Department of Defense
US Army Corps of Engineers
CONSOLIDATED BALANCE SHEET
As of March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	$ 7,359,880,520.12	$ 5,067,042,425.41
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	59,397,399.03	115,746,899.46
2. Investments (Note 4)	3,386,524,792.23	2,968,008,176.07
3. Accounts Receivable (Note 5)	3,133,265,135.58	1,323,114,592.25
4. Other Assets (Note 6)	0.00	0.00
5. Total Intragovernmental Assets	$ 13,939,067,846.96	$ 9,473,912,093.19
B. Cash and Other Monetary Assets (Note 7)	$ 1,231,401.74	$ 1,093,742.59
C. Accounts Receivable (Note 5)	1,790,005,402.13	1,772,807,747.25
D. Loans Receivable (Note 8)	0.00	0.00
E. Inventory and Related Property (Note 9)	107,432,156.66	102,747,066.07
F. General Property, Plant and Equipment (Note 10)	26,894,274,205.33	26,990,298,703.38
G. Investments (Note 4)	0.00	0.00
H. Other Assets (Note 6)	49,395,994.62	0.00
2. TOTAL ASSETS	$ 42,781,407,007.44	$ 38,340,859,352.48
3. LIABILITIES (Note 11)		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	$ 493,811,950.41	$ 383,554,680.70
2. Debt (Note 13)	14,249,075.97	14,968,693.12
3. Other Liabilities (Note 15 & 16)	2,032,411,216.55	2,062,881,647.50
4. Total Intragovernmental Liabilities	$ 2,540,472,242.93	$ 2,461,405,021.32
B. Accounts Payable (Note 12)	$ 299,120,968.47	$ 272,796,273.29
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 17)	0.00	0.00
D. Environmental and Disposal Liabilities (Note 14)	618,000,000.00	0.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	570,612,487.57	533,474,499.15
4. TOTAL LIABILITIES	$ 4,028,205,698.97	$ 3,267,675,793.76
5. NET POSITION		
A. Unexpended Appropriations - Earmarked Funds (Note 23)	$ 0.00	$ 0.00
B. Unexpended Appropriations - Other Funds	7,377,864,179.75	3,951,517,260.02
C. Cumulative Results of Operations - Earmarked Funds	5,157,991,108.78	0.00
D. Cumulative Results of Operations - Other Funds	26,217,346,019.94	31,121,666,298.70
6. TOTAL NET POSITION	$ 38,753,201,308.47	$ 35,073,183,558.72
7. TOTAL LIABILITIES AND NET POSITION	$ 42,781,407,007.44	$ 38,340,859,352.48

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF NET COST
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
1. Program Costs		
A. Gross Costs	$ 5,592,877,442.85	$ 5,230,353,138.13
B. (Less: Earned Revenue)	(3,063,840,696.82)	(1,520,448,783.03)
C. Net Program Costs	$ 2,529,036,746.03	$ 3,709,904,355.10
2. Cost Not Assigned to Programs	0.00	0.00
3. (Less: Earned Revenue Not Attributable to Programs)	0.00	0.00
4. Net Cost of Operations	$ 2,529,036,746.03	$ 3,709,904,355.10

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	$ 30,806,396,602.98	$ 32,276,298,348.60
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	30,806,396,602.98	32,276,298,348.60
4. Budgetary Financing Sources:		
4.A. Appropriations received		
4.A.1 Earmarked funds	0.00	0.00
4.A.2 All other funds	0.00	0.00
4.B. Appropriations transferred-in/out (+/-)	0.00	0.00
4.C. Other adjustments (rescissions, etc.) (+/-)	0.00	0.00
4.D. Appropriations used		
4.D.1 Earmarked Funds	0.00	0.00
4.D.2 All other Funds	1,869,240,262.99	1,518,622,210.61
4.E. Nonexchange revenue		
4.E.1 Earmarked funds	851,287,052.20	0.00
4.E.2 All other funds	0.00	761,420,570.22
4.F. Donations and forfeitures of cash and cash equivalents		
4.F.1 Earmarked funds	0.00	0.00
4.F.2 All other funds	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	236,534,702.34	198,960,469.94
4.H. Other budgetary financing sources (+/-)		
4.H.1 Earmarked funds	0.00	0.00
4.H.2 All other funds	0.00	(42,944,124.36)
5. Other Financing Sources:		
5.A. Donations and forfeitures of property		
5.A.1 Earmarked funds	0.00	0.00
5.A.2 All other funds	6,134,327.03	112,000.00
5.B. Transfers-in/out without reimbursement (+/-)	248,129.23	(2,186,395.26)
5.C. Imputed financing from costs absorbed by others	134,532,797.98	120,899,244.63
5.D. Other (+/-)	0.00	388,329.42
6. Total Financing Sources		
6.A. Earmarked funds	855,699,512.54	0.00
6.B. All other funds	2,242,277,759.23	2,555,272,305.20
7. Net Cost of Operations (+/-)		
7.A. Earmarked funds	479,252,679.51	0.00
7.B. All other funds	2,049,784,066.52	3,709,904,355.10
8. Net Change		
8.A. Earmarked funds	376,446,833.03	0.00
8.B. All other funds	192,493,692.71	(1,154,632,049.90)
9. Ending Balances		
9.A. Earmarked funds	5,157,991,108.78	0.00
9.B. All other funds	26,217,346,019.94	31,121,666,298.70

Department of Defense

US Army Corps of Engineers

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
10. Total all funds	$ 31,375,337,128.72	$ 31,121,666,298.70

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
UNEXPENDED APPROPRIATIONS		
1. Beginning Balances	$ 1,005,843,072.74	$ 396,361,969.29
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	1,005,843,072.74	396,361,969.29
4. Budgetary Financing Sources:		
4.A. Appropriations received		
4.A.1 Earmarked funds	0.00	0.00
4.A.2 All other funds	8,292,549,000.00	5,087,590,000.00
4.B. Appropriations transferred-in/out (+/-)	2,542,370.00	24,103,000.00
4.C. Other adjustments (rescissions, etc) (+/-)	(53,830,000.00)	(37,915,498.66)
4.D. Appropriations used		
4.D.1 Earmarked Funds	0.00	0.00
4.D.2 All other Funds	(1,869,240,262.99)	(1,518,622,210.61)
4.E. Nonexchange revenue		
4.E.1 Earmarked funds	0.00	0.00
4.E.2 All other funds	0.00	0.00
4.F. Donations and forfeitures of cash and cash equivalents		
4.F.1 Earmarked funds	0.00	0.00
4.F.2 All other funds	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	0.00	0.00
4.H. Other budgetary financing sources (+/-)		
4.H.1 Earmarked funds	0.00	0.00
4.H.2 All other funds	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property		
5.A.1 Earmarked funds	0.00	0.00
5.A.2 All other funds	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	0.00
5.C. Imputed financing from costs absorbed by others	0.00	0.00
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources		
6.A. Earmarked funds	0.00	0.00
6.B. All other funds	6,372,021,107.01	3,555,155,290.73
7. Net Cost of Operations (+/-)		
7.A. Earmarked funds	0.00	0.00
7.B. All other funds		
8. Net Change		
8.A. Earmarked funds	0.00	0.00
8.B. All other funds	6,372,021,107.01	3,555,155,290.73
9. Ending Balances		
9.A. Earmarked funds	0.00	0.00
9.B. All other funds	7,377,864,179.75	3,951,517,260.02

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
10. Total all funds	$ 7,377,864,179.75	$ 3,951,517,260.02

Department of Defense
US Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

	2006 Combined	2005 Combined
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	$ 5,003,184,815.65	$ 1,693,280,555.92
2. Recoveries of prior year unpaid obligations	0.00	0.00
3. Budget authority		
3.A. Appropriation	9,315,933,872.10	6,054,927,089.64
3.B. Borrowing authority	0.00	0.00
3.C. Contract authority	0.00	0.00
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	3,889,826,115.39	2,871,115,896.90
3.D.1.b. Change in receivables from Federal sources	2,098,903,693.50	423,094,313.45
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	11,132,879.80	(11,453,487.89)
3.D.2.b. Without advance from Federal sources	(353,909,190.26)	27,105,988.11
3.D.3. Anticipated for rest of year, without advances	3,232,822,563.66	2,574,047,488.81
3.D.4. Previously unavailable	0.00	0.00
3.D.5. Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	18,194,709,934.19	11,938,837,289.02
4. Nonexpenditure transfers, net, anticipated and actual	(7,679,897.75)	297,728,504.18
5. Temporarily not available pursuant to Public Law	(10,000,000.00)	(10,000,000.00)
6. Permanently not available	(54,172,195.54)	(38,029,849.42)
7. Total Budgetary Resources	$ 23,126,042,656.55	$ 13,881,816,499.70

Department of Defense
US Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

	2006 Combined	2005 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	$ 3,513,021,039.77	$ 2,839,162,709.75
8.B. Reimbursable	6,712,328,253.29	3,543,632,763.32
8.C. Subtotal	10,225,349,293.06	6,382,795,473.07
9. Unobligated balance:		
9.A. Apportioned	8,838,553,635.11	4,159,994,204.26
9.B. Exempt from apportionment	4,062,081,446.81	3,338,960,950.27
9.C. Subtotal	12,900,635,081.92	7,498,955,154.53
10. Unobligated balance not available	58,281.57	65,872.10
11. Total status of budgetary resources	$ 23,126,042,656.55	$ 13,881,816,499.70
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	3,945,373,877.53	3,171,190,104.14
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	$ (5,449,985,294.23)	$ (2,132,514,813.27)
12.C. Total unpaid obligated balance	(1,504,611,416.70)	1,038,675,290.87
13. Obligations incurred net (+/-)	$ 10,225,349,293.06	$ 6,382,795,473.07
14. Less: Gross outlays	(8,569,816,632.49)	(5,976,370,990.35)
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	0.00	0.00
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	0.00	0.00
17. Change in uncollected customer payments from Federal sources (+/-)	(1,744,994,503.24)	(450,200,301.56)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	5,600,906,538.10	3,577,614,586.86
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	(7,194,979,797.47)	(2,582,715,114.83)
18.C. Total, unpaid obligated balance, net, end of period	(1,594,073,259.37)	994,899,472.03
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	8,569,816,632.49	5,976,370,990.35
19.B. Less: Offsetting collections	(3,900,958,995.19)	(2,859,662,409.01)
19.C. Less: Distributed Offsetting receipts	(895,898,928.56)	(810,800,734.93)
19.D. Net Outlays	$ 3,772,958,708.74	$ 2,305,907,846.41

Department of Defense
US Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

		2006 Combined	2005 Combined
NONBUDGETARY FINANCING ACCOUNTS			
BUDGETARY RESOURCES			
1.	Unobligated balance, brought forward, October 1	$ 0.00	$ 0.00
2.	Recoveries of prior year unpaid obligations	0.00	0.00
3.	Budget authority		
	3.A. Appropriation	0.00	0.00
	3.B. Borrowing authority	0.00	0.00
	3.C. Contract authority	0.00	0.00
	3.D. Spending authority from offsetting collections		
	3.D.1 Earned		
	3.D.1.a. Collected	0.00	0.00
	3.D.1.b. Change in receivables from Federal sources	0.00	0.00
	3.D.2 Change in unfilled customer orders		
	3.D.2.a. Advance received	0.00	0.00
	3.D.2.b. Without advance from Federal sources	0.00	0.00
	3.D.3 Anticipated for rest of year, without advances	0.00	0.00
	3.D.4 Previously unavailable	0.00	0.00
	3.D.5 Expenditure transfers from trust funds	0.00	0.00
	3.E. Subtotal	0.00	0.00
4.	Nonexpenditure transfers, net, anticipated and actual	0.00	0.00
5.	Temporarily not available pursuant to Public Law	0.00	0.00
6.	Permanently not available	0.00	0.00
7.	**Total Budgetary Resources**	$ 0.00	$ 0.00

Department of Defense
US Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended March 31, 2006 and 2005

