3)	220	823,246
Other (Note 4)	24,874	30,575
Total Intragovernmental	19,358,477	18,357,664
Cash and Other Monetary Assets (Note 5)	327,598	283,002
Accounts Receivable, Net (Note 3)	91,173	79,617
Direct Loan and Loan Guarantees, Net (Note 6)	4,810,615	5,100,249
Inventory and Related Property, Net (Note 7)	53,345	44,122
General Property, Plant, and Equipment, Net (Notes 8 and 9)	103,994	96,172
Advances and Prepayments (Note 4)	405,898	749,993
Total Assets	**25,151,100**	**24,710,819**
LIABILITIES (Note 16):		
Intragovernmental:		
Accounts Payable (Note 10)	62,076	24,232
Debt (Note 11)	474,055	422,602
Due to U.S. Treasury (Note 11)	4,491,077	5,311,661
Other (Notes 12)	42,651	30,510
Total Intragovernmental	5,069,859	5,789,005
Accounts Payable (Note 10)	2,267,721	3,180,592
Loan Guarantee Liability (Note 6)	1,660,909	1,562,485
Federal Employee and Veteran's Benefits (Note 14)	23,438	23,726
Other (Notes 12, 13, and 14)	428,788	390,335
Total Liabilities	**9,450,715**	**10,946,143**
Commitments and Contingencies (Note 15)	3,000	–
NET POSITION:		
Unexpended Appropriations	14,334,819	13,004,174
Cumulative Results of Operations	1,362,566	760,502
Total Net Position	**15,697,385**	**13,764,676**
Total Liabilities and Net Position	**$25,151,100**	**$24,710,819**

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
CONSOLIDATED STATEMENT OF NET COST
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

GOAL	FY 2006	FY 2005
Regional Stability		
Gross Costs	$ 670,710	$ 784,590
Less: Earned Revenues	(859)	(624)
Net Program Costs	669,851	783,966
Counterterrorism		
Gross Costs	640,971	887,866
Less: Earned Revenues	(489)	(413)
Net Program Costs	640,482	887,452
International Crime and Drugs		
Gross Costs	100,596	217,697
Less: Earned Revenues	(229)	(385)
Net Program Costs	100,367	217,311
Democracy and Human Rights		
Gross Costs	1,017,380	1,196,972
Less: Earned Revenues	(3,682)	(5,015)
Net Program Costs	1,013,698	1,191,958
Economic Prosperity and Security		
Gross Costs	3,528,481	3,942,326
Less: Earned Revenues	(12,552)	(7,522)
Net Program Costs	3,515,929	3,934,804
Social and Environmental Issues		
Gross Costs	3,781,302	4,297,366
Less: Earned Revenues	(184,887)	(66,525)
Net Program Costs	3,596,415	4,230,840
Humanitarian Response		
Gross Costs	802,972	1,188,454
Less: Earned Revenues	(998)	(193,809)
Net Program Costs	801,974	994,645
Management and Organizational Excellence		
Gross Costs	15,065	14,686
Less: Earned Revenues	(57)	(37)
Net Program Costs	15,008	14,649
Net Costs of Operations (Notes 17 and 18)	**$ 10,353,724**	**$12,255,626**

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	FY 2006			FY 2005
	All Other Funds	Eliminations	Consolidated Total	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$ 760,502	$	$ 760,502	$ 660,493
Adjustments:			–	
Changes in Accounting Principles	–		–	–
Corrections of Errors	–		–	–
Beginning Balances, as adjusted	760,502		760,502	660,493
Budgetary Financing Sources:				
Other Adjustments	–		–	–
Appropriations Used	9,675,521		9,675,521	11,065,445
Non-exchange Revenue	–		–	–
Donations and Forfeitures of Cash and Cash Equivalents	71,962		71,962	109,782
Transfers-in/out without Reimbursement	1,189,017		1,189,017	1,165,437
Other	–		–	–
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Property	–		–	–
Transfers-in/out without Reimbursement	–		–	(1,823)
Imputed Financing	19,288		19,288	16,794
Other	–		–	–
Total Financing Sources	10,955,788		10,955,788	12,355,635
Net Cost of Operations	(10,353,724)		(10,353,724)	(12,255,626)
Net Change	602,064		602,064	100,009
Cumulative Results of Operations	1,362,566		1,362,566	760,502
Unexpended Appropriations:				
Beginning Balance	13,004,174		13,004,174	13,395,387
Adjustments:				
Change in Accounting Principle	–		–	–
Corrections of Errors	–		–	(383,145)
Beginning Balance, as Adjusted	13,004,174		13,004,174	13,012,242
Budgetary Financing Sources:				
Appropriations Received	10,238,890		10,238,890	10,048,521
Appropriations Transferred in/out	845,076		845,076	2,070,251
Other Adjustments	(77,800)		(77,800)	(1,061,395)
Appropriations Used	(9,675,521)		(9,675,521)	(11,065,445)
Total Budgetary Financing Sources	1,330,645		1,330,645	(8,068)
Total Unexpended Appropriations	14,334,819		14,334,819	13,004,174
Net Position	**$15,697,385**	**$**	**$15,697,385**	**$ 13,764,676**

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	FY 2006		FY 2005	
	Budgetary	Credit Program Financing	Budgetary	Credit Program Financing
Budgetary Resources:				
Unobligated Balance, brought forward, October 1:	$ 3,262,407	$ 1,024,789	$ 2,437,323	$ 1,001,713
Recoveries of prior year unpaid obligations	276,771	–	1,138,496	–
Budget Authority				
Appropriation	10,321,277	–	10,116,585	–
Borrowing Authority	–	52,026	2,000	310,947
Contract Authority	–	–	–	–
Spending Authority from Offsetting Collections				
Earned	–	–	–	–
Collected	862,464	447,625	1,443,194	421,647
Change in Receivables from Federal Sources	3,620	–	351	–
Change in Unfilled Customer Orders				
Advance Received	–	–	–	–
Without Advance from Federal Sources	4,652	–	3,021	–
Anticipated for rest of year, Without Advances	–	–	–	–
Previously Unavailable	–	–	–	–
Expenditure Transfers from Trust Funds	–	–	–	–
Subtotal	11,192,013	499,651	11,565,151	732,594
Nonexpenditure Transfers, Net, Anticipated and Actual	(332,548)	–	(273,731)	–
Temporarily not Available Pursuant to Public Law	–	–	–	–
Permanently not Available	(1,414,341)	–	(1,779,260)	–
Total Budgetary Resources	**12,984,302**	**1,524,440**	**13,087,979**	**1,734,307**
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	9,001,401	101,835	9,756,791	709,518
Reimbursable	85,531	–	59,212	–
Subtotal	9,086,932	101,835	9,816,003	709,518
Unobligated Balance:				
Apportioned	3,885,852	1,422,605	3,262,407	1,024,789
Exempt from Apportionment	–	–	–	–
Subtotal	3,885,852	1,422,605	3,262,407	1,024,789
Unobligated Balance not Available	11,518	–	9,569	–
Total Status of Budgetary Resources	**12,984,302**	**1,524,440**	**$13,087,979**	**1,734,307**

(continued on next page)

U.S. Agency for International Development
COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	FY 2006		FY 2005	
	Budgetary	**Credit Program Financing**	**Budgetary**	**Credit Program Financing**
Change in Obligated Balance:				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward, October 1	10,287,030	3,288	10,824,552	11,031
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(11,306)	–	(8,284)	–
Total Unpaid Obligated Balance, Net	10,275,724	3,288	10,816,266	11,031
Obligations Incurred Net (+/-)	9,086,932	101,835	9,120,171	709,517
Less: Gross Outlays	(7,296,208)	(101,352)	(8,275,519)	(717,260)
Obligated Balance Transferred, Net				
Actual Transfers, Unpaid Obligations (+/-)	–	–	–	–
Actual Transfers, Uncollected Customer Payments from Federal Sources, (+/-)	–	–	–	–
Total Unpaid Obligated Balance Transferred, Net	–	–	–	–
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(276,771)	–	(1,138,496)	–
Change in Uncollected Customer Payments from Federal Sources (+/-)	(8,264)	–	(3,021)	–
Obligated Balance, Net, End of Period				
Unpaid Obligations	11,170,983	3,772	10,287,030	3,288
Less: Uncollected Customer Payments from Federal Sources	(19,930)	–	(11,306)	–
Total, Unpaid Obligated Balance, Net, End of Period	11,151,053	3,772	10,275,724	3,288
Net Outlays:				
Gross Outlays	7,926,208	101,352	8,275,519	717,260
Less: Offsetting Collections	(861,043)	(447,625)	(1,441,693)	(421,647)
Less: Distributed Offsetting Receipts	(41,784)	–	(195,568)	–
Net Outlays	**$ 7,023,381**	**$ (346,273)**	**$ 6,638,258**	**$ 295,613**

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
CONSOLIDATED STATEMENT OF FINANCING
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	FY 2006	FY 2005
Resources Used to Finance Actvities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 9,188,767	$ 10,525,521
Appropriations Transferred to/from Other Agencies (net)	2,443,013	2,517,433
Total Obligations Incurred	11,631,780	13,042,954
Less: Spending Authority from Offsetting Collections and Recoveries	(1,595,132)	(3,006,709)
Spending Authority Transferred to/from Other Agencies (net)	(206,763)	680,727
Total Spending Authority from Offsetting Collections and Recoveries	(1,801,895)	(2,325,982)
Obligations Net of Offsetting Collections and Recoveries	9,829,885	10,716,972
Less: Offsetting Receipts	41,784	195,568
Net Obligations	9,871,669	10,912,540
Other Resources		
Transfers in/out without Reimbursement (+/-)	–	(1,823)
Imputed Financing From Costs Absorbed by Others	19,288	16,794
Other (+/-)	–	–
Net other resources used to finance activities	19,288	14,971
Total Resources Used to Finance Activities	**9,890,957**	**10,927,511**
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered, But not yet Provided (+/-)	88,932	468,419
Resources that Fund Expenses Recognized in Prior Periods	(1,952)	(5,731)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	–	–
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	1,173,507	1,283,309
Other	(122,998)	(307,506)
Resources that Finance the Aquistion of Assets	(55,175)	(47,894)
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(390,218)	(411,387)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**692,096**	**979,210**
Total Resources Used to Finance Net Cost of Operations	**10,583,053**	**11,906,721**
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	4,265	3,475
Upward/Downward Reestimates of Credit Subsidy Expense (+/-)	(274,319)	320,093
Increase in Exchange Revenue Receivable from the Public	–	–
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	(270,054)	323,568
Components not Requiring or Generating Resources:		
Depreciation and Amortization	29,567	22,754
Revaluation of Assets or Liabilities (+/-)	8,778	810
Other (+/-)	2,380	1,773
Total Components of Net Cost of Operations that will not Require or Generate Resources	40,725	25,337
Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period	**(229,329)**	**348,905**
Net Cost of Operations	**$ 10,353,724**	**$ 12,255,626**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying principal financial statements (statements) report USAID's financial position and results of operations. They have been prepared using USAID's books and records in accordance with Agency accounting policies, the most significant of which are summarized in this note. The statements are presented in accordance with the guidance and requirements of the recently issued Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, which incorporates and updates Bulletin 01-09, Form and Content of Agency Financial Statements, and the Government Management Reform Act of 1994.

USAID accounting policies follow generally accepted accounting principles for the Federal government, as recommended by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard set for the Federal government. These standards have been agreed to, and published by the Director of the Office of Management and Budget, the Secretary of the Treasury, and the Comptroller General.

B. REPORTING ENTITY

Established in 1961 by President John F. Kennedy, USAID is the independent U.S. Government agency that provides economic development and humanitarian assistance to advance United States economic and political interests overseas.

PROGRAMS

The statements present the financial activity of various programs and accounts managed by USAID. The programs include the Iraq Relief and Reconstruction Fund, Economic Support Fund, Development Assistance, Assistance for the New Independent States of the Former Soviet Union, Special Assistance Initiatives, International Disaster Assistance, Child Survival and Disease, Transition Initiatives, and Direct and Guaranteed Loan Programs. This classification is consistent with the Budget of the United States.

Iraq Relief and Reconstruction Fund

This fund supports necessary expenses related to providing humanitarian assistance in and around Iraq and to carrying out the purposes of the Foreign Assistance Act of 1961 for rehabilitation and reconstruction in Iraq. These include costs of: (1) water/sanitation infrastructure; (2) feeding and food distribution; (3) supporting relief efforts related to refugees, internally displaced persons, and vulnerable individuals, including assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations; (4) electricity; (5) healthcare; (6) telecommunications; (7) economic and financial policy; (8) education; (9) transportation; (10) rule of law and governance; (11) humanitarian de-mining; and (12) agriculture.

Economic Support Fund

Programs funded through this account provide economic assistance to select countries in support of efforts to promote stability and U.S. security interests in strategic regions of the world.

Development Assistance

This program provides economic resources to developing countries with the aim of bringing the benefits of development to the poor. The program promotes broad-based, self-sustaining economic growth and supports initiatives intended to stabilize population growth, protect the environment and foster increased democratic participation in developing countries. The program is concentrated in those areas in which the United States has special expertise and which promise the greatest opportunity for the poor to better their lives.

Assistance for the New Independent States of the Former Soviet Union

This account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support U.S. foreign policy goals of consolidating improved U.S. security; building a lasting partnership with the New Independent States; and providing access to each other's markets, resources, and expertise.

Special Assistance Initiatives

This program provides funds to support special assistance activities. The majority of funding for this program was for democratic and economic restructuring in Central and Eastern European countries consistent with the objectives of the Support for East European Democracy (SEED) Act. All SEED Act programs support one or more of the following strategic objectives: promoting broad-based economic growth with an emphasis on privatization, legal and regulatory reform and support for the emerging private sector; encouraging democratic reforms; and improving the quality of life including protecting the environment and providing humanitarian assistance.

International Disaster Assistance

Funds for the International Disaster Assistance Program provide relief, rehabilitation, and reconstruction assistance to foreign countries struck by disasters such as famines, floods, hurricanes and earthquakes. The program also provides assistance in disaster preparedness, and prevention and mitigation.

Child Survival and Disease

This program provides economic resources to developing countries to support programs to improve infant and child nutrition, with the aim of reducing infant and child mortality rates; to reduce HIV transmission and the impact of the HIV/AIDS pandemic in developing countries; to reduce the threat of infectious diseases of major public health importance such as polio, and malaria; and to expand access to quality basic education for girls and women.

Transition Initiatives

This account funds humanitarian programs that provide post-conflict assistance to victims of natural and man-made disasters. Until FY 2001, this type of assistance was funded under the International Disaster Assistance account.

Direct and Guaranteed Loans:

- *Direct Loan Program*

  These loans are authorized under Foreign Assistance Acts, various predecessor agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made "with maintenance of value" place the risk of currency devaluation on the borrower, and are recorded in equivalent U.S. dollars. Loans made "without maintenance of value" place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

- *Urban and Environmental Program*

  The Urban and Environmental (UE) program, formerly the Housing Guarantee Program, extends guarantees to U.S. private investors who make loans to developing countries to assist them in formulating and executing sound housing and community development policies that meet the needs of lower income groups.

- *Micro and Small Enterprise Development Program*

  The Micro and Small Enterprise Development (MSED) Program supports private sector activities in developing countries by providing direct loans and loan guarantees to support local micro and small enterprises. Although the MSED program is still active, the bulk of USAID's new loan guarantee activity is handled through the Development Credit Authority (DCA) program.

- *Israeli Loan Guarantee Program*

  Congress enacted the Israeli Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under this program, the U.S. Government guaranteed the repayment of up to $10 billion in loans from commercial sources, to be borrowed in $2 billion annual increments. Borrowing was completed under the program during Fiscal Year 1999, with approximately $9.2 billion being guaranteed. Guarantees are made by USAID on behalf of the U.S. Government, with funding responsibility and basic administrative functions guarantees for Israel, not to exceed $9 billion and $1.3 billion in guarantees were resting with USAID.

In FY 2003, Congress authorized a second portfolio of loan issued under this portfolio during FY 2003.

- *Ukraine Guarantee Program*

  The Ukraine Export Credit Insurance Program was established with the support of the Export-Import Bank of the U.S. to assist Ukrainian importers of American goods. The program commenced operations in Fiscal Year 1996 and expired in Fiscal Year 1999. The Ukraine Financing Account was closed out in FY 2002.

- *Development Credit Authority*

  The first obligations for USAID's new Development Credit Authority (DCA) were made in FY 1999. DCA allows missions and other offices to use loans and loan guarantees to achieve their development objectives when it can be shown that: 1) the project generates enough revenue to cover the debt service including USAID fees, 2) there is at least 50% risk-sharing with a private-sector institution, and 3) the DCA guarantee addresses a financial market failure in-country and does not "crowd-out" private sector lending. DCA can be used in any sector and by any USAID operating unit whose project meets the DCA criteria. DCA projects are approved by the Agency Credit Review Board and the Chief Financial Officer.

- *Loan Guarantees to Egypt Program*

The Loan Guarantees to Egypt Program was established under the Emergency Wartime Supplemental Appropriations Act, 2003. Under this program, the U.S. Government was authorized to issue an amount not to exceed $2 billion in loan guarantees to Egypt during the period beginning March 1, 2003 and ending September 30, 2005. $1.25 billion in new loan guarantees were issued in fiscal year 2005 before the expiration of the program.

FUND TYPES

The statements include the accounts of all funds under USAID's control. Most of the fund accounts relate to general fund appropriations. USAID also has special fund, revolving fund, trust fund, deposit funds, capital investment fund, receipt account, and budget clearing accounts.

General fund appropriations and the Special fund are used to record financial transactions under Congressional appropriations or other authorization to spend general revenue.

Revolving funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress.

Trust funds are credited with receipts generated by the terms of the trust agreement or statute. At the point of collection, these receipts are unavailable, depending upon statutory requirements, or available immediately.

The capital investment fund contains no year funds to provide the Agency with greater flexibility to manage investments in technology systems and facility construction that the annual appropriation for Operating Expenses does not allow.

Deposit funds are established for (1) amount received for which USAID is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods or services received, and (4) monies held waiting distribution on the basis of legal determination.

C. BASIS OF ACCOUNTING

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints on, and controls of, the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules. Finally, the Statement of Financing has been prepared to reconcile budgetary to financial (proprietary) accounting information.

D. BUDGETS AND BUDGETARY ACCOUNTING

The components of USAID's budgetary resources include current budgetary authority (that is, appropriations and borrowing authority) and unobligated balances remaining from multi-year and no-year budget authority received in prior years. Budget authority is the authorization provided by law to enter into financial obligations that result in immediate or future outlays of federal funds. Budgetary resources also include reimbursement and other income (that is, spending authority from offsetting collections credited to an appropriation of fund account) and adjustments (that is, recoveries of prior year obligations).

Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is canceled. When accounts are canceled five years after they expire, amounts are not available for obligations or expenditure for any purpose and are returned to Treasury.

Pursuant to Section 511 of USAID's Appropriations Act for certain purposes under the Foreign Assistance Act of 1961, as amended, funds shall remain available for obligation for an extended period if such funds are initially obligated within their initial period of availability.

E. REVENUES AND OTHER FINANCING SOURCES

USAID receives the majority of its funding through congressional appropriations -- annual, multi-year, and no-year appropriations -- that may be used within statutory limits. Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are not recognized as expenses. In addition to funds warranted directly to USAID, the agency also receives allocation transfers from the U.S. Department of Agriculture (USDA) Commodity Credit Corporation, the Executive Office of the President, and the Department of State.

Additional financing sources for USAID's various credit programs and trust funds include amounts obtained through collection of guaranty fees, interest income on rescheduled loans, penalty interest on delinquent balances, permanent indefinite borrowing authority from U.S. Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

Revenues are recognized as financing sources to the extent that they were payable to USAID from other agencies, other governments and the public in exchange for goods and services rendered to others. Imputed revenues are reported in the financial statements to offset the imputed costs.

F. FUND BALANCE WITH U.S. TREASURY

Cash receipts and disbursements are processed by the U.S. Treasury. The fund balances with Treasury are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, but they also include revolving, deposit, and trust funds.

G. FOREIGN CURRENCY

The Direct Loan Program has foreign currency funds, which are used to disburse loans in certain countries. Those balances are reported at the U.S. dollar equivalents using the exchange rates prescribed by the U.S. Treasury. A gain or loss on translation is recognized for the change in valuation of foreign currencies at year-end. Additionally, some USAID host countries contribute funds for the overhead operation of the host mission and the execution of USAID programs. These funds are held in trust and reported in U.S. dollar equivalents on the balance sheet and statement of net costs.

H. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable for non-loan or revenue generating sources that have not been collected for a period of over one year.

I. DIRECT LOAN AND LOAN GUARANTEES

Loans are accounted for as receivables after funds have been disbursed. For loans obligated before October 1, 1991 (the pre-credit reform period), loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on a net present value method prescribed by OMB that takes into account country risk and projected cash flows.

For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the net present value of the cost to the USG of making the loan. This cost, known as "subsidy", takes into account all cash inflows and outflows associated with the loan, including the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, and offsets from fees and other estimated cash flows. This allowance is re-estimated when necessary and changes reflected in the operating statement.

Loans have been made in both U.S. dollars and foreign currencies. Loans extended in foreign currencies can be with or without "Maintenance of Value" (MOV). Those with MOV place the currency exchange risk upon the borrowing government; those without MOV place the risk on USAID. Foreign currency exchange gain or loss is recognized on those loans extended without MOV, and reflected in the net credit programs receivable balance.

Credit program receivables also include origination and annual fees on outstanding guarantees, interest on rescheduled loans and late charges. Claims receivables (subrogated and rescheduled) are due from foreign governments as a result of defaults for pre-1992 guaranteed loans. Receivables are stated net of an allowance for uncollectible accounts, determined using an OMB approved net present value default methodology.

While estimates of uncollectible loans and interest are made using methods prescribed by OMB, the final determination as to whether a loan is collectible is also affected by actions of other U.S. Government agencies.

J. ADVANCES AND PREPAYMENTS

Funds disbursed in advance of incurred expenditures are recorded as advances. Most advances consist of funds disbursed under letters of credit to contractors and grantees. The advances are liquidated and recorded as expenses upon receipt of expenditure reports from the recipients.

K. INVENTORY AND RELATED PROPERTY

USAID's inventory and related property is comprised of operating materials and supplies. Some operating materials and supplies are held for use and consist mainly of computer paper and other expendable office supplies not in the hands of the user. USAID also has materials and supplies in reserve for foreign disaster assistance stored at strategic sites around the world. These consist of tents, vehicles, and water purification units. The Agency also has birth control supplies stored at several sites.

USAID's office supplies are deemed items held for use because they are tangible personal property to be consumed in normal operations. Agency supplies held in reserve for future use are not readily available in the market, or there is more than a remote chance that the supplies will be needed, but not in the normal course of operations. Their valuation is based on cost and they are not considered "held for sale." USAID has no supplies categorizable as excess, obsolete, or unserviceable operating materials and supplies.

L. PROPERTY, PLANT AND EQUIPMENT

USAID capitalizes all property, plant and equipment that have an acquisition cost of $25,000 or greater and a useful life of two years or more. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost and depreciated using the straight-line method. Real property is depreciated over 20 years, nonexpendable personal property is depreciated over 3 to 5 years, and capital leases are depreciated according to the terms of the lease. The Agency operates land, buildings, and equipment that are provided by the General Services Administration. Rent for this property is expensed. Internal use software that has development costs of $300,000 or greater is capitalized. Deferred maintenance amounts are immaterial with respect to the financial statements.

M. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by USAID as the result of transactions or events that have already occurred. However, no liability can be paid by the Agency without an appropriation or borrowing authority. Liabilities for which an appropriation has not been enacted are therefore classified as liabilities not covered by budgetary resources (unfunded liabilities), and there is no certainty that the appropriations will be enacted. Also, these liabilities can be abrogated by the U.S. Government, acting in its sovereign capacity.

N. LIABILITIES FOR LOAN GUARANTEES

The Credit Reform Act (CRA) of 1990, which became effective on October 1, 1991, has significantly changed the manner in which USAID's loan programs finance their activities. The main purpose of CRA was to more accurately measure the cost of Federal credit programs and to place the cost of such programs on a budgetary basis equivalent to other Federal spending. Consequently, commencing in fiscal 1992, USAID cannot make new loans or guarantees without an appropriation available to fund the cost of making the loan or guarantee. This cost is known as "subsidy."

For USAID's loan guarantee programs, when guarantee commitments are made, an obligation for subsidy cost is recorded in the program account. This cost is based on the net present value of the estimated net cash outflows to be paid by the Program as a result of the loan guarantees, except for administrative costs, less the net present value of all cash inflows to be generated from those guarantees. When the loans are disbursed, the subsidy cost is disbursed from the program account to a financing account.

For loan guarantees made before the CRA (pre-1992), the liability for loan guarantees represents an unfunded liability. Footnote 6 presents the unfunded amounts separate from the post-1991 liabilities. The amount of unfunded liabilities also represents a future funding requirement for USAID. The liability is calculated using a reserve methodology that is similar to OMB prescribed method for post-1991 loan guarantees.

O. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

USAID recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time the employees provide the related services. The pension expense recognized in the financial statements equals the current service cost for USAID employees for the accounting period less the amount contributed by the employees. The measurement of the service cost requires the use of an actuarial cost method and assumptions. OPM administers these benefits and provides the factors that USAID applies to report the cost. The excess of the pension expense over the amount contributed by USAID and employees represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. This cost is considered imputed cost to USAID.

USAID recognizes a current-period expense for the future cost of post retirement health benefits and life insurance for its employees while they are still working. USAID accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and USAID do not make contributions to fund these future benefits.

Federal employee benefit costs paid by OPM and imputed by USAID are reported on the Statement of Financing and the Statement of Net Cost.

Q. COMMITMENTS AND CONTINGENCIES

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to USAID. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable. For other litigations, a contingent liability is recognized when similar events occur except that the future outflow or other sacrifice of resources is more likely than not. Footnote 15 identifies commitments and contingency liabilities.

R. NET POSITION

Net position is the residual difference between assets and liabilities. It is composed of unexpended appropriations and cumulative results of operations.

- Unexpended appropriations are the portion of the appropriations represented by undelivered orders and unobligated balances.
- Cumulative results of operations are also part of net position. This account reflects the net difference between (1) expenses and losses and (2) financing sources, including appropriations, revenues and gains, since the inception of the activity.

S. NON-ENTITY ASSETS

Non-entity fund balances are amounts in Deposit Fund accounts. These include such items as: funds received from outside sources where the government acts as fiscal agent, monies the government has withheld awaiting distribution based on legal determination, and unidentified remittances credited as suspense items outside the budget. For USAID, non-entity assets are minimal in amount as reflected in Note 3, composed solely of accounts receivables, net of allowances.