	2006 Combined	2005 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	$ 0.00	$ 0.00
8.B. Reimbursable	0.00	0.00
8.C. Subtotal	0.00	0.00
9. Unobligated balance:		
9.A. Apportioned	0.00	0.00
9.B. Exempt from apportionment	0.00	0.00
9.C. Subtotal	0.00	0.00
10. Unobligated balance not available	0.00	0.00
11. Total Status of Budgetary Resources	$ 0.00	$ 0.00
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	0.00	0.00
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	$ 0.00	$ 0.00
12.C. Total unpaid obligated balance	0.00	0.00
13. Obligations incurred net (+/-)	$ 0.00	$ 0.00
14. Less: Gross outlays	0.00	0.00
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	0.00	0.00
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	0.00	0.00
17. Change in uncollected customer payments from Federal sources (+/-)	0.00	0.00
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	0.00	0.00
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	0.00	0.00
18.C. Total, unpaid obligated balance, net, end of period	0.00	0.00
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	0.00	0.00
19.B. Less: Offsetting collections	0.00	0.00
19.C. Less: Distributed Offsetting receipts	0.00	0.00
19.D. Net Outlays	$ 0.00	$ 0.00

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
1. Obligations incurred	$ 10,225,349,293.06	$ 6,382,795,473.07
2. Less: Spending authority from offsetting collections and recoveries (-)	(5,645,953,498.43)	(3,309,862,710.57)
3. Obligations net of offsetting collections and recoveries	4,579,395,794.63	3,072,932,762.50
4. Less: Offsetting receipts (-)	(895,898,928.56)	(810,800,734.93)
5. Net obligations	3,683,496,866.07	2,262,132,027.57
Other Resources		
6. Donations and forfeitures of property	6,134,327.03	112,000.00
7. Transfers in/out without reimbursement (+/-)	248,129.23	(2,186,395.26)
8. Imputed financing from costs absorbed by others	134,532,797.98	120,899,244.63
9. Other (+/-)	0.00	388,329.42
10. Net other resources used to finance activities	140,915,254.24	119,213,178.79
11. Total resources used to finance activities	$ 3,824,412,120.31	$ 2,381,345,206.36
Resources Used to Finance Items not Part of the Net Cost of Operations		
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
12a. Undelivered Orders (-)	(1,788,869,069.37)	(850,246,857.03)
12b. Unfilled Customer Orders	(342,776,310.46)	15,652,500.22
13. Resources that fund expenses recognized in prior periods	(31,910,853.11)	(48,130,455.31)
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	895,898,928.56	810,800,750.16
15. Resources that finance the acquisition of assets	(1,576,177.53)	(4,084,465.48)
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations		
16a. Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)	(10,000,000.00)	(10,000,000.00)
16b. Other (+/-)	(6,382,456.26)	2,074,395.26
17. Total resources used to finance items not part of the net cost of operations	$ (1,285,615,938.17)	$ (83,934,132.18)
18. Total resources used to finance the net cost of operations	$ 2,538,796,182.14	$ 2,297,411,074.18

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended March 31, 2006 and 2005

	2006 Consolidated	2005 Consolidated
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Period:		
19. Increase in annual leave liability	0.00	0.00
20. Increase in environmental and disposal liability	0.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	(751,514.62)	0.00
23. Other (+/-)	88,823,000.00	1,060,210.80
24. Total components of Net Cost of Operations that will require or generate resources in future periods	88,071,485.38	1,060,210.80
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	245,922,695.14	798,615,532.90
26. Revaluation of assets or liabilities (+/-)	(119,161,537.78)	846,707,915.87
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	417,958.84	154,001.59
27c. Operating Material & Supplies Used	0.00	0.00
27d. Other	(225,010,037.69)	(234,044,380.24)
28. Total components of Net Cost of Operations that will not require or generate resources	(97,830,921.49)	1,411,433,070.12
29. Total components of net cost of operations that will not require or generate resources in the current period	$ (9,759,436.11)	$ 1,412,493,280.92
30. Net Cost of Operations	$ 2,529,036,746.03	$ 3,709,904,355.10

Note 1. Significant Accounting Policies

1.A. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the U.S. Army Corps of Engineers (USACE) Civil Works, as required by the "Chief Financial Officers Act of 1990," expanded by the "Government Management Reform Act of 1994," and other appropriate legislation. The financial statements have been prepared from the books and records of the USACE in accordance with the "Department of Defense Financial Management Regulation (DoDFMR)," the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, and, to the extent possible, generally accepted accounting principles (Federal GAAP). The accompanying financial statements account for all resources for which the USACE is responsible. The USACE's financial statements are in addition to the financial reports also prepared by the USACE pursuant to OMB directives that are used to monitor and control the USACE's use of budgetary resources.

Based on the February 2006 Office of the Secretary of Defense, Comptroller approval of USACE readiness for a fiscal year (FY) 2006 audit, USACE believes all past material weaknesses have been corrected.

The USACE's financial statements are prepared from the consolidation of general ledger financial data reported from the Corps of Engineers Financial System (CEFMS) to the Corps of Engineers Enterprise Management Information System (CEEMIS).

A more detailed explanation of these financial statements elements is provided in the applicable footnote.

1.B. Mission of the Reporting Entity

Some of the missions of the USACE include maintaining navigation channels, reducing flooding, assisting during natural disasters and other emergencies, and making waterways passable. The financial statements are presented on the accrual basis of accounting as required by the Statement of Federal Financial Accounting Standards (SFFAS).

The asset accounts used to prepare the principal financial statements are categorized as entity/non-entity. Entity accounts consist of resources that the agency has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets that are held by an entity but are not available for use in the operations of the entity.

Entity Accounts:

General Funds

96X3112	Flood Control, Mississippi River and Tributaries
96X3121	General Investigations
96 3121	General Investigations (fiscal year)

96X3122	Construction, General
96X3123	Operation and Maintenance, General
96X3124	General Expenses
96X3125	Flood Control and Coastal Emergencies
96X3126	Regulatory Program
96X3128	Washington Aqueduct Capital Improvements
96 3129	Payment to the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund (fiscal year)
96X3130	FUSRAP, Formerly Utilized Sites Remedial Action Program
96 3132	Office of Assistant Secretary of the Army (Civil Works)
96X6094	Advances from the District of Columbia

Revolving Funds

96X4902	Revolving Fund

Special Funds

96X5007	Special Recreation Use Fees
96X5066	Hydraulic Mining in California, Debris
96X5090	Payments to States, Flood Control Act of 1954
96X5125	Maintenance and Operation of Dams and Other Improvements of Navigable Waters
96X5493	Fund for Non-Federal Use of Disposal Facilities

Trust Funds

96X8217	South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund
96X8333	Coastal Wetlands Restoration Trust Fund
96 20X8861	Inland Waterways Trust Fund
96X8862	Rivers and Harbors Contributed and Advance Funds
96 20X8863	Harbor Maintenance Trust Fund

Transfer Funds

96 12X1105	State and Private Forestry, Forest Service
96 14X1039	Construction, National Park Service
96 14X5035	Land Acquisition and State Assistance, National Park Service
96 14X5573	Permit Processing Fund, Bureau of Land Management
96 69X8083	Federal - Aid Highways (Liquidation of Contract Authorization), Federal Highways Administration
96 89X4045	Bonneville Power Administration Fund, Power Marketing Administration, Department of Energy

Non-Entity:

Deposit Funds

96X6500	Advances Without Orders from Non-Federal Sources
96X6501	Small Escrow Amounts

Clearing Accounts

96F3875	Budget Clearing Account
96F3880	Unavailable Check Cancellations and Overpayments
96F3885	Undistributed Intergovernmental Payments

Receipt Accounts

96 0891	Miscellaneous Fees for Regulatory and Judicial Services, Not Otherwise Classified
96 1060	Forfeitures of Unclaimed Money and Property
96 1099	Fines, Penalties, and Forfeitures Not Otherwise Classified
96 1299	Gifts to the United States, Not Otherwise Classified
96 1435	General Fund Proprietary Interest, Not Otherwise Classified
96 3220	General Fund Proprietary Receipts, Not Otherwise Classified, All Other
96 5005	Land and Water Conservation Fund
96 5007	Special Recreation Use Fees
96 5066	Hydraulic Mining in California
96 5090	Receipts from Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes
96 5125	Licenses under Federal Power Act, Improvements of Navigable Waters, Maintenance and Operation of Dams, etc., (50%)
96 5493	User Fees, Fund for Non-Federal Use of Disposal Facilities

Obsolete Accounts:

96 13X1450	96 67X0204	96X6134	96F3879	96 1210
96 14X2301	96 89X0224	96X6145	96F3886	96 1499
96 19 00 1082	96 20X8145	96X6275	96 0199	96 2413
96 46X0200	96X3930	96X6302	96 0869	96 2814
96 47X4542	96X6050	96X6999	96 1030	96 3102
96 72 00/01 1021	96X6075	96X8868	96 1040	96 3124

1.C. Appropriations and Funds

The USACE Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. Program funding also comes from non-Federal project sponsors who share in project costs according to formulas established by project authorization acts. A third source of funding comes through the Supports for Others Program, which is conducted under reimbursable agreements with Federal agencies.

The USACE Civil Works appropriations and funds are divided into the general, revolving, trust, special, deposit, and earmarked funds. These appropriations and funds are used to fund and report how the resources have been used in the course of executing the USACE missions.

General Funds are used for financial transactions arising under congressional appropriations, including personnel, operation and maintenance, research and development, procurement, and construction accounts.

Revolving Funds receive their initial working capital through an appropriation or a transfer of resources from existing appropriations or funds and use those capital resources to finance the initial cost of products and services. Financial resources to replenish the initial working capital and to permit continuing operations are generated by providing goods and services on a reimbursable basis. Receipts derived from operations generally are available in their entirety for use without further congressional action.

Trust Funds represent the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute.

Special Funds account for receipts of the government that are earmarked for a specific purpose.

Deposit Funds generally are used to (1) hold assets for which the USACE is acting as an agent, custodian, or whose distribution awaits legal determination, or (2) account for unidentified remittances.

Earmarked Funds are financed by specifically identified revenues, required by statute to be used for designated activities, benefits or purposes, and remain available over time. Earmarked funds also have a requirement to account for and report on the receipt, use and retention of revenues and other financing sources that distinguish it from general revenues.

In 1997, the USACE received borrowing authority from the Department of the Treasury for the three years 1997 through 1999 to finance capital improvements to the Washington Aqueduct. Appropriation 96X3128 was established to record financial transactions for these capital improvements.

1.D. Basis of Accounting

The USACE's financial transactions are generally recorded on an accrual accounting basis and a budgetary basis as is required by Federal GAAP. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds.

CEFMS is used at all divisions, districts, centers, laboratories, and field offices. CEFMS is a fully integrated, automated, and comprehensive financial management system that simplifies the management of all aspects of the USACE's business, including civil, military, revolving funds, and reimbursable activity. The general ledger chart of accounts in CEFMS is substantially compliant with the U.S. Government Standard General Ledger. In addition, the USACE identifies program costs based upon the major appropriation groups provided by Congress.

1.E. Revenues and Other Financing Sources

The USACE receives congressional appropriations as financing sources for general funds on either an annual or multi-year basis. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. The USACE recognizes revenue as a result of costs incurred or services provided to other Federal agencies and the public. Full cost pricing is the USACE's standard policy for services provided as required by OMB Circular A-25. The USACE recognizes revenue when earned.

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

1.F. Recognition of Expenses

For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. The USACE's expenditures for capital and other long-term assets are recognized as operating expenses based on depreciation. In the case of Operating Materials and Supplies (OM&S), operating expenses are recognized when consumed.

Certain expenses, such as annual and military leave earned but not taken, are financed in the period when earned.

1.G. Accounting for Intragovernmental Activities

Preparation of reliable financial statements requires the elimination of financial transactions occurring among entities within the DoD or between two or more federal agencies. The USACE is responsible for eliminating transactions between components and activities.

The Department of the Treasury, Financial Management Service (FMS), is responsible for eliminating transactions between the USACE and other federal agencies. The Treasury Financial Manual, Part 2 – Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government" and the Treasury's "Federal Intragovernmental Transactions Accounting Policy Guide," provide guidance for reporting and reconciling intragovernmental balances. The USACE implemented the policies and procedures related to reconciling intragovernmental assets, liabilities, revenues, and expenses for non-fiduciary transactions. The USACE's proportionate share of public debt and related expenses of the federal government are not included. The federal government does not apportion debt and its related costs to federal agencies. The USACE's financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

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

The USACE, as an agency of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to the USACE as though the agency were a stand-alone entity.

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

The DoD reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Fund (MRF) financial statements. The DoD recognizes the actuarial liability for the military retirement health benefits in the Other Defense Organization General Fund column of the DoD Agency-wide consolidating/combining statements.

1.H. Transactions with Foreign Governments and International Organizations

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

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

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

In addition, the DFAS sites and the UFC submit reports to the Department of the Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The Department of the Treasury records this information to the applicable Funds Balance with Treasury (FBWT) account. Differences between the USACE's recorded balance in the FBWT accounts and the Department of the Treasury's FBWT accounts sometimes result and are subsequently reconciled. Material disclosures are provided at Note 3.

1.J. <u>Foreign Currency</u>

Cash is the total of cash resources under the control of the USACE, which includes coin, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. Foreign currency consists of the total U.S. dollar equivalent of both purchased and nonpurchased foreign currencies held in foreign currency fund accounts.

The majority of cash and foreign currency is classified as nonentity and, therefore, is restricted. Amounts reported consist primarily of cash and foreign currency held by Disbursing Officers to carry out their paying, collecting, and foreign currency accommodation exchange missions. Cash seized during Operation Iraqi Freedom is restricted for use to assist the Iraqi people and support the restoration of Iraq.

The USACE conducts operations overseas. Foreign Currency fluctuations require adjustment to the original obligation amount at the time of payment. These currency fluctuations are not separately identified.

1.K. <u>Accounts Receivable</u>

As presented in the Balance Sheet, accounts receivable includes accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. The USACE does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against other federal agencies are to be resolved between the agencies (per Code of Federal Regulations 4 CFR 101). Material disclosures are provided at Note 5.

The USACE bases the estimate of uncollectible accounts receivable from the public on the cumulative balance of delinquent public receivables aged in accordance with current USACE policy. The calculation and financial transaction update are performed automatically in CEFMS.

1.L. <u>Direct Loans and Loan Guarantees</u>

Not applicable.

1.M. <u>Inventories and Related Property</u>

Inventories are reported at approximate historical cost based on a moving weighted average that is based on actual cost divided by quantity. A perpetual record of inventory is maintained in CEFMS to allow for recomputation of the average unit cost as new receipts are recorded.

Related property includes operating materials and supplies (OM&S). The OM&S are valued at net realizable value. For the most part, the USACE is using the consumption method of accounting for OM&S, as defined in the SFFAS No. 3, “Accounting for Inventory and Related Property”, as material that has not been issued to the end user. Once OM&S is issued, the material and/or supplies are expensed.

Inventory available and purchased for resale includes consumable spare and repair parts and repairable items owned and managed by the USACE. Work in process balances include costs related to the production or servicing of items, including direct material, direct labor, applied overhead and other direct costs. Work in process also includes the value of finished products or completed services pending the submission of bills to the customer. The work in process designation may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of material ordered buy not delivered.

Material disclosures are provided at Note 9.

1.N. Investments in U.S. Treasury Securities

The USACE reports investments in the U.S. Treasury securities at cost, net of amortized premiums or discounts. Premiums or discounts amortize into interest income over the term of the investment using the effective interest rate method or another method obtaining similar results. The USACE’s intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. Consequently, a provision is not made for unrealized gains or losses on these securities.

Amounts reported reflect the value of investments in the South Dakota Terrestrial Wildlife Habitat Restoration, Inland Waterways, and Harbor Maintenance Trust Fund accounts, which are managed by the Department of the Treasury.

Material disclosures are provided at Note 4.

1.O. General Property, Plant and Equipment

The USACE Civil Works General Property, Plant, and Equipment (PP&E) is capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years and the acquisition cost exceeds $25,000. One exception is all buildings and structures related to hydro-power projects are capitalized regardless of cost. During FY 2003, the USACE increased its buildings and structures threshold from $0 to $25,000 for all Civil Works appropriations with the exception of Revolving Fund and USACE hydro-power related assets. Beginning in FY 2004, all Civil Works buildings and structures under $25,000 are expensed except for hydro-power assets.

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

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

Material disclosures are provided at Note 10.

1.P. <u>Advances and Prepayments</u>

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

1.Q. <u>Leases</u>

Lease payments for the rental of equipment and operating facilities are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease), the USACE records the applicable asset and liability if the value equals or exceeds the current capitalization threshold. The capitalization threshold for Civil Works assets is $25,000. The USACE records the amounts as the lesser of the present value of the rental and other lease payments during the lease term (excluding portions representing executory costs paid to the lessor) or the asset's fair market value. The discount rate for the present value calculation is either the lessor's implicit interest rate or the governmental's incremental borrowing rate at the inception of the lease. The USACE, as the lessee, receives the use and possession of leased property, for example real estate or equipment, from a lessor in exchange for a payment of funds. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are charged to expense over the lease term as it becomes payable.

1.R. <u>Other Assets</u>

The USACE conducts business with commercial contractors under two primary types of contracts: fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, the USACE provides financing payments. One type of financing payment that the USACE makes for real property is based upon a percentage of completion. In accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities," such payments are treated as construction in process and are reported on the General PP&E line on the Balance Sheet and at Note 10.

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

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

1.S. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation", defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The USACE recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

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

Other liabilities arise as a result of anticipated disposal costs for the USACE's assets. This type of liability has two components: nonenvironmental and environmental. Consistent with SFFAS No.6, "Accounting for Property, Plant, and Equipment," recognition of an anticipated environmental disposal liability begins when the asset is placed in service.

1.T. Accrued Leave

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

1.U. Net Position

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

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

1.V. Treaties for Use of Foreign Bases

Not applicable.

1.W. Comparative Data

Financial statement fluctuations greater than two percent of total assets on the Balance Sheet or 10 percent from the previous period presented are explained within the notes to the financial statements.

1.X. Unexpended Obligations

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

1.Y. Undistributed Disbursements and Collections

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to a specific obligation, payable, or receivable in the activity field records as opposed to those reported by the Department of the Treasury. These amounts should agree with the undistributed amounts reported on the departmental accounting reports.

The DoD policy is to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of federal and nonfederal accounts payable and accounts receivable. Unsupported undistributed disbursements are recorded in accounts payable. Unsupported undistributed collections are recorded in other liabilities. The USACE does not follow this procedure. All undistributed disbursements and collections for the USACE are unrecorded Intragovernmental Payment and Collection (IPAC) transactions. These transactions are all federal.

Note 2.	Nonentity Assets

As of March 31	2006	2005
1. Intragovernmental Assets		
A. Fund Balance with Treasury	$ 59,397,399.03	$ 115,746,899.46
B. Accounts Receivable	972.00	222,804.50
C. Total Intragovernmental Assets	$ 59,398,371.03	$ 115,969,703.96
2. Nonfederal Assets		
A. Cash and Other Monetary Assets	$ 1,231,401.74	$ 1,093,742.59
B. Accounts Receivable	1,764,957,769.60	1,724,262,792.30
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	$ 1,766,189,171.34	$ 1,725,356,534.89
3. Total Nonentity Assets	$ 1,825,587,542.37	$ 1,841,326,238.85
4. Total Entity Assets	$ 40,955,819,465.07	$ 36,499,533,113.63
5. Total Assets	$ 42,781,407,007.44	$ 38,340,859,352.48

Fluctuations

Fund Balance with Treasury decreased by $56.3 million (49 percent). The fluctuation is due to a policy change effective December 2005. Transfer funds of $53.1 million had previously been recorded with a nonentity, transfer funds attribute. Per Defense Finance and Accounting Services Audited Financial Statement Guidance Attachment 20A, transfer funds are now recorded with an entity, appropriated funds – child transfer attribute.

Nonentity Intragovernmental Accounts Receivable decreased by $221.8 thousand (99 percent) due to the collection of a prior year accounts receivable from the Naval Facilities Engineering for usage of a dredge on Craney Island.

Cash and Other Monetary Assets increased by $137.7 thousand (13 percent). The increase is due to an increase in travel advances issued. Employees assigned to debris cleanup from Hurricane Katrina were issued travel advances for temporary duty beginning in August 2005 and continuing through March 2006. These employees do not have Government issued credit cards for travel and were issued cash advances. The advances are recorded in the Disbursing Officer's accountability.

Other Information

Asset accounts are categorized either as entity or nonentity. Entity accounts consist of resources that the agency has authority to use, or when management is legally obligated to use funds to meet entity obligations. Nonentity assets are assets that are held by an entity, but are not available for use in the operations of the entity.

Intragovernmental Nonentity Fund Balance with Treasury consists of amounts collected into deposit and suspense accounts.

Cash and Other Monetary Assets is comprised of $4.3 thousand in change funds for recreation cashiers, $574.1 thousand in Disbursing Officer’s cash, and $653.0 thousand in foreign currency, as listed at Note 7.

Nonentity-Nonfederal Accounts Receivable represents all current and noncurrent receivables due from nonfederal sources. This includes $863.2 million in long-term receivables due from state and local municipalities for water storage contracts, $30.6 million in current receivables due from state and local municipalities for water storage, $872.9 million in accrued interest receivable, $455.8 thousand in penalties, fines and administrative fees receivable, $1.2 million in long-term receivables for hydraulic mining, and $1.7 million for other miscellaneous receivables. An additional $699.0 thousand represents the amount due from the leasing of land acquired for flood control purposes. Nonentity Accounts Receivables are recorded in unavailable receipt accounts and funds will be returned to the Department of the. Treasury when collected. The allowance for doubtful accounts totals $5.8 million for Nonentity Nonfederal Accounts Receivables.

Note Reference

For Additional Line Item discussion, see:

Note 3, Funds Balance with Treasury
Note 4, Investments
Note 5, Accounts Receivable
Note 7, Cash and Other Monetary Assets
Note 9, Inventory and Related Property
Note 10, General PP&E, Net

Note 3. Fund Balance with Treasury

As of March 31		2006		2005
1. Fund Balances				
A. Appropriated Funds	$	5,891,509,738.05	$	3,900,671,407.25
B. Revolving Funds		897,910,971.19		701,613,820.11
C. Trust Funds		84,137,341.49		76,273,400.36
D. Special Funds		5,392,140.23		7,203,380.72
E. Other Fund Types		540,327,728.19		497,027,316.43
F. Total Fund Balances	$	7,419,277,919.15	$	5,182,789,324.87
2. Fund Balances Per Treasury Versus Agency				
A. Fund Balance per Treasury	$	7,340,112,312.48	$	5,110,223,033.73
B. Fund Balance per USACE		7,419,277,919.15		5,182,789,324.87
3. Reconciling Amount	$	(79,165,606.67)	$	(72,566,291.14)

Fluctuations

Appropriated Funds. Appropriated Funds increased by $2.0 billion (51 percent). The U.S. Corps of Engineers (USACE) Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. The USACE received additional funding of $2.0 billion during 2nd Quarter, FY 2006, for Flood Control and Coastal Emergencies due to the unprecedented hurricane season in 2005.

Revolving Funds. Revolving Funds increased by $196.3 million (28 percent). The increase is also attributed to an unprecedented hurricane season in 2005, which halted activities that were to be funded through Revolving Funds overhead and shop/facility accounts. This resulted in a large surplus of cash in Revolving Funds.

Trust Funds. Trust Funds increased by $7.9 million (10 percent). The increase is from the Bureau of Public Debt's (BPD) trial balance and financial statements for the Harbor Maintenance and Inland Waterways Trust Funds. The USACE incorporates the BPD's trial balance and financial statements into its financial statements. The USACE is the lead agency for reporting these Trust Funds. The BPD performs the investment activity for these Trust Funds. They had not invested all available cash as of the end of 2nd Quarter, FY 2006.

Special Funds. Special Funds decreased by $1.8 million (25 percent). During 1st Quarter, FY 2005, the USACE received a retroactive adjustment for FY 2004 of $2.8 million in receipts from leases of land required for flood control and navigation. This retroactive adjustment affected the cash balance the entire FY 2005. During 1st Quarter, FY 2006, the USACE received an increase of $1.0 million in funding for Maintenance and Operations of Dams and Other Improvements of Navigable Waters. This resulted in a net decrease between FY 2006 and FY 2005.