T. AGENCY COSTS

USAID costs of operations are comprised of program and operating expenses. USAID/Washington program expenses by goal are obtained directly from Phoenix, the Agency general ledger. Mission related program expenses by goal area are obtained from the Mission Accounting and Control system (MACS). A cost allocation model is used to distribute operating expenses, including Management Bureau, Global Development Alliance, Trust Funds and Support Offices costs to specific goals. Expenses related to Credit Reform and Revolving Funds are directly applied to specific agency goals based on their objectives.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of Septemeber 30, 2006 and 2005 consisted of the following:

Fund Balance with Treasury
(Dollars in Thousands)

Fund Balances	FY 2006	FY 2005
Trust Funds	$ 52,050	$ 36,747
Revolving Funds	2,400,715	2,760,473
Appropriated Funds	16,879,748	14,509,038
Other Funds	870	197,585
Total	$ 19,333,383	$ 17,503,843

Status of Fund Balance:	FY 2006	FY 2005
Unobligated Balance		
Available	$ 5,012	$ 11,064
Unavailable	661,701	911,885
Obligated Balance Not Yet Disbursed	18,666,670	16,580,894
Total	$ 19,333,383	$ 17,503,843

The Fund Balance with Treasury are available to pay accrued liabilities and finance authorized commitments relative to goods, services, and benefits.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2006 and 2005 are as follows:

Accounts Receivable, Net
(Dollars in Thousands)

	Receivable Gross	Allowance Accounts	Receivable Net 2006	Receivable Net 2005
Entity				
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 225	N/A	$ 225	$ 225
Accounts Receivable from Federal Agencies Disbursing Authority	–	N/A	–	330,530
Less Intra-Agency Receivables	(84,749)	N/A	(84,749)	(327,437)
Receivable from USDA	84,744	N/A	84,744	819,928
Total Intragovernmental	220	N/A	220	823,246
Accounts Receivable	92,679	(7,181)	85,498	73,692
Total Entity	92,899	(7,181)	85,718	896,938
Total Non-Entity	5,984	(309)	5,675	5,925
Total Receivables	$ 98,883	$ (7,490)	$ 91,393	$ 902,863

Reconciliation of Uncollectible Amounts (Allowance Accounts)
(Dollars in Thousands)

	FY 2006	FY 2005
Beginning Balance	$ 7,862	$ 7,193
Additions	–	986
Reductions	(372)	(317)
Ending Balance	$ 7,490	$ 7,862

Entity intragovernmental accounts receivable consist of amounts due from other U.S. Government agencies. No allowance has been established for the intragovernmental accounts receivable, which are considered to be 100 percent collectible. A 100 percent allowance for uncollectable amounts is estimated for accounts receivable due from the public which are more than one year past due. Disbursing Authority Receivable from USDA consists of obligational authority from the U.S. Department of Agriculture's Commodity Credit Corporation. The authority is for payment of transportation costs incurred by USAID associated with the shipment of Title II and III commodities; Farmer-to-Farmer Technical Assistance Programs; and for assistance to private voluntary organizations, cooperatives, and international organizations. Collections against this receivable are realized when USAID requests a transfer of funds from USDA to cover incurred expenses. In FY 2006, USDA elected to liquidate this receivable. At the end of 2005, the outstanding receivable with USDA was $820 million.

All other entity accounts receivable consist of amounts managed by missions or USAID/Washington. These receivables consist of non-program related receivables such as overdue advances, unrecovered advances, audit findings, and any interest related to these types of receivables. A 100 percent allowance for uncollectible amounts is estimated for accounts receivable due from the public which are more than one year past due. Accounts receivable from missions are collected and recorded to the respective appropriation.

Interest receivable is calculated separately and there is no interest included in the accounts receivable listed above.

The account receivable with the public for FY 2006 is $91,173 which consists of $85,499 entity and $5,675 non-entity. Account receivables with the public for FY 2005 was $79,708 which consists of $73,122 entity and $5,925 non-entity.

NOTE 4. OTHER ASSETS

Advances and Prepayments as of September 30, 2006 and 2005 consisted of the following:

Advances and Prepayments
(Dollars in Thousands)

	FY 2006	FY 2005
Intragovernmental		
Advances to Federal Agencies	$ 24,874	$ 30,575
Total Intragovernmental	24,874	30,575
Advances to Contractors/Grantees	368,611	678,229
Travel Advances	1,537	1,431
Advances to Host Country Governments and Institutions	24,405	46,732
Prepayments	2,469	11,669
Advances, Other	8,876	11,932
Total with the Public	405,898	749,993
Total Other Assets	$ 430,772	$ 780,568

Advances to Host Country Governments and Institutions represent amounts advanced by USAID missions to host country governments and other in-country organizations, such as educational institutions and voluntary organizations. Other Advances consist primarily of amounts advanced for living quarters and home service.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2006 and 2005 are as follows:

Cash and Other Monetary Assets
(Dollars in Thousands)

Cash and Other Monetary Assets	FY 2006	FY 2005
Imprest Fund-Headquarters	350	407
UE and Micro and Small Enterprise Fund Cash w/Fiscal Agent	50	50
Foreign Currencies	327,198	282,545
Total Cash and Other Monetary Assets	$ 327,598	$ 283,002

USAID has imprest funds in various overseas locations. These funds are provided by the Department of State overseas U.S. Disbursing Officers to which USAID is liable for any shortages. USAID's cumulative balance of the Department of State provided imprest funds was $1.8 million in FY 2006 and $1.5 million in FY 2005. These imprest funds are not included in USAID's Balance Sheet.

Foreign Currencies are related to Foreign Currency Trust Funds and this totaled to $327.2 million in FY 2006 and $282.5 million in FY 2005. USAID does not have any non-entity cash or other monetary assets.

NOTE 6. DIRECT LOAN AND LOAN GUARANTEES AND LOANS AND LIABILITIES FOR LOAN GUARANTEES

USAID operates the following loan and/or loan guarantee programs:

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program
- Development Credit Authority Program (DCA)
- Egypt Loan Guarantee Program

Direct loans resulting from obligations made prior to FY 1992 are reported net of allowance for estimated uncollectible loans. Estimated losses from defaults on loan guarantees resulting from obligations made prior to FY 1992 are reported as a liability.

The Credit Reform Act of 1990 prescribes an alternative method of accounting for direct loans and guarantees resulting from obligations made after FY 1991. Subsidy cost, which is the net present value of the cash flows (i.e. interest rates, interest supplements, estimated defaults, fees, and other cash flows) associated with direct loans and guarantees, is required by the Act to be recognized as an expense in the year in which the direct loan or guarantee is disbursed. Subsidy cost is calculated by agency program offices prior to obligation using a model prescribed by the Office of Management and Budget (OMB). Subsidy relating to existing loans and guarantees is generally required to be reestimated on an annual basis to adjust for changes in risk and interest rate assumptions. Direct loans are reported net of an allowance for this subsidy cost (allowance for subsidy). The subsidy costs associated with loan guarantees are reported as loan guarantee liability.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees are provided in the following sections.

The following net loan receivable amounts are not the same as the proceeds that USAID would expect to receive from selling its loans. Actual proceeds may be higher or lower depending on the borrower and the status of the loan.

Summary of Loans Receivables, Net (Dollars in Thousands)	FY 2006	FY 2005
Net Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 4,183,220	$ 4,494,975
Net Direct Loans Obligated After FY 1991 (Present Value Method)	360,132	335,572
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	267,263	269,702
Total Loans Receivable, Net as reported on the Balance Sheet	$ 4,810,615	$ 5,100,249

DIRECT LOANS

Direct Loans
(Dollars in Thousands)

Loan Programs	Loans Receivables Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method) as of September 30, 2006:				
Direct Loans	$ 5,288,905	$ 382,077	$ 1,487,761	$ 4,183,221
MSED	31	36	67	–
Total	$ 5,288,936	$ 382,113	$ 1,487,828	$ 4,183,221
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method) as of September 30, 2005:				
Direct Loans	$ 5,867,779	$ 316,253	$ 1,688,991	$ 4,495,041
MSED	643	96	805	(66)
Total	$ 5,868,422	$ 316,349	$ 1,689,796	$ 4,494,975
Direct Loans Obligated After FY 1991 as of September 30, 2006:				
Direct Loans	$ 1,089,114	$ $16,501	$ 745,777	$ 359,838
MSED	150	133	(10)	293
Total	$ 1,089,264	$ $16,634	$ 745,767	$ 360,131
Direct Loans Obligated After FY 1991 as of September 30, 2005:				
Direct Loans	$ 1,043,132	$ 9,145	$ 716,853	$ 335,424
MSED	150	24	27	147
Total	$ 1,043,282	$ 9,169	$ 716,880	$ 335,572

Total Amount of Direct Loans Disbursed
(Dollars in Thousands)

Direct Loan Programs	FY 2006	FY 2005
Direct Loans	$ 6,378,018	$ 6,910,911
MSED	181	793
Total	$ 6,378,199	$ 6,911,704

Schedule for Reconciling Subsidy Cost Allowance Balances
(Post-1991 Direct Loans)
(Dollars in Thousandss)

	FY 2006			FY 2005		
	Direct Loan	MSED	Total	Direct Loan	MSED	Total
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the subsidy cost allowance	$ 716,853	$ 27	$716,880	$237,215	$ 27	$237,242
Add: subsidy expense for direct loans disbursed during the reporting years by component:						
(a) Interest rate differential costs	–	–	–	–	–	–
(b) Default costs (net of recoveries)	–	–	–	–	–	–
(c) Fees and other collections	–	–	–	–	–	–
(d) Other subsidy costs	–	–	–	–	–	–
Total of the above subsidy expense components	–	–	–	–	–	–
Adjustments:						
(a) Loan modifications	$ 21,688	$ –	$ 21,688	$480,625	$ –	$480,625
(b) Fees received	–	–	–	–	–	–
(c) Foreclosed property acquired	–	–	–	–	–	–
(d) Loans written off	–	–	–	–	–	–
(e) Subsidy allowance amortization	7,236	(37)	7,199	(2,874)	–	(2,874)
(f) Other	–	–	–	1,887	–	1,887
Ending balance of the subsidy cost allowance before reestimates	$745,777	$ (10)	$745,767	$716,853	$ 27	$716,880
Add or subtract subsidy reestimates by component:						
(a) Interest rate reestimate	–	–	–	–	–	–
(b) Technical/default reestimate	–	–	–	–	–	–
Total of the above reestimate components	–	–	–	–	–	–
Ending balance of the subsidy cost allowance	$ 745,777	$ (10)	$745,767	$716,853	$ 27	$716,880

Defaulted Guaranteed Loans
(Dollars in Thousands)

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): FY 2006				
UE	$ 385,728	$ 61,980	$ 180,445	$ 267,263
Total	$ 385,728	$ 61,980	$ 180,445	$ 267,263

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): FY 2005				
UE	$ 382,264	$ 46,915	$ 159,477	$ 269,702
Total	$ 382,264	$ 46,915	$ 159,477	$ 269,702

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In FY 2006, the UE Program experienced $3.2 million in defaults on payments.

In FY 2005, the UE Program experienced $4.2 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING:

Guaranteed Loans Outstanding (Dollars in Thousands)

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (FY 2006):		
UE	$ 1,510,359	$ 1,510,359
MSED	17,010	8,505
Israel	12,869,563	12,869,563
DCA	870,636	400,440
Egypt	1,250,000	1,250,000
Total	$ 16,517,568	$ 16,039,367
Guaranteed Loans Outstanding (FY 2005):		
UE	$ 1,652,480	$ 1,652,480
MSED	47,427	23,714
Israel	12,987,372	12,987,372
DCA	911,071	405,810
Egypt	1,250,000	1,250,000
Total	$ 16,848,350	$ 16,319,376
New Guaranteed Loans Disbursed (FY 2006):		
UE	$ –	$ –
MSED	–	–
DCA	148,025	51,550
Israel	–	–
Egypt	–	–
Total	$ 148,025	$ 51,550
New Guaranteed Loans Disbursed (FY 2005):		
UE	$ –	$ –
MSED	–	–
DCA	177,254	88,627
Israel	750,000	750,000
Egypt	1,250,00	1,250,000
Total	$ 2,177,254	$ 2,088,627

Liability for Loan Guarantees
(Dollars in Thousands)

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2006:			
UE	$ 157,266	$ 155,429	$ 312,695
MSED	–	(2,152)	(2,152)
Israel	–	1,169,363	1,169,363
DCA	–	10,812	10,812
Egypt	–	170,191	170,191
Total	$ 157,266	$ 1,503,643	$ 1,660,909
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2005:			
UE	$ 195,344	$ 149,557	$ 344,901
MSED	–	(1,811)	(1,811)
Israel	–	1,066,734	1,066,734
DCA	–	4,610	4,610
Egypt	–	148,051	148,051
Total	$ 195,344	$ 1,367,141	$ 1,562,485

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

Subsidy Expense for Loan Guarantees by Program and Component
(Dollars in Thousands)

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (FY 2006):					
DCA	$ –	$ 5,336	$ –	$ –	$ 5,336
MSED	–	86	–	–	86
Total	$ –	$ 5,422	$ –	$ –	$ 5,422
Subsidy Expense for New Loan Guarantees (FY 2005):					
DCA	$ –	$ 4,297	$ –	$ –	$ 4,297
MSED	–	1,110	–	–	1,110
Total	$ –	$ 5,407	$ –	$ –	$ 5,407

Subsidy Expense for Loan Guarantees by Program and Component (continued)
(Dollars in Thousands)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (FY 2006):				
UE	$ –	$ –	$ –	$ –
MSED	–	–	–	–
DCA	–	–	–	–
Israel	–	–	34,372	34,372
Egypt	–	–	14,264	14,264
Total	$ –	$ –	$ 48,636	$ 48,636
Modifications and Reestimates (FY 2005):				
UE	$ –	$ –	$ 532	$ 532
MSED	–	–	–	–
DCA	–	–	211	211
Israel	–	–	187,892	187,892
Egypt	–	–	7,335	7,335
Total	$ –	$ –	$ 195,970	$ 195,970

Total Loan Guarantee Subsidy Expense
(Dollars in Thousands)

Loan Guarantee Programs	FY 2006	FY 2005
DCA	$ 5,336	$ 4,508
UE	–	532
MSED	86	1,110
Israel	34,372	187,892
Egypt	14,264	7,335
Total	$ 54,058	$ 201,377

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts
(Percent)

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
DCA	–	4.07%	–	–	4.07%

Schedule for Reconciling Loan Guarantee Liability Balances
(Dollars in Thousands)

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Total
FY 2006						
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the loan guarantee liability	$ 4,610	$ (1,811)	$ 149,557	$1,066,734	$ 148,051	$1,367,141
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:						
(a) Interest supplement costs	–	–	–	–	–	–
(b) Default costs (net of recoveries)	–	–	–	–	–	–
(c) Fees and other collections	–	–	–	–	–	–
(d) Other subsidy costs	5,336	86	–	–	–	5,422
Total of the above subsidy expense components	$ 5,336	$ 86	$ –	$ –	$ –	$ 5,422
Adjustments:						
(a) Loan guarantee modifications	–	–	–	–	–	–
(b) Fees received	847	55	2,334	–	–	3,236
(c) Interest supplements paid	–	–	–	–	–	–
(d) Foreclosed property and loans acquired	–	–	–	–	–	–
(e) Claim payments to lenders	(168)	(475)	(3,254)			(3,897)
(f) Interest accumulation on the liability balance	879	–	8,784	48,272	6,625	64,560
(g) Other	(692)	(7)	18,604	–	–	17,905
Ending balance of the loan guarantee liability before reestimates	$ 10,812	$ (2,152)	$ 176,025	$1,115,006	$ 154,676	$1,454,367
Add or subtract subsidy reestimates by component:						
(a) Interest rate reestimate	–	–	–	–	–	–
(b) Technical/default reestimate	–	–	(20,597)	54,358	15,515	49,276
Total of the above reestimate components	$ –	$ –	$ (20,597)	$ 54,358	$ 15,515	$ 49,276
Ending balance of the loan guarantee liability	$ 10,812	$ (2,152)	$ 155,428	$1,169,364	$ 170,191	$1,503,643
FY 2005						
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the loan guarantee liability	$ (2,975)	$ (3,902)	$ 103,787	$ 700,856	$ –	$ 797,766
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:						
(a) Interest supplement costs	–	–	–	–	–	–
(b) Default costs (net of recoveries)	–	–	–	–	–	–
(c) Fees and other collections	–	–	–	–	–	–
(d) Other subsidy costs	4,298	1,110	–	–	–	5,408
Total of the above subsidy expense components	$ 4,298	$ 1,110	$ –	$ –	$ –	$ 5,408
Adjustments:						
(a) Loan guarantee modifications	–	–	–	–	–	–
(b) Fees received	1,443	209	2,591	29,250	137,250	170,743
(c) Interest supplements paid	–	–	–	–	–	–
(d) Foreclosed property and loans acquired	–	–	–	–	–	–
(e) Claim payments to lenders	(310)	(586)	(4,167)	–	–	(5,063)
(f) Interest accumulation on the liability balance	–	–	8,279	47,110	3,109	58,498
(g) Other	3,736	4,784	48,555	(14,153)	–	42,922
Ending balance of the loan guarantee liability before reestimates	$ 6,192	$ 1,615	$ 159,045	$ 763,063	$ 140,359	$1,070,274
Add or subtract subsidy reestimates by component:						

Schedule for Reconciling Loan Guarantee Liability Balances
(Dollars in Thousands)

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Total
(a) Interest rate reestimate	–	–	–	–	–	–
(b) Technical/default reestimate	(1,582)	(3,426)	(9,488)	303,671	7,692	296,867
Total of the above reestimate components	$ (1,582)	$ (3,426)	$ (9,488)	$ 303,671	$ 7,692	$ 296,867
Ending balance of the loan guarantee liability	$ 4,610	$ (1,811)	$ 149,557	$1,066,734	$ 148,051	$1,367,141

Administrative Expense
(Dollars in Thousands)

Loan Programs	FY 2006	FY 2005
DCA	$ 13,215	$ 9,615
UE	–	217
MSED	–	2
Total	$ 13,215	$ 9,834

OTHER INFORMATION

1. Allowance for Loss for Liquidating account (pre-Credit Reform Act) receivables have been calculated in accordance with OMB guidance using a present value method which assigns risk ratings to receivables based upon the country of debtor. Seventeen countries are in violation of Section 620q of the Foreign Assistance Act (FAA), owing $65.1 million that is more than six months delinquent. Sixteen countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $553.7 million that is more than one year delinquent. Outstanding direct loans receivable for countries in violation of Section 620q totaled $55.1 million. Outstanding direct loans receivable for countries in violation of the Brooke Amendment totaled $514.6 million.

2. The MSED Liquidating Account general ledger has a loan receivable balance of $31 thousand. This includes a loan pending closure. This loan is being carried at 100% bad debt allowance.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2006 and 2005 are as follows:

Inventory and Related Property
(Dollars in Thousands)

	FY 2006	FY 2005
Items Held for Use		
Office Supplies	$ 14,895	$ 13,319
Items Held in Reserve for Future Use		
Disaster assistance materials and supplies	16,074	9,096
Birth control supplies	22,376	21,707
Total	$ 53,345	$ 44,122

Operating Materials and Supplies are valued at cost and considered not held for sale.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

General Property, Plant and Equipment, Net
(Dollars in Thousands)

	Useful Life	Cost	Accumulated Depreciation	Net Book Value
The components of PP&E as of September 30, 2006 are as follows:				
Classes of Fixed Assets				
Equipment	3 to 5 years	$ 87,242	$ (49,967)	$ 37,276
Buildings, Improvements, & Renovations	20 years	74,017	(31,194)	42,823
Land and Land Rights	N/A	3,139	N/A	3,139
Assets Under Capital Lease		6,899	(2,160)	4,739
Construction in Progress	N/A	570	–	570
Internal Use Software	3 to 5 years	35,937	(20,489)	15,448
Total		$ 207,804	$ (103,810)	$ 103,994
The components of PP&E as of September 30, 2005 are as follows:				
Classes of Fixed Assets				
Equipment	3 to 5 years	$ 76,099	$ (38,729)	$ 37,370
Buildings, Improvements, & Renovations	20 years	59,221	(26,789)	32,432
Land and Land Rights	N/A	4,181	N/A	4,181
Assets Under Capital Lease		6,365	(1,864)	4,501
Construction in Progress	N/A	570	–	570
Internal Use Software	3 to 5 years	29,961	(12,843)	17,118
Total		$ 176,397	$ (80,225)	$ 96,172

The threshold for capitalizing or amortizing assets is $25,000. Assets purchased prior to FY 2003 are depreciated using the straight line depreciation method. Assets purchased during FY 2003 and beyond are depreciated using the mid-quarter convention depreciation method. Depreciable assets are assumed to have no remaining salvage value. There are currently no restrictions on PPE assets.

USAID PP&E includes assets located in Washington, D.C. offices and overseas field missions.

Equipment consists primarily of electric generators, ADP hardware, vehicles and copiers located at the overseas field missions.

Structures and Facilities include USAID owned office buildings and residences at foreign missions, including the land on which these structures reside. These structures are used and maintained by the field missions. USAID does not separately report the cost of the building and the land on which the building resides.

Land consists of property owned by USAID in foreign countries. Usually the land is purchased with the intention of constructing an office building at the site.

NOTE 9. LEASES

As of September 30, 2006 and 2005 Leases consisted of the following:

Leases
(Dollars in Thousands)

Entity as Lessee		
Capital Leases:	**FY 2006**	**FY 2005**
Summary of Assets Under Capital Lease:		
Buildings	$ 6,899	$ 6,365
Accumulated Depreciation	$ (2,160)	$ (1,864)
Net Assest under Capital Leases	$ 4,739	$ 4,501
Future Payments Due:		
Fiscal Year	**Future Costs**	**Future Costs**
2006	$ –	$ 195
2007	285	165
2008	195	45
2009	117	45
2010	117	45
2011	45	158
After 5 Years	237	–
Net Capital Lease Liability	$ 996	$ 653
Lease Liabilities Covered by Budgetary Resources	$ 996	$ 653
Lease Liabilities Not Covered by Budgetary Resources	$ –	$ –
The capital lease liability is reported on USAID's Balance Sheet under Other Liabilities.		
Operating Leases:	**FY 2006**	**FY 2005**
Future Payments Due:		
Fiscal Year	**Future Costs**	**Future Costs**
2006	$ –	$ 77,861
2007	34,510	76,467
2008	37,271	75,332
2009	40,253	74,094
2010	43,473	72,219
2011	46,951	19,515
After 5 Years	105,470	–
Total Future Lease Payments	$ 307,928	$ 395,489

Of the $308.8 million in future lease payment, $308 million is attributable to the Ronald Reagan Building. The occupancy agreement for the Ronald Reagan Building in Washington D.C will expire September 30, 2010. This building is leased by the General Services Administration (GSA). USAID is charged rent intended to approximate commercial rental rates. Lease payments for FY 2006 amounted to $40.5 million.

NOTE 10. ACCOUNTS PAYABLE

The Accounts Payable covered by budgetary resources as of September 30, 2006 and 2005 consisted of the following:

Accounts Payable Covered by Budgetary Resources
(Dollars in Thousands)

	FY 2006	FY 2005
Intragovernmental		
Accounts Payable	$ 62,052	$ 24,226
Disbursements in Transit	24	6
Total Intragovernmental	62,076	24,232
Accounts Payable	2,247,006	3,164,071
Disbursements in Transit	20,715	16,521
Total with the Public	2,267,721	3,180,592
Total Accounts Payable	$ 2,329,797	$ 3,204,824

Intragovernmental Accounts Payable are those payable to other federal agencies and consist mainly of unliquidated obligation balances related to interagency agreements between USAID and other federal agencies.

All other Accounts Payable represent liabilities to other non-federal entities.

NOTE 11. DEBT

USAID Intragovernmental debt as of September 30, 2006 and 2005 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt:

Intragovernmental Debt
(Dollars in Thousands)

	FY 2005 Beginning Balance	Net Borrowing	FY 2005 Ending Balance	Net Borrowing	FY 2006 Ending Balance
Urban & Environmental	$ –	$ –	$ –	$ –	$ –
Direct Loan	111,081	311,521	422,602	51,453	474,055
MSED	–	–	–	–	–
Total Debt	$ 111,081	$ 311,521	$ 422,602	$ 51,453	$ 474,055

Pursuant to the Credit Reform Act of 1990, agencies with credit programs have permanent indefinite authority to borrow funds from the Treasury. These funds are used to disburse new direct loans to the public and, in certain situations, to cover credit reform program costs. Liquidating (pre-1992) accounts have permanent indefinite borrowing authority to be used to cover program costs when they exceed account resources. Urban and Environmental (UE) Program debt includes amounts borrowed before the effective date of the Credit Reform Act of 1990.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from the Treasury under the Credit Reform Act. In addition, there is net liquidating account equity in the amount of $4.5 billion, which under the Credit Reform Act is required to be recorded as Due to Treasury. Both of these accounts are used exclusively for credit reform activity. All debt shown is intragovernmental debt.

NOTE 12. OTHER LIABILITIES

As of September 30, 2006 and 2005 Other Liabilities consisted of the following:

Other Liabilities
(Dollars in Thousands)

	FY 2006	FY 2005
Intragovernmental		
OPAC Suspense	$ –	$ –
Unfunded FECA Liability	8,500	7,429
Deposit and Clearing Accounts	847	–
Credit Program Undisbursed Loans	–	–
Other	33,304	23,081
Total Intragovernmental	$ 42,651	$ 30,510
Accrued Funded Payroll and Leave	9,207	13,964
Unfunded Leave	34,405	33,324
Other Unfunded Employment Related Liability	–	–
Advances From Others	595	7
Deferred Credits	7,120	11,557
Liability for Deposit Funds and Suspense Accounts – Non-Entity	–	18,072
Foreign Currency Trust Fund	327,371	282,545
Capital Lease Liability	996	50
Custodial Liability	3,741	781
Other Liabilities	45,353	30,035
Other	–	–
Total Liabilities With the Public	$ 428,788	$ 390,335
Total Other Liabilities	$ 471,439	$ 420,845

All liabilities are current. Intragovernmental Liabilities represent amounts due to other federal agencies. All remaining Other Liabilities are liabilities to non-federal entities.

NOTE 13. ACCRUED UNFUNDED ANNUAL LEAVE AND SEPARATION PAY

Accrued unfunded benefits for annual leave and separation pay as of September 30, 2006 and 2005 are:

Accrued Unfunded Benefits
(Dollars in Thousands)

	FY 2006	FY 2005
Liabilities Not Covered by Budgetary Resources		
Accrued Annual Leave	$ 33,304	$ 32,076
FSN Separation Pay Liability	1,101	1,248
Total Accrued Unfunded Annual Leave and Separation Pay	$ 34,405	$ 33,324

NOTE 14. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2006 and 2005 are as indicated below. These liabilities are included in the Intragovernmental Other Liabilities Line Item on the balance sheet and are not covered by bugetary resources.

Accrued Unfunded Workers' Compensation Benefits
(Dollars in Thousands)

	FY 2006	FY 2005
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 23,438	$ 23,726
Accrued Funded Payroll and Leave	**9,207**	13,964
Unfunded Leave	–	–
Total Accrued Unfunded Workers' Compensation Benefits	$ 32,645	$ 37,690

The Federal Employees Compensation Act (FECA) program is administered by the U.S. Department of Labor (DOL) and provides income and medical cost protection to covered Federal civilian employees who have been injured on the job or have incurred a work-related occupational disease. Compensation is given to beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. DOL initially pays valid FECA claims for all Federal government agencies and seeks reimbursement two fiscal years later from the Federal agencies employing the claimants.