Reconciling Amount

The Reconciling Amount for Fund Balances per the USACE includes $79.2 million in cash reported by the Department of the Treasury for Inland Waterways and Harbor Maintenance Trust Funds, for which the USACE is identified as the lead agency for reporting.

Other Information

Appropriated Funds includes net disbursements for undistributed Intragovernmental Payment and Collection (IPAC) transactions of ($4.0) million. These were distributed to the appropriate funds during April 2006.

Other Fund Types (nonentity) consist of $10.9 million in deposit and $48.5 million in receipt accounts that are not available to finance the USACE activities. Other Fund Types (entity) consists of $4.0 thousand in borrowing authority, $465.8 million in contributed funds, and $15.1 million in the suspense account established to finance Washington Aqueduct operations and are available to finance the USACE activities.

Entity accounts consist of resources that the agency has the authority to use, or when management is legally obligated to use funds to meet entity obligations. Nonentity accounts are assets that are held by an entity, but are not available for use in the operation of the entity.

The Fund Balance with Treasury (FBWT) line does not include any amounts for which the Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 1, "Accounting for Selected Assets and Liabilities."

Note Reference

Reference

See Note Disclosure 1.I. - Significant Accounting Policies for additional discussion on financial reporting requirements and Department of Defense policies governing Funds with the Department of the Treasury.

See Note 2 for Entity/Nonentity Accounts.

Status of Fund Balance with Treasury

As of March 31	2006	2005
1. Unobligated Balance		
A. Available	$ 10,777,743,581.92	$ 4,924,907,665.72
B. Unavailable	1,440,544,766.30	65,872.10
2. Obligated Balance not yet Disbursed	$ 5,600,906,538.10	$ 136,174,791.77
3. Nonbudgetary FBWT	$ 88,956,390.82	$ 0.00
4. NonFBWT Budgetary Accounts	$ (10,488,873,357.99)	$ 0.00
5. Total	$ 7,419,277,919.15	$ 5,061,148,329.59

Fluctuations

Unobligated Balance Available. The Unobligated Balance Available increased $5.9 billion (119 percent). The USACE Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. The USACE received additional funding of $2.0 billion during 1st Quarter, FY 2006, for Flood Control and Coastal Emergencies due to an unprecedented hurricane season during 2005. There was also an increase of $2.2 billion for reimbursable orders in conjunction with the hurricane relief efforts at the USACE New Orleans and Mobile Districts. The increase also includes $1.7 billion in anticipated resources for programs exempt from apportionment resulting from corrections to the Corps of Engineers Financial Management System (CEFMS) general ledger correlation for the Revolving Funds. This entry was not programmed in CEFMS in 2nd Quarter, FY 2005.

Unobligated Balance Unavailable. The Unobligated Balance Unavailable increased $1.4 billion (100 percent). There was an increase of $2.9 billion due to footnote format changes that were previously reported as Obligated Balance not yet Disbursed. There was a decrease of $1.5 billion due to Revolving Fund correlations that were updated during 4th Quarter FY 2005 to include anticipated collections from Federal sources. The CEFMS general ledger correlations for the Revolving Funds were corrected. This entry was not programmed in CEFMS in 2nd Quarter, FY 2005.

Obligated Balance not yet Disbursed. The Obligated Balance not yet Disbursed increased $5.5 billion (4,013 percent). Due to an unprecedented hurricane season during 2005, the USACE received an increase in appropriated funds and customer orders to perform numerous missions to support those affected by the hurricanes. Obligations of $1.5 billion have been incurred for hurricane efforts, but not yet disbursed. The USACE is the Federal Emergency Management Agency's emergency support function for engineering. There was also a $3.4 billion increase resulting from footnote format changes. The associated accounts were reported on this line during 2nd Quarter, FY 2005.

NonBudgetary FBWT. The NonBudgetary FBWT increased $89.0 million (100 percent). The increase is a result of footnote format changes. This amount was previously disclosed as a reconciling item before being added to the note schedule.

NonFBWT Budgetary Accounts. The NonFBWT Budgetary Accounts increased $10.5 billion (100 percent). The increase is a result of footnote format changes.

Differences

Line 1.F. of the Fund Balance with Treasury schedule agrees with Line 5. of the Status of Fund Balance with Treasury schedule.

Definitions

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

Unobligated Balance represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Unobligated Balance is classified as available or unavailable and is associated with appropriations expiring at fiscal year end that remain available only for obligation adjustments until the account is closed.

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

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

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

Restricted Unobligated Unavailable Balances

The USACE is the lead agency for reporting the financial data for the Inland Waterways Trust Fund, Harbor Maintenance Trust Fund, and the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund. The BPD maintains the investments and the investment accounting records and invests the trust fund receipts. The BPD transfers funds to the individual trust funds as funds are needed. The total Restricted Unobligated Unavailable Balance for trust funds is $2.9 billion.

Disclosures Related to Suspense/Budget Clearing Accounts

As of March 31	2004	2005	2006	(Decrease)/ Increase from FY 2005 - 2006
Account				
F3875 – Disbursing Officer Suspense	$ 647,037.87	$ 582,205.81	$ 550,825.27	$ (31,380.54)
F3880 – Lost or Cancelled Treasury Checks	(22.00)	0.00	0.00	0.00
F3882 – Uniformed Services Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
F3885 – Interfund/IPAC Suspense	0.00	(28,374,436.24)	(4,030,629.79)	24,343,806.45
F3886 – Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
Total	$ 647,015.87	$ (27,792,230.43)	$ (3,479,804.52)	$ 24,312,425.91

Fluctuations

96F3885. The Suspense/Budget Clearing Account 96F3885 decreased $24.3 million (86 percent). The decrease is due to Intragovernmental Payment and Collection (IPAC) transactions being posted to the proper appropriation.

Abnormalities

The Suspense/Budget Clearing Account 96F3885 has an abnormal balance due to IPAC net disbursements.

Review

The F3885 suspense clearing account represents the primary source of the overall negative balance. Account F3885, that includes the Interfund/IPAC suspense, reported a negative balance of ($4.0 million). Account F3875 reported a positive balance of $550.0 thousand. These two suspense accounts temporarily hold collections or disbursements until they can be assigned or identified to the proper appropriation.

Disclosures Related to Problem Disbursements and In-Transit Disbursements

As of March 31	2004	2005	2006	(Decrease)/ Increase from FY 2005 to 2006
1. Total Problem Disbursements, Absolute Value				
A. Unmatched Disbursements (UMDs)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
B. Negative Unliquidated Obligations (NULO)	0.00	0.00	0.00	0.00
2. Total In-transit Disbursements, Net	$ 0.00	$ 0.00	$ 0.00	$ 0.00

The USACE does not have Problem Disbursements and In-transit Disbursements.

Note 4. Investments and Related Interest

As of March 31	2006				
	Par Value / Cost	Amortization Method	Unamortized (Premium) / Discount	Investments, Net	Market Value Disclosure
1. Intragovernmental Securities					
A. Nonmarketable, Market-Based	$ 3,310,807,156.52	Level Yield Calculation	$ 58,241,746.65	$ 3,369,048,903.17	$ 3,306,256,464.07
B. Accrued Interest	17,475,889.06			17,475,889.06	17,475,889.06
C. Total Intragovernmental Securities	$ 3,328,283,045.58		$ 58,241,746.65	$ 3,386,524,792.23	$ 3,323,732,353.13
2. Other Investments					
A. Total Investments	$ 0.00		$ 0.00	$ 0.00	N/A

As of March 31	2005				
	Par Value / Cost	Amortization Method	Unamortized (Premium) / Discount	Investments, Net	Market Value Disclosure
3. Intragovernmental Securities					
A. Nonmarketable, Market-Based	$ 2,864,405,327.28	Level Yield Calculation	$ 89,070,484.58	$ 2,953,475,811.86	$ 3,014,880,833.07
B. Accrued Interest	14,532,364.21			14,532,364.21	14,532,364.21
C. Total Intragovernmental Securities	$ 2,878,937,691.49		$ 89,070,484.58	$ 2,968,008,176.07	$ 3,029,413,197.28
4. Other Investments					
A. Total Investments	$ 0.00		$ 0.00	$ 0.00	N/A

Fluctuations

Non-Marketable, Market Based Intragovernmental Securities: The overall increase of $415.6 million (14 percent) is due to several factors. There is an increase in tax revenues in Harbor Maintenance and Inland Waterways Trust Funds and an increase in interest on investments (cash) for Harbor Maintenance, Inland Waterways and South Dakota Terrestrial Wildlife Habitat Restoration Trust Funds. Tax revenues are from imports, exports, domestics, excise, foreign trade and passengers. The tax revenues are invested by the Department of the Treasury and reported on the Bureau of Public Debt's (BPD) financial statements for Harbor Maintenance and Inland Waterways Trust Funds. Harbor Maintenance Trust Fund reports an increase in investments of $464.7 million compared to 2nd Quarter, FY 2005. The increase in investments is due to an increase in volume for taxes on imports and foreign trade. South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund is reporting a $12.8 million increase in investments for 2nd Quarter, FY 2006, compared to 2nd Quarter, FY 2005. The increase is due to the Department of the Treasury investing the funds collected in notes and bonds instead of one-day certificates. Inland Waterways Trust Fund is reporting a decrease in investments of $61.9 million for 2nd Quarter, FY 2006. The decrease is caused by budget authority transferred by the Department of the Treasury to the Inland Waterways Trust Fund expenditure account. The funds are transferred from invested balances and are based upon weekly estimates needed to cover expenditures. As funds are withdrawn, investment accounts decrease.

Accrued Interest: The increase of $2.9 million (20 percent) in accrued interest on investments is due to an increase in investments through tax collections and customs duties on imports and foreign trade from the Harbor Maintenance Trust Funds. The taxes and customs duties are collected by the Department of the Treasury for the U. S. Army Corp of Engineers' (USACE) Trust Funds, recorded on a cash basis, and is strictly a point-of-service collection. Inland Waterways Trust Fund collects excise taxes and Harbor Maintenance Trust Fund collects customs duties. Harbor Maintenance Trust Fund has an increase of $3.7 million and South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund is reporting an increase of $184.8 thousand. The increase in the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund account is due to a policy change where the Department of the Treasury invests its funds in notes and bonds instead of one-day certificates. The policy change occurred in February, 2005. Inland Waterways Trust Fund is reporting a decrease of $911.3 thousand in their interest income receivable. Funds are withdrawn to transfer budget authority in order to cover expenditures. Withdrawals result in fewer investments available to accrue interest in the Inland Waterways Trust Fund.

Total Intragovernmental Securities: The net increase of $418.5 million (14 percent) in intragovernmental securities, investments and interest, is a result of tax revenues collected and invested until funds are needed for support of operations.

Other Disclosures

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds: Harbor Maintenance Trust Fund, Inland Waterways Trust Fund, and South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund. The cash receipts collected from the public for an earmarked fund are deposited in the Department of the Treasury, which uses the cash for general Government purposes. The Department of the Treasury securities are issued to the USACE as evidence of its receipts. The Department of the Treasury securities are an asset to the USACE and a liability to the Department of the Treasury. Because the USACE and the Department of the Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U. S. Governmentwide financial statements. The Department of the Treasury securities provide the USACE with authority to draw upon the Department of the Treasury to make future benefit payments or other expenditures. When the USACE requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Investments for the Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration Trust Funds are reported by the Department of the Treasury and are included in the USACE's financial statements. Investments include $315.2 million in one-day certificates and $3.1 billion in bonds and notes. Total investment amounts include $311.7 million in the Inland Waterways Trust Fund, $3.0 billion in the Harbor Maintenance Trust Fund, and $87.7 million in the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund.