For FY 2006, USAID's total FECA liability was $32.6 million and comprised of unpaid FECA billings for $9.2 million and estimated future FECA costs of $23.4 million.

For FY 2005, USAID's total FECA liability was $37.7 million and comprised of unpaid FECA billings for $14 million and estimated future FECA costs of $23.7 million.

The actuarial estimate for the FECA unfunded liability is determined by the Department of Labor using a method that utilizes historical benefit payment patterns. The projected annual benefit payments are discounted to present value using economic assumption for 10-year Treasury notes and bonds and the amount is further adjusted for inflation. Currently, the projected number of years of benefit payments is 37 years.

NOTE 15. COMMITMENTS AND CONTINGENCIES

USAID is involved in certain claims and suits, and complaints that have been filed or are pending. These matters are in the ordinary course of the Agency's operations and are not expected to have a material adverse effect on the Agency's financial operations.

As of September 30, 2006 a total of nine cases were pending.

Three cases have been designated as reasonably possible:

- The first case is a contract claim arising out of SSA's contract to repair and operate an Iraqi port. The estimated loss is up to $800,000.
- The second case is an appeal of the Contracting Officer's disallowance of the costs of supplemental Accidental Death and Dismemberment and Business Travel Insurance for contractor employees related to initial deployment to Iraq. The estimated loss is up to $750,000.
- The third case is a contract claim over the payment of taxes on a building leased by USAID as mission offices. The estimated loss is up to $800,000.

The statuses of the remaining six litigation cases are at a remote designation.

In 2006, a case disclosed in 2005 was settled for $1,000,000.

A case was deemed as highly probable for a lease termination penalty of $3,000,000. This was disclosed in 2006 financial statements.

NOTE 16. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2006 and 2005 are as follows:

**Liabilities Not Covered by Budgetary Resources
(Dollars in Thousands)**

	FY 2006	FY 2005
Intragovernmental		
Accounts Payable	$ 62,076	$ 351,663
Debt	474,055	422,602
Other	42,651	30,510
Total Intragovernmental	578,782	804,775
With The Public		
Accrued unfunded annual leave and separation pay	34,405	33,324
Accrued unfunded Workers Compensation Benefits	32,645	37,691
Debt - Contingent Liabilities for Loan Guarantees	160,266	195,344
Total Liabilities not covered by Budgetary Resources	227,316	266,359
Total Liabilities covered by Budgetary Resources	9,308,148	10,202,446
Less Intra-Agency Liabilities	(84,749)	(327,437)
Total Liabilities	$ 9,450,715	$10,946,143

NOTE 17. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

The Consolidated Statement of Net Cost reports the Agency's gross costs less earned revenues to arrive at net cost of operations by strategic goals, as of September 30, 2006. These goals are consistent with USAID's Strategic Planning Framework.

In fourth quarter FY 2006, as part of the annual certification process for mapping strategic objectives to performance goals, strategic objectives assigned to performance goals under Homeland Security strategic goal were reassigned to performance goals under the Regional Stability strategic goal. Thus the Homeland Security goal is not effective for FY 2006 cost reporting.

Also, the format of the Consolidated Statement of Net Cost is new for FY 2006 and is consistent with OMB Circular A-136 guidance.

Note 17 shows the value of exchange transactions between USAID and other Federal entities as well as non-Federal entities. These are also categorized by strategic goals and responsibility segments. Responsibility Segments are defined in Note 18.

Intragovernmental costs and exchange revenue sources relate to transactions between USAID and other Federal entities. Public costs and exchange revenues on the other hand relate to transactions between USAID and non-Federal entities.

U.S. Agency for International Development
INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	2006 Total	2005 Total
Regional Stability										
Intragovernmental Costs	$ 1,377	$ 6,131	$ 8,408	$ 4,143	$ 4,311	$ –	$ 3,796	(175)	$ 27,991	$ 29,095
Public Costs	23,128	297,141	202,663	1,956	96,427	–	21,404	–	642,719	755,496
Total Program Costs	24,505	303,272	211,071	6,099	100,738	–	25,200	(175)	670,710	784,590
Intragovernmental Earned Revenue	(71)	(314)	(337)	(22)	(210)	–	(63)	25	(992)	(507)
Public Earned Revenue	10	44	38	3	29	–	9	–	133	(115)
Total Earned Revenue	(61)	(270)	(299)	(19)	(181)	–	(54)	25	(859)	(622)
Net Program Costs	**24,444**	**303,002**	**210,772**	**6,080**	**100,557**	–	**25,146**	**(150)**	**669,851**	**783,968**
Counterterrorism										
Intragovernmental Costs	87	20,805	–	–	–	–	–	(131)	20,761	8,631
Public Costs	1,230	618,980	–	–	–	–	–	–	620,210	879,234
Total Program Costs	1,317	639,785	–	–	–	–	–	(131)	640,971	887,866
Intragovernmental Earned Revenue	(5)	(580)	–	–	–	–	–	15	(570)	(336)
Public Earned Revenue	1	80	–	–	–	–	–	–	81	(76)
Total Earned Revenue	(4)	(500)	–	–	–	–	–	15	(489)	(412)
Net Program Costs	**1,313**	**639,285**	–	–	–	–	–	**(116)**	**640,482**	**887,453**
International Crime and Drugs										
Intragovernmental Costs	–	–	864	–	294	–	4,542	(35)	5,665	39,280
Public Costs	–	–	5,020	–	4,497	–	85,414	–	94,931	178,417
Total Program Costs	–	–	5,884	–	4,791	–	89,956	(35)	100,596	217,697
Intragovernmental Earned Revenue	–	–	(10)	–	(15)	–	(244)	7	(262)	(313)
Public Earned Revenue	–	–	1	–	2	–	30	–	33	(71)
Total Earned Revenue	–	–	(9)	–	(13)	–	(214)	7	(229)	(384)
Net Program Costs	–	–	**5,875**	–	**4,778**	–	**89,742**	**(28)**	**100,367**	**217,312**
Democracy and Human Rights										
Intragovernmental Costs	14,660	6,565	1,516	–	18,541	–	8,242	(308)	49,216	58,426
Public Costs	92,322	414,327	19,230	–	291,605	–	150,680	–	968,164	1,138,546
Total Program Costs	106,982	420,892	20,746	–	310,146	–	158,922	(308)	1,017,380	1,196,972
Intragovernmental Earned Revenue	(1,021)	(318)	(1,460)	–	(858)	–	(389)	101	(3,945)	(4,516)
Public Earned Revenue	42	44	4	–	119	–	54	–	263	(491)
Total Earned Revenue	(979)	(274)	(1,456)	–	(739)	–	(335)	101	(3,682)	(5,007)
Net Program Costs	**106,003**	**420,618**	**19,290**	–	**309,407**	–	**158,587**	**(207)**	**1,013,698**	**1,191,966**
Economic Prosperity and Security										
Intragovernmental Costs	51,233	63,612	976	(26,004)	43,039	–	24,789	(980)	156,665	126,206
Public Costs	273,096	1,620,042	867,780	124,813	300,069	–	186,016	–	3,371,816	3,816,120
Total Program Costs	324,329	1,683,654	868,756	98,809	343,108	–	210,805	(980)	3,528,481	3,942,326
Intragovernmental Earned Revenue	(1,068)	(2,235)	(2)	(7,275)	(869)	–	(461)	297	(11,613)	(4,500)
Public Earned Revenue	124	196	–	(1,309)	120	–	(70)	–	(939)	(3,023)
Total Earned Revenue	(944)	(2,039)	(2)	(8,584)	(749)	–	(531)	297	(12,552)	(7,523)
Net Program Costs	**323,385**	**1,681,615**	**868,754**	**90,225**	**342,359**	–	**210,274**	**(683)**	**3,515,929**	**3,934,803**

(continued on next page)

U.S. Agency for International Development
INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT *(continued)*
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	2006 Total	2005 Total
Social and Environmental Issues										
Intragovernmental Costs	87,448	32,642	11	19,254	17,000	57,682	25,727	(1,491)	238,273	189,105
Public Costs	1,000,862	1,225,052	272	197,380	170,288	699,205	249,970	–	3,543,029	4,108,261
Total Program Costs	1,088,310	1,257,694	283	216,634	187,288	756,887	275,697	(1,491)	3,781,302	4,297,366
Intragovernmental Earned Revenue	(3,048)	(1,107)	(1)	(67,834)	(535)	(57,777)	(713)	3,262	(127,753)	(57,065)
Public Earned Revenue	423	154	–	(57,976)	70	96	99	–	(57,134)	(9,461)
Total Earned Revenue	(2,625)	(953)	(1)	(125,810)	(465)	(57,681)	(614)	3,262	(184,887)	(66,526)
Net Program Costs	**1,085,685**	**1,256,741**	**282**	**90,824**	**186,823**	**699,206**	**275,083**	**1,771**	**3,596,415**	**4,230,839**
Humanitarian Response										
Intragovernmental Costs	3,646	4,342	81,063	–	1,226	–	5,328	(594)	95,011	59,672
Public Costs	36,654	98,095	473,538	–	17,025	–	82,649	–	707,961	1,128,782
Total Program Costs	40,300	102,437	554,601	–	18,251	–	87,977	(594)	802,972	1,188,454
Intragovernmental Earned Revenue	(134)	(73)	(667)	–	(60)	–	(259)	30	(1,163)	(64,329)
Public Earned Revenue	19	10	92	–	8	–	36	–	165	(129,491)
Total Earned Revenue	(115)	(63)	(575)	–	(52)	–	(223)	30	(998)	(193,820)
Net Program Costs	**40,185**	**102,374**	**554,026**	–	**18,199**	–	**87,754**	**(564)**	**801,974**	**994,634**
Management and Organizational Excellence										
Intragovernmental Costs	1,647	–	–	2,454	–	–	–	(25)	4,076	5,709
Public Costs	349	–	–	10,640	–	–	–	–	10,989	8,978
Total Program Costs	1,996	–	–	13,094	–	–	–	(25)	15,065	14,686
Intragovernmental Earned Revenue	(9)	–	–	(59)	–	–	–	2	(66)	(30)
Public Earned Revenue	1	–	–	8	–	–	–	–	9	(7)
Total Earned Revenue	(8)	–	–	(51)	–	–	–	2	(57)	(37)
Net Program Costs	**1,988**	–	–	**13,043**	–	–	–	**(23)**	**15,008**	**14,649**
Net Costs of Operations	**$1,583,003**	**$4,403,635**	**$1,658,999**	**$200,172**	**$ 962,123**	**$ 699,206**	**$ 846,586**	**$ –**	**$10,353,724**	**$12,255,626**

Note: The Total Earned Revenue by strategic goals on Notes 17 and 18 are slightly off from the Consolidated and Consolidating Statement of Net Cost. Some public earned revenue could not be mapped to a specific goal. Since the amount was immaterial, it was allocated amongst the goals with the largest amounts of public earned revenue i.e., Economic Prosperity and Security, Social and Environmental Issues and Humanitarian Response. Pre-allocatoin, these goals collectively made up approximately 99% of the Total Public Earned revenue.

NOTE 18. SCHEDULE OF COST BY RESPONSIBILITY SEGMENTS

The Schedule of Costs by Responsibility Segment categorizes costs and revenues by strategic and performance goals and responsibility segment.

A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. The geographic and technical bureaus of USAID (below) meet the criteria of a responsibility segment. These bureaus directly support the Agency goals while the remaining bureaus and offices support the operations of these bureaus. To report the full cost of program outputs, the cost of support bureaus and offices are allocated to the outputs of the geographic and technical bureaus. Intra-agency eliminations are allocated to goals to reflect total goals costs.

FY 2006 STATEMENT OF NET COST RESPONSIBILITY SEGMENTS

Geographic Bureaus

- Africa (AFR)
- Asia and Near East (ANE)
- Latin America and the Caribbean (LAC)
- Europe and Eurasia (E&E)

Technical Bureaus

- Democary, Conflict, and Humanitarian Assistance (DCHA)
- Economic Growth, Agriculture, and Trade (EGAT)
- Global Health (GH)

U.S. Agency for International Development
SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	Consolidated Total
Regional Stability									
Close, strong, and effective U.S. ties with allies									
Gross Costs	$ 7,324	$ 283,439	$ 43,554	$ 6,099	$ 23,265	$ –	$ 19,582	$ (104)	$ 383,159
Less: Earned Revenues	(19)	(256)	(45)	(19)	(66)	–	(40)	13	(432)
Net Program Costs	7,305	283,183	43,509	6,080	23,199	–	19,542	(91)	382,727
Existing and emergent regional conflicts are contained or resolved									
Gross Costs	17,181	19,833	167,517	–	77,473	–	5,618	(71)	287,551
Less: Earned Revenues	(42)	(15)	(253)	–	(115)	–	(14)	12	(427)
Net Program Costs	17,139	19,818	167,264	–	77,358	–	5,604	(59)	287,124
Counterterrorism									
Stable political and economic conditions									
Gross Costs	1,317	639,785	–	–	–	–	–	(131)	640,971
Less: Earned Revenues	(4)	(500)	–	–	–	–	–	15	(489)
Net Program Costs	1,313	639,285	–	–	–	–	–	(116)	640,482
International Crime and Drugs									
International trafficking in drugs, persons, and other illicit goods									
Gross Costs	–	–	–	–	4,790	–	89,956	(30)	94,716
Less: Earned Revenues	–	–	–	–	(13)	–	(214)	7	(220)
Net Program Costs	–	–	–	–	4,777	–	89,742	(23)	94,496
States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens									
Gross Costs	–	–	5,885	–	–	–	–	(5)	5,880
Less: Earned Revenues	–	–	(9)	–	–	–	–	–	(9)
Net Program Costs	–	–	5,876	–	–	–	–	(5)	5,871

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U.S. Agency for International Development
SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	Consolidated Total
Democracy and Human Rights									
Develop transparent and accountable democratic institutions									
Gross Costs	106,982	415,381	10,711	–	310,146	–	143,190	(298)	986,112
Less: Earned Revenues	(979)	(271)	(12)	–	(739)	–	(303)	64	(2,241)
Net Program Costs	106,003	415,110	10,699	–	309,407	–	142,887	(234)	983,871
Universal standards protect human rights									
Gross Costs	–	5,510	10,035	–	–	–	15,733	(10)	31,268
Less: Earned Revenues	–	(2)	(1,444)	–	–	–	(32)	37	(1,441)
Net Program Costs	–	5,508	8,591	–	–	–	15,701	27	29,827
Economic Prosperity and Security									
Enhanced food security and agricultural development									
Gross Costs	195,605	32,278	868,754	55,943	1	–	70,644	(207)	1,223,018
Less: Earned Revenues	(534)	(26)	(1)	(181)	–	–	(155)	26	(871)
Net Program Costs	195,071	32,252	868,753	55,762	1	–	70,489	(181)	1,222,147
Increased trade and investment									
Gross Costs	65,795	185,334	–	8,787	–	–	41,178	(110)	300,984
Less: Earned Revenues	(319)	(132)	–	(39)	–	–	(87)	16	(561)
Net Program Costs	65,476	185,202	–	8,748	–	–	41,091	(94)	300,423
Institutions, laws, and policies foster private sector led growth									
Gross Costs	62,929	1,392,969	–	29,381	297,217	–	99,018	(590)	1,880,924
Less: Earned Revenues	(91)	(1,816)	–	(8,352)	(639)	–	(290)	250	(10,938)
Net Program Costs	62,838	1,391,153	–	21,029	296,578	–	98,728	(340)	1,869,986
Secure and stable financial and energy markets									
Gross Costs	–	73,073	–	4,699	45,891	–	(35)	(73)	123,555
Less: Earned Revenues	–	(65)	–	(13)	(109)	–	–	5	(182)
Net Program Costs	–	73,008	–	4,686	45,782	–	(35)	(68)	123,373
Social and Environmental Issues									
Broader access to quality education with an emphasis on primary school completion									
Gross Costs	122,027	449,740	–	22,406	12,103	–	36,275	(201)	642,351
Less: Earned Revenues	(300)	(346)	–	(68)	(32)	–	(78)	24	(800)
Net Program Costs	121,727	449,394	–	22,338	12,071	–	36,197	(177)	641,551
Improved global health									
Gross Costs	920,307	662,570	282	398	144,732	756,887	194,047	(1,060)	2,678,163
Less: Earned Revenues	(2,201)	(505)	–	(1)	(359)	(57,681)	(438)	1,539	(59,646)
Net Program Costs	918,106	662,065	282	397	144,373	699,206	193,609	479	2,618,517
Partnerships, initiatives, and implemented international treaties									
Gross Costs	45,976	145,386	–	193,829	30,452	–	45,375	(230)	460,788
Less: Earned Revenues	(124)	(103)	–	(125,740)	(75)	–	(98)	1,699	(124,441)
Net Program Costs	45,852	145,283	–	68,089	30,377	–	45,277	1,469	336,347

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U.S. Agency for International Development
SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	Consolidated Total
Humanitarian Response									
Effective protection, assistance, and durable solutions for refugees									
Gross Costs	38,930	12,863	538,743	–	17,169	–	34,766	(519)	641,952
Less: Earned Revenues	(110)	(10)	(559)	–	(47)	–	(82)	24	(784)
Net Program Costs	38,820	12,853	538,184	–	17,122	–	34,684	(495)	641,168
Improved capacity of host countries to reduce vulnerabilities to disasters									
Gross Costs	1,370	89,574	15,858	–	1,082	–	53,211	(75)	161,020
Less: Earned Revenues	(5)	(53)	(17)	–	(4)	–	(141)	6	(214)
Net Program Costs	1,365	89,521	15,841	–	1,078	–	53,070	(69)	160,806
Management and Organizational Excellence									
A high performing, well-trained, and diverse workforce									
Gross Costs	–	–	–	10,914	–	–	–	(6)	10,908
Less: Earned Revenues	–	–	–	(44)	–	–	–	2	(42)
Net Program Costs	–	–	–	10,870	–	–	–	(4)	10,866
Customer-oriented, innovative delivery of administrative and information services									
Gross Costs	–	–	–	147	–	–	–	(1)	146
Less: Earned Revenues	–	–	–	(1)	–	–	–	–	(1)
Net Program Costs	–	–	–	146	–	–	–	(1)	145
Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability.									
Gross Costs	–	–	–	2,033	–	–	–	(8)	2,025
Less: Earned Revenues	–	–	–	(6)	–	–	–	–	(6)
Net Program Costs	–	–	–	2,027	–	–	–	(8)	2,019
Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements.									
Gross Costs	1,996	–	–	–	–	–	–	(10)	1,986
Less: Earned Revenues	(8)	–	–	–	–	–	–	–	(8)
Net Program Costs	1,988	–	–	–	–	–	–	(10)	1,978
Net Costs of Operations	**$ 1,583,003**	**$4,403,635**	**$ 1,658,999**	**$ 200,172**	**$ 962,123**	**$ 699,206**	**$ 846,586**	**$ –**	**$ 10,353,724**

NOTE 19. STATEMENT OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred:(Dollars in Thousands)

	FY 2006	FY 2005
Category A, Direct	$ 731,684	$ 711,346
Category B, Direct	10,829,818	12,272,395
Category A, Reimbursable	5,526	8,990
Category B, Reimbursable	64,750	50,222
Total	$ 11,631,778	$ 13,042,953

B. Borrowing Authority, End of Period and Terms of Borrowing Authority Used:

For credit financing activities, borrowing authority for FY 2006 was $52 million. For FY 2005 borrowing authority was $310 million. In FY 2005, the borrowing authority number was transposed, reading as $31.9 instead of $310 million.

Borrowing Authority is indefinite and authorized under the Credit Reform Act of 1990 (P.L. 101-508), and is used to finance obligations during the current year, as needed.

C. Adjustments to Beginning Balance of Budgetary Resources:

There were no differences for FY 2006 between prior year and current year beginning balances.

D. Permanent Indefinite Appropriations:

USAID has permanent indefinite appropriations relating to specific Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Credit Reform Program appropriations for subsidy reestimates, and Credit Reform Act of 1990.

E. Legal Arrangements Affecting the Use of Unobligated Balances:

Pursuant to Section 511 of PL 107-115 funds shall remain available until expended if such funds are initially obligated before the expiration of their periods of availability. Any subsequent recoveries (deobligations) of these funds become unobligated balances that are available for reporogramming by USAID (subject to OMB approval through the apportionment process).

NOTE 20. STATEMENT OF FINANCING - OTHER

Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

Contingent liabilities for Loan Guarantees on the Balance Sheet represent cumulative balances, of which $48.6 million represent the Credit Subsidy expense reestimates requiring resources in future periods. Current period changes of $4.2 million represents the current period increase in the Accrued Unfunded Annual Leave Separation Pay liability, and is shown on the Statement of Financing as a change in components requiring resources in future period.

Explanation of the Relationship Between the Statement of Changes in Net Position and the Statement of Financing

Imputed Financing of $19.2 million are shown on both the Statement of Changes of Net Position as Other Financing Sources and on the Statement of Financing as Other Resources.

Description of Transfers that Appear as a Reconciling Item on the Statement of Financing

Appropriations that are transferred from other Federal Agencies to USAID are not shown on the Statement of Budgetary Resources, but are shown on the Balance Sheet and Statement of Net Costs. Appropriations that are transferred to other agencies are shown on the Statement of Budgetary Resources, but are not shown on the Balance Sheet nor the Statement of Net Costs. Below is a reconciliation of obligations and spending authority from offsetting collections between the Statement of Budgetary Resources and the Statement of Financing.

Changes in FY 2006 for Statement of Financing:

An increase of Credit Program collections for both liabilities and subsidies are the primary reasons for the increase in the Total Resources Used to Finance items not part of the net cost of operations on the Statement of Financing. During FY 2006, total Net Obligations decreased by $1,040 million, and Credit Program Collections were about $1,173 million. In, FY 2005, total Net Obligations decreased by $256 million, and Credit Program Collections were about $1,283 million.

For the Upward/Downward Re-estimates of Credit Subsidy Expense, during FY 2006, there was a net decrease for Credit Program subsidy re-estimates of about $594 million, as compared to an upward increase in FY 2005 of $529 million.

Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods (Dollars in Thousands)

Obligations Incurred, Statement of Budgetary Resources		$ 9,188,767
Less: Transfers to Other Agencies		
Department Of State	(282,569)	
Nuclear Regulatory Commission	(1,463)	
Others	(2,005)	(286,037)
Add: Transfers from Other Agencies		
Department of Agriculture	1,184,686	
Department of State	1,255,916	
Executive Office of the President	180,103	
Other	108,345	2,729,050
Obligations Incurred, Statement of Financing		11,631,780
Offsetting Collections and Recoveries, Statement of Budgetary Resources		1,595,132
Less: Transfers to Other Agencies		
Department of State	(24,350)	
U.S. Treasury Department	(890)	
Other	(22)	(25,262)
Add: Allocations from Other Agencies		
Executive Office of the President	118,245	
Department of Agriculture	113,073	
Other	707	232,025
Offsetting Collections and Recoveries, Statement of Financing		$ 1,801,805

U.S. Agency for International Development
CONSOLIDATING BALANCE SHEET
As of September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Intra-Agency Elimination	Total
ASSETS								
Intragovernmental								
Fund Balance with Treasury (Note 2)	$ 1,793,844	$ 16,073,773	$ 1,406,986	$ 5,887	$ 52,050	843	$ –	$ 19,333,383
Accounts Receivable (Note 3)	84,749	–	217	–	–	3	(84,749)	220
Other Assets (Note 4)	–	24,125	749	–	–	–	–	24,874
Total Intragovernmental	1,878,593	16,097,898	1,407,952	5,887	$52,050	846	(84,749)	19,358,477
Cash and Other Monetary Assets (Note 5)	50	–	327,548	–	–	–	–	327,598
Accounts Receivable, Net (Note 3)	59,954	24,335	1,208	1	–	5,675	–	91,173
Loans Receivable, Net (Note 6)	4,810,615	–	–	–	–	–	–	4,810,615
Inventory and Related Property, Net (Note 7)	–	38,450	14,895	–	–	–	–	53,345
General Property, Plant, and Equipment, Net (Note 8 and 9)	–	124	103,870	–	–	–	–	103,994
Advances and Prepayments (Note 4)	139	389,124	16,379	19	237	–	–	405,898
Total Assets	6,749,351	16,549,931	1,871,852	5,907	52,287	6,521	(84,749)	25,151,100
LIABILITIES (Note 16)								
Intragovernmental								
Accounts Payable (Note 10)	84,522	47,864	14,301	138	–	–	(84,749)	62,076
Debt (Note 11)	474,055	–	–	–	–	–	–	474,055
Due to U.S. Treasury (Note 11)	4,491,077	–	–	–	–	–	–	4,491,077
Other Liabilities (Note 12)	24,270	7	11,823	1	29	6,521	–	42,651
Total Intragovernmental	5,073,924	47,871	26,124	139	29	6,521	(84,749)	5,069,859
Accounts Payable (Note 10)	50,361	1,857,669	350,220	1,550	7,921	–	–	2,267,721
Loan Guarantee Liability (Note 6)	1,660,909	–	–	–	–	–	–	1,660,909
Federal Employees and Veteran's Benefits (Note 14)	–	–	23,438	–	–	–	–	23,438
Other Liabilities (Note 12, 13, and 14)	7,923	2,488	370,146	2,433	45,798	–	–	428,788
Total Liabilities	6,793,117	1,908,028	769,928	4,122	53,748	6,521	(84,749)	9,450,715
Commitments and Contingencies (Note 15)	–	–	3,000	–	–	–	–	3,000
NET POSITION								
Unexpended Appropriations	47,612	14,290,465	(3,522)	152	112	–	–	14,334,819
Cumulative Results of Operations	(91,378)	351,438	1,102,446	1,633	(1,573)	–	–	1,362,566
Total Net Position	(43,766)	14,641,903	1,098,924	1,785	(1,461)	–	–	15,697,385
Total Liabilities and Net Position	$ 6,749,351	$ 16,549,931	$ 1,871,852	$ 5,907	$ 52,287	$ 6,521	$ (84,749)	$25,151,100