Investments are held until maturity. As funds are needed to sustain operations, withdrawals are made from the one-day certificate investment account for Inland Waterways and Harbor Maintenance Trust Funds. The investment policy changed for South Dakota Terrestrial Wildlife Habitat Restoration Trust Funds in February, 2005. Funds are no longer invested in one-day certificates, for the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund, but are invested in notes and bonds. Provisions are not made for unrealized gains or losses on these securities. The Trust Funds use the same method that conforms to the prevailing practice in the financial community to determine the amortized book value of investments currently held and the related effective interest yield on investments. These calculated yields agree with yields published in the security tables of the Department of the Treasury's securities. These types of investments are recorded at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment. Investment decisions for these funds are made by the managing entity, in this case, the Department of the Treasury.

The Department of the Treasury also provides the investment market value based on the bid price provided by the Federal Reserve Bank of New York on March 31, 2006.

Note Reference

See Note Disclosure 1.N., Investments in the Department of the Treasury for additional DoD policies governing Investments in U.S. Treasury Securities.

Note 5. Accounts Receivable

As of March 31	2006			2005
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intragovernmental Receivables	$ 3,133,265,135.58	N/A	$ 3,133,265,135.58	$ 1,323,114,592.25
2. Nonfederal Receivables (From the Public)	$ 1,795,777,165.01	$ (5,771,762.88)	$ 1,790,005,402.13	$ 1,772,807,747.25
3. Total Accounts Receivable	$ 4,929,042,300.59	$ (5,771,762.88)	$ 4,923,270,537.71	$ 3,095,922,339.50

Fluctuations

The increase of $1.8 billion (137 percent) in intragovernmental receivables is attributed to the increase of $1.7 billion in reimbursable work with the Department of Homeland Security. The majority of these receivables are due from Federal Emergency Management Agency (FEMA) for support of hurricane relief efforts in Mississippi, Louisiana, and Texas.

The $1.3 billion in open receivables in 2nd Qtr, FY 2005 included receivables from FEMA in support of the four hurricanes that struck Florida in the fall of 2004. At year-end FY 2005, the majority of those receivables had been collected and the balance was reduced to $613 million. The balance outstanding at yearend was collected in 1st Qtr and 2nd Qtr, FY 2006. USACE has new receivables of $3.1 billion in FY 2006. These new receivables are predominantly from FEMA and are associated with disaster relief efforts for Hurricanes Katrina and Rita at New Orleans, Vicksburg and Galveston Districts.

Other Information

The method of calculating the allowance for estimated uncollectibles is based on the cumulative balance of delinquent public receivables aged in accordance with current U. S. Army Corps of Engineers (USACE) policy. The calculation is performed automatically in the Corps of Engineers Financial Management System (CEFMS).

The Code of Federal Regulations (4CFR 101) prohibits the write-off of receivables from another federal agency. As such, no allowance for estimated uncollectible amounts is recognized for these receivables.

The USACE was able to reconcile its accounts receivable balances with the accounts payable balances of its intragovernmental trading partners. No material differences were identified.

Accounts Receivable Aging

AGED ACCOUNTS RECEIVABLE GROUPS		
CATEGORY	Intragovernmental	Nonfederal
Nondelinquent		
Current	$ 1,730,073,201.72	$ 74,001,555.55
Noncurrent		$ 1,633,327,019.32
Delinquent		
1 to 30 days	$ 309,646,951.55	$ 1,877,059.28
31 to 60 days	$ 468,478,484.85	$ 2,082,275.71
61 to 90 days	$ 465,531,163.31	$ 1,239,861.92
91 to 180 days	$ 149,527,725.40	$ 13,945,154.79
181 days to 1 year	$ 3,088,330.86	$ 914,179.09
Greater than 1 year and less than or equal to 2 years	$ 3,225,215.44	$ 18,307,841.84
Greater than 2 years and less than or equal to 6 years	$ 3,683,022.13	$ 42,162,501.20
Greater than 6 years and less than or equal to 10 years	$ 11,040.32	$ 7,919,716.31
Greater than 10 years		
Subtotal		
Less Supported Undistributed Collections		
Less Eliminations		
Less Other		
Total	$ 3,133,265,135.58	$ 1,795,777,165.01

The amount of Public Receivables on the Treasury Report on Receivables Due from the Public agrees with the balance of public receivables reported on the balance sheet.

Intragovernmental Receivables Over 180 Days

The amount of intragovernmental receivables over 180 days old is $10.2 million versus $11.8 million this time last year. The reduction is attributed to increased concentrated efforts to clear delinquent receivables. The total Intragovernmental accounts receivables delinquent is $1.4 billion. Of the $1.4 billion delinquent, $1.3 billion is due from FEMA, mostly resulting from the receivables associated with Hurricanes Katrina and Rita. The Coast Guard and the Environmental Protection Agency have delinquent receivables totaling $10.9 million, of which $8.8 million is related to the Oil Pollution Act. We are continuing to evaluate and improve the effectiveness of the Intragovernmental Payment and Collections process and implement improvements to these processes.

Public Receivables Over 180 Days

The amount of public receivables over 180 days old is $69.3 million. Receivables with the public include $55.3 million in accrued interest on receivables over 180 days old associated with the current portion due on long-term water storage contracts. Of the total receivables over 180 days old, $41.1 million is owed by the Commonwealth of Puerto Rico on a 50 year contract for the Cerrillos Dam water storage. Additionally, $13.3 million is owed by the Oklahoma Water Resources Board for water storage space.

Note 6. Other Assets

As of March 31	2006	2005
1. Intragovernmental Other Assets		
A. Advances and Prepayments	$ 0.00	$ 0.00
B. Total Intragovernmental Other Assets	$ 0.00	$ 0.00
2. Nonfederal Other Assets		
A. Outstanding Contract Financing Payments	$ 0.00	$ 0.00
B. Other Assets (With the Public)	49,395,994.62	0.00
C. Total Nonfederal Other Assets	$ 49,395,994.62	$ 0.00
3. Total Other Assets	$ 49,395,994.62	$ 0.00

Fluctuations

Other Assets (With the Public): The increase of $49.4 million (100 percent) is attributable to reporting the costs associated with Fish and Wildlife mitigation studies as intangible assets when related to the power marketing agencies. Based on comments from the Department of Defense, Office of the Inspector General, the U. S. Army Corps of Engineers (USACE) should be consistent with the methodology used by the Bonneville Power Administration (BPA) to account for costs involving fish mitigation studies since the Federal Columbia River Power System combines the accounts of the BPA and the USACE. Therefore, the costs are reported in U. S. Government Standard General Ledger 1990 – Other Assets. This accounting method became effective the 2nd Quarter, FY 2006.

Other Information

Other Assets (With the Public) consists of amounts attributable to the cost of Fish and Wildlife mitigation studies related to the power marketing agencies. At the completion of each study, the USACE will determine if a tangible asset will be constructed as a direct result of the study. If so, the USACE will hold the cost in Construction-In-Progress until the construction is complete. If not, the USACE will place in service the cost of the study as an intangible asset.

Note 7. Cash and Other Monetary Assets

As of March 31	2006	2005
1. Cash	$ 578,380.50	$ 417,186.68
2. Foreign Currency	653,021.24	676,555.91
3. Total Cash, Foreign Currency, & Other Monetary Assets	$ 1,231,401.74	$ 1,093,742.59

Definitions

Cash – The total of cash resources under the control of the U. S. Army Corps of Engineers (USACE), which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use should include petty cash funds and cash held in revolving funds which will not be transferred into the U.S. Government General Fund.

Foreign Currency – consists of the total U.S. dollar equivalent of purchased foreign currencies held in foreign currency fund accounts. Non-purchased foreign currency is limited to the Treasury Index 97X7000 fund account (formerly called FT accounts).

Other Monetary Assets – includes gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. This category is principally for use by the Department of the Treasury.

Other USACE Disclosures – Cash consists of $574.1 thousand in Disbursing Officer's Cash and $4.3 thousand in change funds for recreation cashiers. There are no restrictions on cash or foreign currency. There are no significant effects from changes in the foreign currency exchange rate.

The USACE translates foreign currency to U.S. dollars utilizing the Department of the Treasury Prevailing Rate of Exchange. This rate is the most favorable rate that would legally be available to the U. S. Government's acquisition of foreign currency for its official disbursements and accommodation of exchange transactions. The USACE maintains a balance of Japanese yen, Euro dollars, and Korean won for disbursements made at Japan, Europe, and Far-East Districts.

Fluctuations

The increase in cash of $161.2 thousand (39 percent) is due to an increase in travel advances issued. Employees assigned to debris cleanup from Hurricane Katrina were issued travel advances for temporary duty beginning in August 2005 and continuing through March 2006. These employees do not have Government issued credit cards for travel and were issued cash advances. The advances are recorded in the Disbursing Officer's accountability.

Note Reference

See Note Disclosure 1. J. - Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Foreign Currency.

Note 8. Direct Loan and/or Loan Guarantee Programs

As of March 31

Direct Loan and/or Loan Guarantee Programs The entity operates the following direct loan and/or Loan guarantee program(s)

Military Housing Privatization Initiative
Armament Retooling & Manufacturing Support Initiative

US Army Corps of Engineers

Direct Loans Obligated After FY 1991

As of March 31	2006	2005
Loan Programs		
1. Military Housing Privatization Initiative		
A. Loans Receivable Gross	$ 0.00	$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Direct Loans	$ 0.00	$ 0.00
2. Total Loans Receivable	$ 0.00	$ 0.00

Total Amount of Direct Loans Disbursed

As of March 31		2006	2005
Direct Loan Programs			
1.	Military Housing Privatization Initiative	$ 0.00	$ 0.00
2.	**Total**	$ 0.00	$ 0.00

US Army Corps of Engineers

Subsidy Expense for Post FY 1991 Direct Loan

As of March 31

2006	Interest Differential	Defaults	Fees	Other	Total
1. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

2005	Interest Differential	Defaults	Fees	Other	Total
2. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

2005	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

	2006	2005
5. Total Direct Loan Subsidy Expense:		
Military Housing Privatization Initiative	$ 0.00	$ 0.00

Subsidy Rate for Direct Loans

As of March 31	Interest Differential	Defaults	Fees and other Collections	Other	Total
Direct Loan Programs					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule for Reconciling Subsidy Cost Allowance Balances for Post 1991 Direct Loans

As of March 31	2006	2005
1. Beginning Balance of the Subsidy Cost Allowance	$ 0.00	$ 0.00
2. Add: Subsidy Expense for Direct Loans Disbursed during the Reporting Years by Component		
A. Interest Rate Differential Costs	$ 0.00	$ 0.00
B. Default Costs (Net of Recoveries)	0.00	0.00
C. Fees and Other Collections	0.00	0.00
D. Other Subsidy Costs	0.00	0.00
E. Total of the above Subsidy Expense Components	$ 0.00	$ 0.00
3. Adjustments		
A. Loan Modifications	$ 0.00	$ 0.00
B. Fees Received	0.00	0.00
C. Foreclosed Property Acquired	0.00	0.00
D. Loans Written Off	0.00	0.00
E. Subsidy Allowance Amortization	0.00	0.00
F. Other	0.00	0.00
G. Total of the above Adjustment Components	$ 0.00	$ 0.00
4. Ending Balance of the Subsidy Cost Allowance before Re-estimates	$ 0.00	$ 0.00
5. Add or Subtract Subsidy Re-estimates by Component		
A. Interest Rate Re-estimate	$ 0.00	$ 0.00
B. Technical/Default Reestimate	0.00	0.00
C. Total of the above Reestimate Components	$ 0.00	$ 0.00
6. Ending Balance of the Subsidy Cost Allowance	$ 0.00	$ 0.00

Defaulted Guaranteed Loans from Post FY 1991 Guarantees

As of March 31	2006	2005
Loan Guarantee Program(s)		
1. Military Housing Privatization Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	$ 0.00	$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	$ 0.00	$ 0.00
2. Armament Retooling & Manufacturing Support Initiative		
A. Defaulted Guaranteed Loans Receivable, Gross	$ 0.00	$ 0.00
B. Interest Receivable	0.00	0.00
C. Foreclosed Property	0.00	0.00
D. Allowance for Subsidy Cost (Present Value)	0.00	0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	$ 0.00	$ 0.00
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	$ 0.00	$ 0.00