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF NET COST
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Intra-Agency Elimination	Total Amount
Regional Stability								
Intragovernmental Costs	$ –	$ 9,850	$ 18,381	$ 14	$ 3	$ (82)	$ (175)	$ 27,991
Public Costs	–	606,793	34,217	506	1,121	82	–	642,719
Total Costs	–	616,643	52,598	520	1,124	–	(175)	670,710
Intragovernmental Earned Revenue	–	(60)	(287)	(562)	–	(108)	25	(992)
Public Earned Revenue	–	–	(3)	28	–	108	–	133
Less Total Earned Revenues	–	(60)	(290)	(534)	–	–	25	(859)
Net Program Costs	–	616,583	52,308	(14)	1,124	–	(150)	669,851
Counterterrorism								
Intragovernmental Costs	–	9,699	11,232	9	2	(50)	(131)	20,761
Public Costs	–	598,257	20,909	309	685	50	–	620,210
Total Costs	–	607,956	32,141	318	687	–	(131)	640,971
Intragovernmental Earned Revenue	–	–	(176)	(343)	–	(66)	15	(570)
Public Earned Revenue	–	–	(2)	17	–	66	–	81
Less Total Earned Revenues	–	–	(178)	(326)	–	–	15	(489)
Net Program Costs	–	607,956	31,963	(8)	687	–	(116)	640,482
International Crime and Drugs								
Intragovernmental Costs	–	561	5,157	4	1	(23)	(35)	5,665
Public Costs	–	84,853	9,599	142	314	23	–	94,931
Total Costs	–	85,414	14,756	146	315	–	(35)	100,596
Intragovernmental Earned Revenue	–	–	(81)	(158)	–	(30)	7	(262)
Public Earned Revenue	–	(4)	(1)	8	–	30	–	33
Less Total Earned Revenues	–	(4)	(82)	(150)	–	–	7	(229)
Net Program Costs	–	85,410	14,674	(4)	315	–	(28)	100,367
Democracy and Human Rights								
Intragovernmental Costs	–	13,285	36,367	28	6	(162)	(308)	49,216
Public Costs	–	897,086	67,697	1,002	2,217	162	–	968,164
Total Costs	–	910,371	104,064	1,030	2,223	–	(308)	1,017,380
Intragovernmental Earned Revenue	–	(2,153)	(568)	(1,112)	–	(213)	101	(3,945)
Public Earned Revenue	–	–	(5)	55	–	213	–	263
Less Total Earned Revenues	–	(2,153)	(573)	(1,057)	–	–	101	(3,682)
Net Program Costs	–	908,218	103,491	(27)	2,223	–	(207)	1,013,698

(continued on next page)

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF NET COST *(continued)*
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Intra-Agency Elimination	Total Amount
Economic Prosperity and Security								
Intragovernmental Costs	24,895	51,923	81,108	61	14	(356)	(980)	156,665
Public Costs	56,791	2,281,823	1,025,752	2,208	4,886	356	–	3,371,816
Total Costs	81,686	2,333,746	1,106,860	2,269	4,900	–	(980)	3,528,481
Intragovernmental Earned Revenue	(6,747)	(990)	(1,252)	(2,451)	–	(470)	297	(11,613)
Public Earned Revenue	(1,518)	–	(12)	121	–	470	–	(939)
Less Total Earned Revenues	(8,265)	(990)	(1,264)	(2,330)	–	–	297	(12,552)
Net Program Costs	73,421	2,332,756	1,105,596	(61)	4,900	–	(683)	3,515,929
Social and Environmental Issues								
Intragovernmental Costs	–	116,593	123,606	94	21	(550)	(1,491)	238,273
Public Costs	133,034	3,168,411	230,093	3,405	7,536	550	–	3,543,029
Total Costs	133,034	3,285,004	353,699	3,499	7,557	–	(1,491)	3,781,302
Intragovernmental Earned Revenue	(67,440)	(57,140)	(1,932)	(3,779)	–	(724)	3,262	(127,753)
Public Earned Revenue	(58,026)	–	(18)	186	–	724	–	(57,134)
Less Total Earned Revenues	(125,466)	(57,140)	(1,950)	(3,593)	–	–	3,262	(184,887)
Net Program Costs	7,568	3,227,864	351,749	(94)	7,557	–	1,771	3,596,415
Humanitarian Response								
Intragovernmental Costs	–	72,779	22,907	17	4	(102)	(594)	95,011
Public Costs	–	663,189	42,642	631	1,397	102	–	707,961
Total Costs	–	735,968	65,549	648	1,401	–	(594)	802,972
Intragovernmental Earned Revenue	–	–	(358)	(700)	(1)	(134)	30	(1,163)
Public Earned Revenue	–	–	(3)	34	–	134	–	165
Less Total Earned Revenues	–	–	(361)	(666)	(1)	–	30	(998)
Net Program Costs	–	735,968	65,188	(18)	1,400	–	(564)	801,974
Management and Organizational Excellence								
Intragovernmental Costs	–	2,793	1,313	1	–	(6)	(25)	4,076
Public Costs	–	8,424	2,443	36	80	6	–	10,989
Total Costs	–	11,217	3,756	37	80	–	(25)	15,065
Intragovernmental Earned Revenue	–	–	(21)	(40)	–	(8)	2	(67)
Public Earned Revenue	–	–	–	2	–	8	–	10
Less Total Earned Revenues	–	–	(21)	(38)	–	–	2	(57)
Net Program Costs	–	11,217	3,735	(1)	80	–	(23)	15,008
Net Costs of Operations	$ 80,989	$8,525,972	$1,728,704	$ (227)	$18,286	$ –	$ –	$10,353,724

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Total
Beginning Balances	$ (335,271)	$ 338,501	$ 756,887	$ 1,633	$ (1,248)	$ –	$ 760,502
Adjustments	–	–	–	–	–	–	–
Changes in Accounting Principles	–	–	–	–	–	–	–
Corrections of Errors	–	–	–	–	–	–	–
Beginning Balances, as adjusted	(335,271)	338,501	756,887	1,633	(1,248)	–	760,502
Budgetary Financing Sources:							
Other Adjustments (Recissions, etc)	–	–	–	–	–	–	–
Appropriations Used	324,873	8,538,718	812,046	(4)	(112)	–	9,675,521
Non-exchange Revenue	–	–	–	–	–	–	–
Donations and Forfeitures of Cash and Cash Equivalents	9	191	53,912	(223)	18,073	–	71,962
Transfers–in/out Without Reimbursement	–	–	1,189,017	–	–	–	1,189,017
Other	–	–	–	–	–	–	–
Other Financing Sources (Non-exchange):							
Donations and Forfeitures of Property	–	–	–	–	–	–	–
Transfers–in/out Without Reimbursement	–	–		–	–	–	–
Imputed Financing	–	–	19,288	–	–	–	19,288
Other	–	–	–	–	–	–	–
Total Financing Sources	324,882	8,538,909	2,074,263	(227)	17,961	–	10,955,788
Net Cost of Operations	(80,989)	(8,525,972)	(1,728,704)	227	(18,286)	–	(10,353,724)
Net Change	243,893	12,937	345,559		(325)	–	602,064
Cumulative Results of Operations:	(91,378)	351,438	1,102,446	1,633	(1,573)	–	1,362,566
Unexpended Appropriations:							
Beginning Balance	47,170	13,026,593	(69,737)	148	–	–	13,004,174
Adjustments	–	–	–	–	–	–	–
Changes in Accounting Principles	–	–	–	–	–	–	–
Corrections of Errors	–	–	–	–	–	–	–
Beginning Balances, as adjusted	47,170	13,026,593	(69,737)	148	–	–	13,004,174
Budgetary Financing Sources:							
Appropriations Received	320,560	9,039,630	878,700	–	–	–	10,238,890
Appropriations Transferred in/out	4,834	833,321	6,921	–	–	–	845,076
Other Adjustments	(80)	(70,360)	(7,360)	–	–	–	(77,800)
Appropriations Used	(324,872)	(8,538,719)	(812,046)	4	112	–	(9,675,521)
Total Budgetary Financing Sources	442	1,263,872	66,215	4	112	–	1,330,645
Total Unexpended Appropriations	47,612	14,290,465	(3,522)	152	112	–	14,334,819
Net Position	**$ (43,766)**	**$14,641,903**	**$ 1,098,924**	**$ 1,785**	**$ (1,461)**	**$ –**	**$ 15,697,385**

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Credit-Financing	Allocations	Total
Budgetary Resources:									
Unobligated Balance, Brought Forward, October 1	$ 858,482	$2,215,797	$ 70,098	$2,740	$ 4,090	$ –	$ 1,024,789	**111,200**	$ 4,287,196
Recoveries of Prior Year Unpaid Obligations	6,190	221,565	27,267	155	1,373	–	–	**20,221**	276,771
Budget Authority									
Appropriations	370,560	9,039,630	878,700	–	32,387	–	–	–	10,321,277
Borrowing Authority	–	–	–	–	–	–	52,026		52,026
Contract Authority	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections	–	–	–	–	–	–	–	–	–
Earned									
Collected	786,276	60,347	4,718	9,702	–	–	447,625	**1,421**	1,310,089
Changed in Receivables from Federal Sources	–	–	–	–	–	–	–	**3,620**	3,620
Change in Unfilled Customer Orders									
Advance Received	–	–	–	–	–	–	–	–	–
Without Advance from Federal Sources	–	4,402	808	(558)	–	–	–	–	4,652
Anticipated for Rest of Year, Without Advances	–	–	–	–	–	–	–	–	–
Previously Unavailable	–	–	–	–	–	–	–	–	–
Expenditure Transfers from Trust Funds	–	–	–	–	–	–	–	–	–
Subtotal	1,156,836	9,104,379	884,226	9,144	32,387	–	499,651	**5,041**	11,691,664
Nonexpenditure Transfers, Net, Anticipated and Actual	4,834	(542,918)	6,921	–	–	–	–	**198,615**	(332,548)
Temporarily not Available Pursuant to Public Law	–	–	–	–	–	–	–	–	–
Permanently not Available	(1,332,255)	(74,140)	(7,946)	–	–	–	–	–	(1,414,341)
Total Budgetary Resources	**694,087**	**10,924,683**	**980,566**	**12,039**	**37,850**	–	**1,524,440**	**335,077**	**14,508,742**
Status of Budgetary Resources:									
Obligations Incurred									
Direct	355,318	7,486,841	849,332	8,881	30,247	–	101,835	**270,782**	9,188,767
Reimbursable	–	64,750	5,526	–	–	–	–	**15,255**	85,531
Subtotal	355,318	7,551,591	854,858	8,881	30,247	–	101,835	**286,037**	9,188,767
Unobligated Balance:									
Apportioned	338,576	3,364,144	125,708	3,158	7,603	–	1,422,605	**46,663**	5,308,457
Exempt from Apportionment	–	–	–	–	–	–	–	–	–
Subtotal	338,576	3,364,144	125,708	3,158	7,603	–	1,422,605	**46,663**	5,308,457
Unobligated Balance not Available	193	8,948	–	–	–	–	–	**2,377**	11,518
Total Status of Budgetary Resources	**694,087**	**10,924,683**	**980,566**	**12,039**	**37,850**	–	**1,524,440**	**335,077**	**14,508,742**

(continued on next page)

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES *(continued)*
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Credit-Financing	Allocations	Total
Change in Obligated Balance:									
Obligated Balance, Net									
Unpaid Obligations, Brought Forward, October 1	39,773	9,976,701	232,834	1,588	32,607	–	3,288	3,527	10,290,318
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(3,467)	(1,158)	(4,180)	(2,501)	–	–	–	–	(11,306)
Total Unpaid Obligated Balance, Net	36,306	9,975,543	228,654	(913)	32,607	–	3,288	3,527	10,279,012
Obligations Incurred Net (+/-)	355,318	7,551,591	854,858	8,881	30,247	–	101,835	286,037	9,188,767
Less: Gross Outlays	(356,742)	(6,731,176)	(861,246)	(5,642)	(17,035)	–	(101,352)	45,633	(8,027,560)
Obligated Balance Transferred, Net									
Actual Transfers, Unpaid Obligations (+/-)	–	–	–	–	–	–	–	–	–
Actual Transfers, Uncollected Customer Payments Federal Sources, (+/-)	–	–	–	–	–	–	–	–	–
Total Unpaid Obligated Balance Transferred, Net	–	–	–	–	–	–	–	–	–
Less: Recoveries of Prior Year Unpaid obligations, actual	(6,190)	(221,565)	(27,267)	(155)	(1,373)	–	–	(20,221)	(276,771)
Change in Uncollected Customer Payments from Federal Sources (+/-)	–	(4,403)	(808)	558	–	–	–	(3,971)	(8,624)
Obligated Balance, Net, End of Period									
Unpaid Obligations	32,159	10,575,551	199,179	4,672	44,446	–	3,771	314,976	11,174,754
Less: Uncollected Customer Payments from Federal Sources	(3,467)	(5,561)	(4,988)	(1,943)	–	–	–	(3,971)	(19,930)
Total, Unpaid Obligated Balance, Net End of Period	28,692	10,569,990	194,191	2,729	44,446	–	3,771	311,005	11,154,824
Net Outlays									
Gross Outlays	356,742	6,731,176	861,246	5,642	17,035	–	101,352	(45,633)	8,027,560
Less: Offsetting Collections	(786,276)	(60,347)	(4,718)	(9,702)	–	–	(447,625)	–	(1,308,668)
Less: Distributed Offsetting Receipts	–	–	–	–	–	(41,784)	–	–	(41,784)
Net Outlays	**$ (429,534)**	$ 6,670,829	$ 856,528	**$ (4,060)**	**$ 17,035**	**$ (41,784)**	**$ (346,273)**	**(45,633)**	**$ 6,677,108**

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Allocations	Total
Resources Used to Finance Activities:								
Budgetary Resources Obligated								
Obligations Incurred	$ 457,153	$7,551,591	$ 854,858	$ 8,881	$ 30,247	$ –	$ 286,037	$ 9,188,767
Appropriations Transferred to/from Other Agencies (net)	–	1,544,337	1,184,713	–	–	–	(286,037)	2,443,013
Total Obligations Incurred	457,153	9,095,928	2,039,571	8,881	30,247	–	–	11,631,780
Less: Spending Authority from Offsetting Collections and Recoveries	(1,240,091)	(286,314)	(32,793)	(9,299)	(1,373)	–	(25,262)	(1,595,132)
Spending Authority Transferred to/from Other Agencies (net)	–	(118,893)	(113,132)	–	–	–	25,262	(206,763)
Total Spending Authority from Offsetting Collections and Recoveries	(1,240,091)	(405,207)	(145,925)	(9,299)	(1,373)	–	–	(1,801,895)
Obligations Net of Ofsetting Collections and Recoveries	(782,938)	8,690,721	1,893,646	(418)	28,874	–		9,829,885
Less: Offsetting Receipts	–	–	–		–	41,784	–	41,784
Net Obligations	(782,938)	8,690,721	1,893,646	(418)	28,874	41,784	–	9,871,669
Other Resources								
Transfers in Without Reimbursement	–	–	–	–	–	–	–	–
Imputed Financing From Costs Absorbed by Others	–	–	19,288			–	–	19,288
Other (+/-)	–	–	–	–	–	–	–	–
Net Other Resources Used to Finance Activities	–	–	19,288	–	–	–		19,288
Total Resources Used to Finance Activities	(782,938)	8,690,721	1,912,934	(418)	28,874	41,784	–	9,890,957
Resources Used to Finance Items not Part of the Net Cost of Operations:								
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	5,299	446,625	(352,075)	(2,021)	(8,896)	–	–	88,932
Resources that Fund Expenses Recognized in Prior Periods	–	(1,927)	750			(775)	–	(1,952)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	–	–	–	–	–	–	–	–
Credit Program Collections which increase Liabilities for Loan Guarantees or Allowances for Subsidy	1,173,507	–	–	–	–	–	–	1,173,507
Other	(133,731)	–	54,098	1,007	1	(44,373)	–	(122,998)
Resources That Finance the Acquisition of Assets	–	(7,646)	(47,529)	–	–	–	–	(55,175)
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	93,171	(601,170)	118,269	1,205	(1,693)	–	–	(390,218)
Total Resources Used to Finance Items not Part of Net Cost of Operations	1,138,246	(164,118)	(226,487)	191	(10,588)	(45,148)	–	692,096
Total Resources Used to Finance Net Cost of Operations	355,308	8,526,603	1,686,447	(227)	18,286	(3,364)	–	10,583,053

(continued on next page)

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF FINANCING *(continued)*
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Allocations	Total
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:								
Components Requiring or Generating Resources in Future Periods:								
Increase in Annual Leave Liability	–	–	4,265	–	–	–	–	4,265
Upward/Downward Reestimates of Credit Subsidy Expense	(274,319)	–	–	–	–	–	–	(274,319)
Increase in Exchange Revenue Receivable from the Public	–	–	–	–	–	–	–	–
Total Components Requiring or Generating Resources in Future Periods	(274,319)	–	4,265	–	–	–	–	(270,054)
Components not Requiring or Generating Resources:								
Depreciation and Amortization	–	275	29,292	–	–	–	–	29,567
Revaluation of Assets or Liabilities	–	62	8,716	–	–	–	–	8,778
Other	–	(968)	(16)	–	–	3,364	–	2,380
Total Components not Requiring or Generating Resources	–	(631)	37,992	–	–	3,364	–	40,725
Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:	(274,319)	(631)	42,257	–	–	3,364	–	(229,329)
Net Cost of Operations	$ 80,989	$8,525,972	$1,728,704	$ (227)	$ 18,286	$ –	$ –	$ 10,353,724

INTRAGOVERNMENTAL ASSETS AND LIABILITIES

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: INTRAGOVERNMENTAL AMOUNTS
as of September 30, 2006
(Dollars in Thousands)

INTRAGOVERNMENTAL ASSETS:

Agency	Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Totals
Treasury	$19,333,383	$ –	$ 300	$ 19,333,683
Dept of Agriculture	–	294	3,741	4,035
Dept of Commerce	–	–	211	211
Dept of State	–	15	13,481	13,496
Other	–	(89)	7,142	7,052
Total	$19,333,383	$ 220	$ 24,874	$ 19,358,477

INTRAGOVERNMENTAL LIABILITIES:

Agency	Due to Treasury	Accounts Payable	Debt	Other	Totals
Treasury	$ 4,491,077	$ 2,442	$ 474,055	$ 24,790	$ 4,992,364
GSA	–	20,671	–	(3,932)	16,739
Dept of Agriculture	–	9,999	–	(1,451)	8,548
Dept of Labor	–	(2,814)	–	–	(2,814)
Dept of Health and Human Services	–	5,423	–	(39,173)	(33,750)
Other	–	26,354	–	62,416	88,770
Total	$ 4,491,077	$ 62,076	$ 474,055	$ 48,733	$ 5,069,859

INTRAGOVERNMENTAL EARNED REVENUES AND RELATED COSTS:

USAID's intragovernmental earned revenues are not greater than $500 million. As such, intragovernmental earned revenues and related costs by trading partner are not required to be reported.

STATEMENT OF BUDGETARY RESOURCES

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF BUDGETARY RESOURCES
For the period ended September 30, 2006
(Dollars in Thousands)

	Operating	Program							Credit-Financing	Other	Allocations to Other Agencies	Consolidated Total
	1000	**1010**	**1021**	**1029**	**1035**	**1037**	**1093**	**1095**				
Budgetary Resources												
Unobligated Balance, brought forward, October 1	$ 52,406	$ 71,857	$ 131,007	$ 34,314	$ 76,714	$1,503,532	$ 177,170	$ 193,107	$ 1,162,039	$ 773,850	$ 111,200	$ 4,287,196
Recoveries of prior year unpaid obligations	**26,103**	**9,103**	**25,812**	**105**	**20,632**	**141,595**	3,610	15,029	–	14,561	20,221	**276,771**
Budget Authority												
Appropriations	731,000	361,000	1,540,500	–	582,630	4,333,500	514,000	1,668,000	–	590,647	–	10,321,277
Borrowing Authority (Note 20)	–	–	–	–	–	–	–	–	52,026	–	–	52,026
Contract Authority	–	–	–	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections	–	–	–	–	–	–	–	–	–	–	–	–
Earned												
Collected	4,401	–	662	–	489	1,555	28	50	465,051	836,432	1,421	1,310,089
Change in Receivables from Federal Sources	–	–	–	–	–	–	–	–	–	–	3,620	3,620
Change in Unfilled Customer Orders												
Advance Received	–	–	–	–	–	–	–	–	–	–	–	–
Without Advance from Federal Sources	(492)	19	369	–	564	(390)	20	3,816	–	746	–	4,652
Anticipated for Rest of Year, Without Advances	–	–	–	–	–	–	–	–	–	–	–	–
Previously Unavailable	–	–	–	–	–	–	–	–	–	–	–	–
Expenditure Transfers from Trust Funds												
Subtotal	734,909	361,019	1,541,531	–	583,683	4,334,665	514,048	1,671,866	517,077	1,427,825	5,041	11,691,664
Nonexpenditure transfers, net, Anticipated and Actual	7,051	(113,090)	(10,545)	(18,188)	1,290	(410,417)	(151,408)	58,854	–	105,290	198,615	(332,548)
Temporarily not Available Pursuant to Public Law												
Permanently Not Available	(6,849)	(4,917)	(15,491)	–	(3,650)	(28,154)	(5,679)	(15,850)	–	(1,333,751)	–	(1,414,341)
Total Budgetary Resources	813,620	323,972	1,672,314	16,231	678,669	5,541,221	537,741	1,923,006	1,679,116	987,775	335,077	14,508,742
Status of Budgetary Resources:												
Obligations Incurred (Note 20):												
Direct	693,018	243,545	1,545,233	16,220	612,646	3,019,007	381,462	1,630,610	101,835	588,878	270,782	9,103,236
Reimbursible	3,910	19	1,031	–	1,053	1,165	48	3,866	–	59,184	15,255	85,531
Subtotal	696,928	243,564	1,546,264	16,220	613,699	3,020,173	381,510	1,634,476	101,835	648,062	286,037	9,188,767
Unobligated Balance:					–	–	–	–	–	–	–	–
Apportioned	116,692	80,048	123,651	11	64,465	2,517,973	156,230	285,923	1,577,281	339,519	46,663	5,308,457
Exempt from Apportionment					–	–	–	–	–	–	–	–
Subtotal	116,692	80,048	123,651	11	64,465	2,517,973	156,230	285,923	1,577,281	339,519	46,663	5,308,457
Unobligated Balance not Available	–	360	2,399	–	505	3,076	–	2,607	–	194	2,377	11,518
Total, Status of Budgetary Resources	813,620	323,972	1,672,314	16,231	678,669	5,541,221	537,741	1,923,006	1,679,116	987,775	335,077	14,508,742

(continued on next page)

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF BUDGETARY RESOURCES *(continued)*
For the period ended September 30, 2006

	Operating	Program							Credit-Financing	Other	Allocations to Other Agencies	Consolidated Total
	1000	1010	1021	1029	1035	1037	1093	1095				
Change in Obligated Balance:												
Obligated Balance, Net												
Unpaid Obligations, Brought Forward, October 1	190,808	253,496	2,485,772	433,894	630,834	3,617,339	550,399	1,969,487	3,288	151,474	3,527	10,290,318
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(4,180)	–	(279)	–	(489)	(390)	–	–	–	(5,968)	–	(11,306)
Total Unpaid Obligated Balance, Net	186,628	253,496	2,485,493	433,894	630,345	3,616,949	550,399	1,969,487	3,288	145,506	3,527	10,279,012
Obligations Incurred Net (+/-)	696,928	243,564	1,546,264	16,220	613,699	3,020,172	381,510	1,634,476	101,835	648,062	286,037	9,188,767
Less: Gross Outlays	(701,057)	(257,422)	(1,417,513)	(61,736)	(623,590)	(2,519,258)	(440,854)	(1,358,402)	(101,352)	(592,009)	(45,633)	(8,027,560)
Obligated Balance Transferred, Net												
Actual Transfers, Unpaid Obligations (+/-)	–	–	–	–	–	–	–	–	–	–	–	–
Actual Transfers, Uncollected Customer Payments from federal Sources, (+/-)	–	–	–	–	–	–	–	–	–	–	–	–
Total Unpaid Obligated Balance Transferred, Net	–	–	–	–	–	–	–	–	–	–	–	–
Less: Recoveries of Prior Year Unpaid obligations, actual	(26,103)	(9,103)	(25,812)	(105)	(20,632)	(141,595)	(3,610)	(15,029)	–	(14,561)	(20,221)	(276,771)
Change in Uncollected Customer Payments from Federal Sources (+/-)	492	(19)	(369)	–	(564)	390	(20)	(3,816)	–	(747)	(3,971)	(8,624)
Obligated Balance, Net, End of Period												
Unpaid Obligations	160,576	230,535	2,588,711	388,273	600,311	3,976,658	487,445	2,230,532	3,771	192,966	314,976	11,174,754
Less: Uncollected Customer Payments from Federal Sources	(3,688)	(19)	(648)	–	(1,053)	–	(20)	(3,816)	–	(6,715)	(3,971)	(19,930)
Total, Unpaid Obligated Balance, Net, End of Period	156,888	230,516	2,588,063	388,273	599,258	3,976,658	487,425	2,226,716	3,771	186,251	311,005	11,154,824
Net Outlays:												
Gross Outlays	701,057	257,422	1,417,513	61,736	623,590	2,519,258	440,854	1,358,402	101,352	592,009	(45,633)	8,027,560
Less: Offsetting Collections	(4,401)	–	(662)	–	(489)	(1,555)	(28)	(50)	(465,051)	(836,432)	–	(1,308,668)
Less: Offsetting Receipts	–	–	–	–	–	–	–	–	–	(41,784)	–	(41,784)
Net Outlays	$ 696,656	$ 257,422	$ 1,416,851	$ 61,736	$ 623,101	$2,517,703	$ 440,826	$ 1,358,352	$ (363,699)	$ (286,207)	$ (45,633)	$ 6,677,108

MAJOR FUNDS

Operating Funds

1000	Operating Expenses of USAID

Program Funds

1010	Special Assistance Initiatives
1021	Development Assistance
1029	Tsunami Relief and Reconstruction Fund
1035	International Disaster Assistance
1037	Economic Support Fund
1093	Assistance for the N.I.S. Of The Former Soviet Union
1095	Child Survival and Disease Programs Funds

CREDIT-FINANCING FUNDS

4119	Israel Guarantee Financing Fund
4137	Direct Loan Financing Fund
4266	DCA Financing Fund
4342	MSED Direct Loan Financing Fund
4343	MSED Guarantee Financing Fund
4344	UE Financing Fund
4345	Ukraine Financing Fund

OTHER FUNDS

Operating Funds

1007	Operating Expenses of USAID Inspector General
1036	Foreign Service Retirement and Disability Fund

Program Funds

1012	Sahel Development Program
1014	Africa Development Assistance
1023	Food and Nutrition Development Assistance
1024	Population and Planning & Health Dev. Asst.
1025	Education and Human Resources, Dev. Asst.
1027	Transition Initiatives
1028	Global Fund to Fight HIV / AIDS
1038	Central American Reconciliation Assistance
1040	Sub-Saharan Africa Disaster Assistance
1096	Latin American/Caribbean Disaster Recovery
1500	Demobilization and Transition Fund

Trust Funds

8342	Foreign Natl. Employees Separation Liability Fund
8502	Tech. Assist. - U.S. Dollars Advance from Foreign
8824	Gifts and Donations

OTHER FUNDS *(continued)*

Credit Program Funds

0400	MSED Program Fund
0401	UE Program Fund
0402	Ukraine Program Fund
1264	DCA Program Fund
4103	Economic Assistance Loans - Liquidating Fund
4340	UE Guarantee Liquidating Fund
4341	MSED Direct Loan Liquidating Fund
5318	Israel Admin Expense Fund

Revolving Funds

4175	Property Management Fund
4513	Working Capital Fund
4590	Acquisition of Property, Revolving Fund

ALLOCATIONS TO OTHER AGENCIES

1000	Operating Expenses of USAID
1010	Special Assistance Initiatives
1014	Africa Development Assistance
1021	Development Assistance
1027	Transition Initiatives
1032	Peacekeeping Operations
1035	International Disaster Assistance
1037	Economic Support Fund
1093	Assistance for the N.I.S. Of The Former Soviet Union
1095	Child Survival and Disease Programs Funds
1096	International Organizations + Programs
1500	Demobilization and Transition Fund

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