Guaranteed Loans Outstanding

As of March 31	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding		
1. Military Housing Privatization Initiative	$ 0.00	$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	$ 0.00	$ 0.00
3. Total	$ 0.00	$ 0.00
2006		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	$ 0.00	$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	$ 0.00	$ 0.00
3. Total	$ 0.00	$ 0.00
2005		
New Guaranteed Loans Disbursed		
1. Military Housing Privatization Initiative	$ 0.00	$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	$ 0.00	$ 0.00
3. Total	$ 0.00	$ 0.00

Liabilities for Post FY 1991 Loan Guarantees, Present Value

As of March 31	2006	2005
Loan Guarantee Program(s)		
1. Military Housing Privatization Initiative	$ 0.00	$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
3. Total	$ 0.00	$ 0.00

Subsidy Expense for Post FY 1991 Loan Guarantees

As of March 31

2006	Interest Differential	Defaults	Fees	Other	Total
1. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

2005	Interest Differential	Defaults	Fees	Other	Total
2. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0.00	0.00
Total	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Modifications and Reestimates:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0	$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0	0.00
Total	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

2005	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Modifications and Reestimates:					
Military Housing Privatization Initiative	$ 0.00	$ 0.00	$ 0.00	$ 0	$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00	0.00	0	0.00
Total	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

	2006	2005
5. Total Loan Guarantee:		
Military Housing Privatization Initiative	$ 0.00	$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00
Total	$ 0.00	$ 0.00

Subsidy Rates for Loan Guarantees

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

US Army Corps of Engineers

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

As of March 31	2006	2005
1. Beginning Balance of the Loan Guarantee Liability	$ 0.00	$ 0.00
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component		
A. Interest Supplement Costs	$ 0.00	$ 0.00
B. Default Costs (Net of Recoveries)	0.00	0.00
C. Fees and Other Collections	0.00	0.00
D. Other Subsidy Costs	0.00	0.00
E. Total of the above Subsidy Expense Components	$ 0.00	$ 0.00
3. Adjustments		
A. Loan Guarantee Modifications	$ 0.00	$ 0.00
B. Fees Received	0.00	0.00
C. Interest Supplements Paid	0.00	0.00
D. Foreclosed Property and Loans Acquired	0.00	0.00
E. Claim Payments to Lenders	0.00	0.00
F. Interest Accumulation on the Liability Balance	0.00	0.00
G. Other	0.00	0.00
H. Total of the above Adjustments	$ 0.00	$ 0.00
4. Ending Balance of the Loan Guarantee Liability before Reestimates	$ 0.00	$ 0.00
5. Add or Subtract Subsidy Reestimates by Component		
A. Interest Rate Reestimate	0.00	0.00
B. Technical/default Reestimate	0.00	0.00
C. Total of the above Reestimate Components	$ 0.00	$ 0.00
6. Ending Balance of the Loan Guarantee Liability	$ 0.00	$ 0.00

Administrative Expenses

Note 9. Inventory and Related Property

As of March 31	2006	2005
1. Inventory, Net	$ 107,350,006.99	$ 102,506,753.31
2. Operating Materials & Supplies, Net	82,149.67	240,312.76
3. Stockpile Materials, Net	0.00	0.00
4. Total	$ 107,432,156.66	$ 102,747,066.07

Inventory, Net

As of March 31	2006						2005		
		Inventory, Gross Value		Revaluation Allowance	Inventory, Net		Inventory, Net	Valuation Method
1. Inventory Categories									
A. Available and Purchased for Resale	$	99,898,589.40	$	(39,640.12)	99,858,949.28	$	92,546,097.93	MAC
B. Held for Repair		0.00		0.00	0.00		0.00	MAC
C. Excess, Obsolete, and Unserviceable		0.00		0.00	0.00		0.00	MAC
D. Raw Materials		0.00		0.00	0.00		0.00	MAC
E. Work in Process		7,491,057.71		0.00	7,491,057.71		9,960,655.38	MAC
F. Total	$	107,389,647.11	$	(39,640.12)	107,350,006.99	$	102,506,753.31	

Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses
SP = Standard Price
AC = Actual Cost
NRV = Net Realizable Value
O = Other
MAC = Moving Average Cost

Fluctuations

Work in Process. Work in Process (WIP) decreased $2.5 million (25 percent). The U.S. Army Corps of Engineers (USACE) New Orleans District determined that spare gates should not be held in inventory. These were transferred from WIP to expense in April 2005 in the amount of $1.6 million. There was also a net decrease of $900 thousand in casting concrete mattresses at the USACE New Orleans and Vicksburg Districts due to transfers to Available and Purchased for Resale.

Restrictions of Inventory Use, Sale, or Disposition

There are no restrictions on inventory. Inventory may be sold to foreign, state and local governments, private parties, and contractors in accordance with current policies and guidance or at the direction of the U.S. President.

Definitions of Inventory Gross Value, Revaluation Allowance and Inventory, Net Columns

Column 1, Inventory Gross Value represents the standard value used for inventory transactions in the financial system. Column 2, Revaluation Allowance, is the total difference between standard inventory values and historical cost. Column 3, Inventory, Net is approximate historical cost.

Other Information

General Composition of Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. Inventory Held for Current Sale is that expected to be sold in the normal course of operations. WIP includes associated labor, applied overhead and supplies used in the delivery of services.

The inventory data reported on the financial statements is derived from the Corps of Engineers Financial Management System (CEFMS). CEFMS is a comprehensive system that is designed to capture and maintain historical cost data necessary to fully comply with the Statement of Federal Financial Accounting Standards No. 3, "Accounting for Inventory and Related Property."

The inventory valuation method is based on a moving weighted average based on actual cost divided by quantity. A perpetual record of inventory is maintained to allow for recomputation of the average unit cost as new receipts are recorded. There is no change from the prior year's accounting method.

Inventory Available and Purchased for Resale includes material maintained because they are not readily available in the market and because there is more than a remote chance they will eventually be required. The relevant cost associated with maintaining the available inventory and the time required to replenish the inventory are the criteria used in determining the assigned category. There are no changes to the prior year's criteria.

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

Note Reference

See Note Disclosure 1. M. **–** Significant Accounting Policies for additional discussion on financial reporting requirements and Department of Defense (DoD) policies governing Inventory and Related Property.

Operating Materials and Supplies, Net

As of March 31	2006			2005	
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net	Valuation Method
1. OM&S Categories					
A. Held for Use	$ 82,149.67	$ 0.00	$ 82,149.67	$ 240,312.76	NRV
B. Held for Repair	0.00	0.00	0.00	0.00	NRV
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00	NRV
D. Total	$ 82,149.67	$ 0.00	$ 82,149.67	$ 240,312.76	

Legend for Valuation Methods:

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

Fluctuations

Held for Use. Held for Use decreased $158.1 thousand (66 percent) due to the reduction of the metered mail account at the USACE Fort Worth District. The Fort Worth District is the lead agency in the area for the Consolidated Administrative Services Unit and provides mail metering services on a reimbursable basis. The metered mail account decreased because General Services Administration no longer uses the mail metering services and there is not a need to maintain the previous level in the account.

General Composition of Operating Materials and Supplies

Operating Materials and Supplies (OM&S) includes miscellaneous office supplies and metered mail.

Other Information

The valuation method is based on net realizable value. There is no change from the prior year's accounting method. There are no restrictions on OM&S. The relevant cost associated with maintaining the available operating materials and supplies, as well as the time required to replenish the operating materials and supplies, are the criteria used in determining the assigned category. There are no changes to the prior year's criteria.

For regulatory discussion on OM&S, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 101108.

Note Reference

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

Stockpile Materials, Net

As of March 31	2006			2005	
	Stockpile Materials Amount	Allowance for Gains (Losses)	Stockpile Materials, Net	Stockpile Materials, Net	Valuation Method
1. Stockpile Materials Categories					
A. Held for Sale	$ 0.00	$ 0.00	$ 0.00	$ 0.00	AC, LCM
B. Held in Reserve for Future Sale	0.00	0.00	0.00	0.00	AC, LCM
C. Total	$ 0.00	$ 0.00	$ 0.00	$ 0.00	

Legend for Valuation Methods:

LAC = Latest Acquisition Cost
SP = Standard Price
AC = Actual Cost
NRV = Net Realizable Value
LCM = Lower of Cost or Market
O = Other

Note 10. General PP&E, Net

As of March 31	2006					2005
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
1. Major Asset Classes						
A. Land	N/A	N/A	$ 8,920,355,826.10	N/A	$ 8,920,355,826.10	$ 8,815,331,184.13
B. Buildings, Structures, and Facilities	S/L	20 Or 40	27,214,714,532.79	$ (12,809,336,390.27)	14,405,378,142.52	14,740,417,147.58
C. Leasehold Improvements	S/L	lease term	27,241,982.74	(15,455,892.05)	11,786,090.69	13,606,209.74
D. Software	S/L	2-5 Or 10	82,776,365.48	(51,561,378.75)	31,214,986.73	44,414,425.60
E. General Equipment	S/L	5 or 10	1,296,831,620.94	(636,495,695.39)	660,335,925.55	615,605,211.20
F. Military Equipment	S/L	Various	0.00	0.00	0.00	0.00
G. Assets Under Capital Lease	S/L	lease term	0.00	0.00	0.00	0.00
H. Construction-in-Progress	N/A	N/A	2,831,754,473.19	N/A	2,831,754,473.19	2,717,149,004.14
I. Other			33,449,236.31	(475.76)	33,448,760.55	43,775,520.99
J. Total General PP&E			$ 40,407,124,037.55	$ (13,512,849,832.22)	$ 26,894,274,205.33	$ 26,990,298,703.38

[1] Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

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

General PP&E – Significant Amount of Assets

A cumulative total of $2.6 billion of intangible assets has been reclassified as land. These assets are comprised of relocation and administrative cost associated with the acquisition of land in conjunction with hydro-power projects. Costs were originally classified as intangible assets in order to comply with Federal Energy Regulatory Commission (FERC) guidelines on cost recovery. However, the decision was made that these costs were improperly classified in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, “Accounting for Property, Plant and Equipment,” as they were part of the initial acquisition cost of the land and should have been classified as such. We have also made a reversing entry for current year amortization in our statements to properly reflect the effect of the transfer into land where accumulated depreciation is inappropriate. Supporting documentation for approximately $17.3 billion of the $26.8 billion recorded in the Property, Plant, and Equipment (PP&E) line is being supported by alternate methods as agreed upon by the Inspector General, Department of Defense and the U.S. Army Corps of Engineers (USACE) in a June 9, 2004 Memorandum of Agreement.

The service life for the USACE’s multiple purpose project assets is derived from guidance provided by the FERC based on industry standards. The Power Marketing Administration (PMA) related assets make up $7.6 billion of the book value of the USACE’s PP&E.

The USACE currently operates and maintains 75 hydroelectric power plants, generating about 24 percent of America's hydroelectric power. All power generated by these 75 hydroelectric power plants is transmitted to PMA for distribution to customers across the region. Each fiscal year, the USACE prepares a "Statement of Expenses" broken down by plant, district, and region and provides this information to the PMAs to assist in their Power Repayment Study. The PMAs then collect power receipts (revenues) from customers and return the receipts to the Department of the Treasury.

The USACE's policy requires all capital improvements to real property, occupied but not owned by the USACE, with a useful life of two or more years and cost of $25 thousand or more to be capitalized as leasehold improvements.

In the USACE's FY 2006 Construction-in-Progress (CIP) account, $151 million of the $2.8 billion (5 percent) is attributable to a dormant project formally known as the "Elk Creek Lake Project" located at the USACE Portland District. The project, which was authorized by the 1962 Flood Control Act, was originally authorized to perform the purpose of Flood Control. In 1971, construction began on the project but after completing only 33 percent of its design height, the project was shut down due to a court-ordered injunction. Additional analysis under the National Environmental Policy Act (NEPA) is required to remove the injunction. To date, the environmental concerns have not been resolved and the project is sitting in a hold status until such time these issues are resolved. Therefore, the USACE will continue to carry the construction costs of the "Elk Creek Lake Project" in the CIP account until a final decision is made concerning the outcome of the project.

Due to the severity of Hurricanes Katrina and Rita, the USACE conducted a 100 percent review of all real and personal property assets within the affected areas. As a result of this review, the USACE found that three real property assets with a net book value of $153.1 thousand were destroyed and retired. Five personal property assets and sixty-six real property assets were damaged with an estimated repair cost of over $16.4 million. All repairs are either currently on-going or scheduled during FY 2006. In addition, two real property assets with a net book value of over $9.5 million are still under investigation to determine the extent of the damages and the estimated cost of repairs.

Heritage Assets

The USACE administers the Lake Superior Marine Museum as part of the Operations and Maintenance Mission of the Detroit District. This museum has gone inadvertently unreported in previous submittals on the USACE Heritage Assets.

We have one major collection managed by the Headquarters, USACE Office of History. The collection consists of historical memorabilia and historic artifacts and records.

Other than multipurpose heritage assets, heritage assets are not material to the mission of the USACE.

Heritage assets classified as Land are special land plots containing archaeological sites as listed on the National Register of Historic Places or eligible to be listed.

Heritage assets on display are assumed to be in adequate condition for display purposes, consistent with their origins, unless otherwise noted. Reported heritage assets are free of material conditions that are counter to safeguarding, adequately protecting, and properly managing those assets; they have not materially degraded while under the care of the USACE. The existence of most of the un-categorized heritage assets is informally known to be adequate for display purposes, however, the condition of many un-categorized assets are unknown.

Cemeteries and Archeological Sites are archeological properties listed on, or eligible for, the National Register of Historic Places. These archeological assets cover almost the entire range of human occupation of the Continental United States beginning with the Kennewick Man Discovery Site in Washington State, dating to approximately 10,000 years before present, to archeological remains of early European-American settlements such as Fort Independence in Georgia.

Buildings and Structures include a range of historic resources from a covered bridge in Sacramento District to early farming structures in Savannah District. It also includes some non-traditional structures such as a snag boat that operated on the Mississippi River.

The USACE currently does not have any land classified as Stewardship Land.

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

Fluctuations

Line 1C – The decrease of $1.8 million (13 percent) in net book value of Leasehold Improvements is due to depreciation expense for Government Accountability Office (GAO) Building Construction at Humphrey's Engineering Center Support Activity (HECSA).

Line 1D – The decrease of $13.2 million (30 percent) in net book value of software is due to the accumulated amortization of $13 million for the P2 software at Headquarters, U.S. Army Corps of Engineers.

Line 1I - Other: Other assets consist of assets awaiting disposal. The decrease of $10.3 million (24 percent) is largely due to the disposal of retired equipment at Philadelphia district for $2.1 million; disposal of a retired lab at Louisville district for $3 million; and the disposal of a swim beach, boat ramps and fishing piers at Savannah district for $2.5 million. The remainder of $2.7 million is made up of smaller disposals throughout the USACE.

Note Reference

See Note Disclosure 1.O. - Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Accounting for General Property, Plant and Equipment.

Assets Under Capital Lease

As of March 31	2006	2005
1. Entity as Lessee, Assets Under Capital Lease		
A. Land and Buildings	$ 0.00	$ 0.00
B. Equipment	0.00	0.00
C. Accumulated Amortization	0.00	0.00
D. Total Capital Leases	$ 0.00	$ 0.00

Note 11. Liabilities Not Covered by Budgetary Resources

As of March 31	2006	2005
1. Intragovernmental Liabilities		
A. Accounts Payable	$ 0.00	$ 0.00
B. Debt	13,909,211.93	14,611,353.81
C. Other	2,011,777,309.34	1,964,340,175.97
D. Total Intragovernmental Liabilities	$ 2,025,686,521.27	$ 1,978,951,529.78
2. Nonfederal Liabilities		
A. Accounts Payable	$ 0.00	$ 0.00
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	0.00	0.00
C. Environmental Liabilities	618,000,000.00	0.00
D. Other Liabilities	4,779,327.50	8,669,898.77
E. Total Nonfederal Liabilities	$ 622,779,327.50	$ 8,669,898.77
3. Total Liabilities Not Covered by Budgetary Resources	$ 2,648,465,848.77	$ 1,987,621,428.55
4. Total Liabilities Covered by Budgetary Resources	$ 1,379,739,850.20	$ 1,280,054,365.21
5. Total Liabilities	$ 4,028,205,698.97	$ 3,267,675,793.76

Fluctuations

Nonfederal Liabilities – Environmental Liabilities: The increase of $618.0 million (100 percent) is attributed to the recognition of future contingent liabilities for the Formerly Utilized Sites Remedial Action Program. The liability amounts were not known prior to the 4th Quarter, FY 2005.

Nonfederal Liabilities – Other Liabilities: The decrease of $3.9 million (45 percent) is attributed to unfunded liabilities for contracts with continuation clauses. The amount for the unfunded liability is recorded in the general ledger when a receiving report is entered in the Corps of Engineers Financial Management System (CEFMS), but the obligation is not recorded at this time. When funds become available, the actual receiving report and obligation are entered in CEFMS and the initial receiving report with no obligation is reversed. More contracts with continuation clauses were recorded in the 2nd Quarter, FY 2005 than the 2nd Quarter, FY 2006. The U.S. Army Corps of Engineers (USACE) implemented a policy change in FY 2005 requiring approval from Headquarters before awarding a contract with continuation clauses which resulted in a decrease in these contracts and related liability of $3.9 million. The USACE has implemented and tightened controls on the use of continuing contracts. The USACE utilizes these controls to limit Government exposure. Additionally, the USACE developed specific execution guidance to control and manage the implementation of continuing contracts, consistent with law and prudent fiscal policy, and to carry out the Civil Works program accordingly.

Other Information

Intragovernmental Liabilities – Other includes Workmen's Compensation liabilities under the Federal Employees Compensation Act (FECA) totaling $37.5 million, offsetting custodial liability to accounts receivable totaling $1.8 billion, and Judgment Fund liabilities-Contract Dispute Act (CDA) totaling $161.8 million. The FECA liability will not be funded until FY 2007. The custodial liability is for amounts that will be deposited in the General Fund of the Department of the Treasury when collected and are primarily related to water storage contracts. The USACE is seeking supplemental funding for the CDA liability.

The Actuarial Liability for FECA is not included. The Department of Labor is unable to furnish a figure for FECA actuarial liability specific to the USACE Civil Works.

Nonfederal Liabilities – Other includes $4.8 million for contracts with continuation clauses.

Total Liabilities Covered by Budgetary Resources: Intragovernmental - Accounts Payable, $493.9 million; Debt, $339.9 thousand; and Other (Employer Contributions, FECA, Unearned Revenue-Advances, Deposit Fund, and Clearing Accounts), $20.6 million. Nonfederal – Accounts Payable, $299.1 million; and Other (Contract Holdbacks, Unearned Revenue-Advances, Deposit Fund, and Clearing Accounts), $565.8 million.

Note Reference

For additional line item discussion, see:
Note 8, Direct Loans and/or Loan Guarantee Programs
Note 12, Accounts Payable
Note 13, Debt
Note 14, Environmental Restoration (Cleanup) Liabilities and Environmental Disposal Liabilities
Note 15, Other Liabilities
Note 16, Commitments and Contingencies
Note 17, Military Retirement Benefits and Other Employment-Related Actuarial Liabilities

Note 12.	Accounts Payable

As of March 31	2006			2005
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	$ 493,811,950.41	$ N/A	$ 493,811,950.41	$ 383,554,680.70
2. Nonfederal Payables (to the Public)	299,120,968.47	0.00	299,120,968.47	272,796,273.29
3. Total	$ 792,932,918.88	$ 0.00	$ 792,932,918.88	$ 656,350,953.99

Fluctuations

Intragovernmental Payables increased $110.3 million (29 percent). The U.S. Army Corps of Engineers (USACE) recorded an adjustment to reduce Federal accounts payable by $101.6 million for unprocessed Intragovernmental Payment and Collection (IPAC) transactions in the 2nd Quarter, FY 2005. This adjustment was done as a method to 1) reflect statement of difference for collections and disbursements and 2) reflect the disbursement that had occurred at Treasury. There were IPAC transactions received on the last day of the month and this created a statement of difference between USACE and the Department of the Treasury. There was not sufficient time to post the payable in the financial system before month-end. During the 3rd Quarter, FY 2005, the USACE posted the IPAC transactions to the proper appropriations. Since this event we have implemented procedures to reject any payments or collections on the last five days of the month in accordance with negotiated trading partner agreements

Nonfederal Payables (to the Public): This amount increased $26.3 million (10 percent) mainly due to the establishment of public contracts for hurricane debris cleanup efforts and temporary roof repair in the USACE Vicksburg and Mobile Districts. The increase in Nonfederal Payables due to the hurricane cleanup efforts was initially reported in the 1st Quarter, FY 2006.

Other Information

Intragovernmental Accounts Payable consists of amounts owed to other Federal agencies for goods or services ordered and received, but not yet paid. Interest, penalties, and administrative fees are not applicable to intragovernmental payables.

The USACE has no known delinquent accounts payable; therefore, no amount is reported for interest, penalties, and administrative fees. For the period ending March 31, 2006, the USACE paid $894.0 thousand in interest from Civil Works appropriations on payments subject to the Prompt Payment Act.

The USACE was able to reconcile its accounts payable balance with the accounts receivable balances of its intra-departmental (Department of Defense) trading partners. No material reconciling differences were identified.

Note Reference

See Note Disclosure 1.G. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing accounting for Intragovernmental Activities.

Note 13. Debt

As of March 31	2006 Beginning Balance	2006 Net Borrowing	2006 Ending Balance	2005 Net Borrowing	2005 Ending Balance
1. Agency Debt (Intragovernmental)					
A. Debt to the Treasury	$ 14,599,792.61	$ (350,716.64)	$ 14,249,075.97	$ (397,977.12)	$ 14,968,693.12
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00	0.00
C. Total Agency Debt	$ 14,599,792.61	$ (350,716.64)	$ 14,249,075.97	$ (397,977.12)	$ 14,968,693.12
2. Total Debt	$ 14,599,792.61	$ (350,716.64)	$ 14,249,075.97	$ (397,977.12)	$ 14,968,693.12

Other Disclosures

During fiscal years 1997, 1998, and 1999, the USACE executed three promissory notes totaling $75 million with the Department of the Treasury. Funds provided were used for capital improvements to the Washington Aqueduct. Arlington County, the city of Falls Church, Virginia, and the District of Columbia provide funding to repay the debt. The District of Columbia repaid the remaining portion of their debt in FY 2004. Actual cumulative drawdown of the funds has been made from the Department of the Treasury in the amount of $74.9 million. There were no drawdowns of funds from the Department of the Treasury for 2nd Quarter, FY 2006.

Accrued Interest Payable as of March 31, 2006	+	Principle Repayments FY06	=	Net Borrowings FY06
$8.5 thousand		$342.2 thousand		$350.7 thousand

Total cumulative principal repayments as of March 31, 2006, are $62.3 million.

Note Reference

See Note Disclosure 1.G. – Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Accounting for Intragovernmental Activities, Public Debt.

See Note 20 for further discussion on the Washington Aqueduct project.

Note 14. Environmental Liabilities and Disposal Liabilities

As of March 31	2006			2005
	Current Liability	Noncurrent Liability	Total	Total
1. Environmental Liabilities-- Nonfederal				
A. Accrued Environmental Restoration Liabilities				
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2. Active Installations—Military Munitions Response Program (MMRP)	0.00	0.00	0.00	0.00
3. Formerly Used Defense Sites—IRP and BD/DR	0.00	0.00	0.00	0.00
4. Formerly Used Defense Sites--MMRP	0.00	0.00	0.00	0.00
B. Other Accrued Environmental Liabilities—Active Installations				
1. Environmental Corrective Action	0.00	0.00	0.00	0.00
2. Environmental Closure Requirements	0.00	0.00	0.00	0.00
3. Environmental Response at Operational Ranges	0.00	0.00	0.00	0.00
4. Other	0.00	618,000,000.00	618,000,000.00	0.00
C. Base Realignment and Closure (BRAC)				
1. Installation Restoration Program	0.00	0.00	0.00	0.00
2. Military Munitions Response Program	0.00	0.00	0.00	0.00
3. Environmental Corrective Action / Closure Requirements	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00
D. Environmental Disposal for Weapons Systems Programs				
1. Nuclear Powered Aircraft Carriers	0.00	0.00	0.00	0.00
2. Nuclear Powered Submarines	0.00	0.00	0.00	0.00
3. Other Nuclear Powered Ships	0.00	0.00	0.00	0.00
4. Other National Defense Weapons Systems	0.00	0.00	0.00	0.00
5. Chemical Weapons Disposal Program	0.00	0.00	0.00	0.00
6. Other	0.00	0.00	0.00	0.00
2. Total Environmental Liabilities	$ 0.00	$ 618,000,000.00	$ 618,000,000.00	$ 0.00

Others Category Disclosure Comparative Table

(Amounts in thousands)	**(Current FY)**	**(Prior FY)**
Other Accrued Environmental Costs - Other		
The environmental liability in line 1.B. 4 is reported for the Formerly Used Sites Remedial Action Program, which was established to respond to radiological contamination from early U.S. atomic energy and weapons program. See Other Disclosures.	$618,000,000.00	$0.00
Total	**618,000.000.00**	**618,000,000.00**

Fluctuations

Other Accrued Environmental Costs (Other) increased by $618.0 million (100 percent) due to the fact that the amount of liability for future contingent liabilities for the Formerly Utilized Sites Remedial Action Program was unknown until 4th quarter, FY 2005. The liability was first recorded at that time.

Other Disclosures

The USACE is responsible for the Formerly Utilized Sites Remedial Action Program (FUSRAP), which was established to respond to radiological contamination from early U.S. atomic energy and weapons program. This program is funded through a Civil Works appropriation.

Future liabilities for the FUSRAP Program are $618 million, where studies and final Records of Decision documenting the cleanup requirements have been completed at the following sites: St. Louis Downtown Site Accessible Soils, St. Louis Airport Site, Latty Avenue Site, St. Louis Airport Vicinity Properties Site, Maywood Site Soils, Middlesex Sampling Plant Soils, Shpack Landfill Site, W. R. Grace Building 23 Site, Luckey Site,and the Linde Air Products Site.

The USACE recognizes future liabilities related to this program but the liability amounts are currently unknown for the following sites: St. Louis Downtown Site Inaccessible Soils, Iowa Army Ammunition Plant FUSRAP Site, Colonie Site, Maywood Site Groundwater, Middlesex Sampling Plant Site Groundwater, Combustion Engineering Site, DuPont Chambers Works Site, W. R. Grace Radioactive Waste Disposal Area Site, Seaway Industrial Park Site, Niagara Falls Storage Site, Shallow Land Disposal Area Site, Former Harshaw Chemical Company Site, Guterl Specialty Steel Site, Painesville Site and Sylvania-Corning Plant Site.

USACE has begun the process of assessing all real and personal property either partially or completely impaired by Hurricanes Katrina, Rita and Wilma. As assessments are completed and assets are identified as impaired, USACE will ensure the value of each asset is properly reflected in the financial statements. In conjunction with our assessment of assets, USACE is also conducting a review of potential liabilities, including environmental liabilities, which may have occurred because of the hurricanes. Upon completion of the review, USACE will properly record all known liabilities.

Environmental Disclosures

As of March 31	2006	2005
A. Amount of operating and capital expenditures used to remediate legacy waste. Legacy wastes are the remediation efforts covered by IRP, MMRP, and BD/DR regardless of funding source.	0.00	0.00
B. The unrecognized portion of the estimated total cleanup costs associated with general property, plant, and equipment.	0.00	0.00
C. The estimated cleanup costs associated with general property, plant, and equipment placed into service during each fiscal year.	0.00	0.00
D. Changes in total cleanup costs due to changes in laws, regulations, and/or technology.	0.00	0.00
E. Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods.	0.00	0.00

Applicable laws and regulations for cleanup requirements

Energy and Water Development Appropriations Act, Public Law 106-60, § 611; Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, 42 U.S.C. § 9601 et seq.), as amended; and National Oil and Hazardous Substances Pollution Contingency Plan (NCP, 40 C.F.R. 300).

Method for assigning estimated total cleanup cost to current operating periods

The USACE uses engineering estimates to estimate environmental costs. Engineering estimates are made after obtaining extensive data during the remedial investigation/feasibility study phase of the environmental project and the final remedial alternative is chosen and documented in a Record of Decision.

Types of environmental liabilities and disposal liabilities identified

The USACE, through an annual Energy and Water Development Appropriation, is responsible for executing the FUSRAP at sites deemed eligible by the Department of Energy. Under FUSRAP, the USACE cleans up contamination in the United States resulting from work performed as part of the nation’s early atomic energy program. Consistent with the requirements of CERCLA, the USACE coordinates with regulatory agencies, other responsible parties, and current property owners.

Nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations

Engineering estimates for individual sites are made using data obtained during the remedial investigation/feasibility study phase of the CERCLA process. These estimates are updated upon contract award and then periodically to account for inflation/deflation, and fluctuations in labor rates, transportation rates, and disposal charges, and to reflect changes in site conditions. Upon finalization of the Record of Decision for each site the cleanup standard is established until remediation is complete.

Uncertainty regarding the accounting estimates used to calculate the reported environmental liabilities

The elements of project estimates with the greatest uncertainty and potential for significant effect upon the project cost are the volume of contaminated material and the cost to dispose of such material, including transportation.

Note 15. Other Liabilities

As of March 31	2006			2005
	Current Liability	Noncurrent Liability	Total	Total
1. Intragovernmental				
A. Advances from Others	$ 8,951,617.94	$ 0.00	$ 8,951,617.94	$ 11,840,935.34
B. Deposit Funds and Suspense Account Liabilities	(2,743,472.05)	0.00	(2,743,472.05)	73,952,166.65
C. Disbursing Officer Cash	574,045.50	0.00	574,045.50	413,351.68
D. Judgment Fund Liabilities	161,835,240.45	0.00	161,835,240.45	154,365,563.80
E. FECA Reimbursement to the Department of Labor	20,522,179.46	16,943,905.79	37,466,085.25	37,298,462.06
F. Other Liabilities	143,449,087.51	1,682,878,611.95	1,826,327,699.46	1,785,011,167.97
G. Total Intragovernmental Other Liabilities	$ 332,588,698.81	$ 1,699,822,517.74	$ 2,032,411,216.55	$ 2,062,881,647.50
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	$ 306,713,399.12	$ 0.00	$ 306,713,399.12	$ 283,564,839.67
B. Advances from Others	121,115,371.67	0.00	121,115,371.67	128,741,309.50
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	11,880,156.99	0.00	11,880,156.99	14,616,709.56
E. Temporary Early Retirement Authority	0.00	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities				
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	0.00	0.00	0.00
G. Accrued Unfunded Annual Leave	0.00	0.00	0.00	0.00
H. Capital Lease Liability	0.00	0.00	0.00	0.00
I. Other Liabilities	130,903,559.79	0.00	130,903,559.79	106,551,640.42
J. Total Nonfederal Other Liabilities	$ 570,612,487.57	$ 0.00	$ 570,612,487.57	$ 533,474,499.15
3. Total Other Liabilities	$ 903,201,186.38	$ 1,699,822,517.74	$ 2,603,023,704.12	$ 2,596,356,146.65

Fluctuations

Intragovernmental Advances from Others decreased by $2.9 million (24 percent) due to completion of work on projects related to the advances or the return of funds to the customer, generally due to a change in the original project plans. The reductions in advances occurred primarily in the U.S. Army Corps of Engineers (USACE)

Huntington District for flood recovery work for the Department of Agriculture and in the USACE Charleston District for environmental remediation work for the Department of Energy.

Intragovernmental Deposit Funds and Suspense Accounts decreased by $76.7 million (104 percent) due to a reduction in unposted Intergovernmental Payment and Collection (IPAC) transactions in FY 2006. The USACE has implemented procedures to adhere to the Department of the Treasury's guidance on not accepting intragovernmental transactions on the last five days of the month. Deposit Funds and Suspense Account has an abnormal balance because unprocessed disbursements exceed unprocessed collections by $4.0 million in the Undistributed Intergovernmental Payments budget clearing account.

Disbursing Officer Cash liabilities increased by $160.7 thousand (39 percent) due to an increase in employee travel advances related to the hurricane cleanup efforts.

Nonfederal Deposit Funds and Suspense Account decreased by $2.7 million (19 percent). A budget clearing account with a balance of $1.2 million was erroneously reported as Nonfederal in FY 2005 but is now reported as intragovernmental. There was also a reduction of $1.1 million in Advances without Orders from NonFederal Sources due to the clearance of $2.2 million in refunds, unprocessed IPAC transactions, and overdisbursements. This decrease was offset by an increase of $982.5 thousand for checks placed in the deposit account which should have been processed as electronic funds transfers for the USACE Gulf Region Division in Iraq.

Other Nonfederal liabilities increased by $24.4 million (23 percent). There was an increase of $68.1 million in contract holdbacks in the Flood Control and Coastal Emergencies appropriation for recovery work related to Hurricanes Katrina and Rita. Contingent liabilities also decreased by $39.8 million. The USACE previously reported an insurance reserve account as a contingent liability. In FY 2006 the USACE reported the balance in the insurance reserve account as a gain rather than a liability.

Other Liabilities

Intragovernmental Other Liabilities (current) includes $13.9 million for employer contributions and payroll taxes and $129.6 million to offset interest and accounts receivable which, when collected, will be returned to the Department of the Treasury. Intragovernmental Other Liabilities (noncurrent) represent future revenue of $1.7 billion from long-term water storage contracts and $1.2 million from hydraulic mining contracts. The USACE records a custodial liability for receivables from water storage and hydraulic mining contracts. The receipts are deposited to the General Fund of the Department of the Treasury when collected.

Nonfederal Other Liabilities includes $126.1 million in contract holdbacks on Construction-In-Progress payments and $4.8 million for unfunded liabilities for contracts with continuation clauses. The continuation clause allows contractors to continue work without funds being obligated. The amount of the unfunded payable is recorded in the general ledger when a receiving report is entered in the Corps of Engineers Financial Management System (CEFMS), but no obligation is recorded at this time. When funds become available, the actual receiving report and obligation are entered in CEFMS and the initial receiving report with no obligation is reversed. The USACE has implemented and tightened controls of continuing contracts. The USACE utilizes these controls to limit Government exposure. Additionally, the USACE developed specific execution guidance to control and manage the implementation of continuing contracts, consistent with law and prudent fiscal policy, and to carry out the Civil Works program accordingly.

Intragovernmental Reconciliations for Fiduciary Transactions. With respect to the major fiduciary balances with the Office of Personnel Management (OPM) and the Department of Labor (DOL), the USACE was able to reconcile with the OPM and the DOL. There were no variances.

The USACE has begun the process of assessing all real and personal property either partially or completely impaired by Hurricanes Katrina, Rita and Wilma. As assessments are completed and assets are identified as impaired, the USACE will ensure the value of each asset is properly reflected in the financial statements. In conjunction with our assessment of assets, the USACE is also conducting a review of potential liabilities, including environmental liabilities, which may have occurred because of the hurricanes. Upon completion of the review, the USACE will properly record all known liabilities.

Judgment Fund Liabilities. The USACE Civil Works Directorate has recognized 35 unfunded liabilities arising from Judgment Fund Contract Disputes Act settlements in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, Accounting for Treasury Judgment Fund Transactions. Claims totaling $71.4 million date back to FY 1992 and FY 1991. Claims totaling $32.3 million were incurred from FY 1995 through FY 1997. The remaining claims for $58.1 million were incurred during FY 2000 and thereafter. The USACE cannot fund the Judgment Fund Contract Disputes Act claims since it is funded by projects and funding does not include an allowance for this type of claim. Therefore, the USACE sought a supplemental appropriation in FY 2000 which was not approved. The USACE request for funds in the FY 2006 Civil Works budget was also not approved. If the USACE does not receive funds in the FY 2007 budget, the USACE is prepared to request approval from Civil Works and Counsel to proceed with a request to seek forgiveness to Civil Works judgments; thereby working with the Office of the Secretary of Defense (OSD) to take steps needed to request that Civil Works judgments be exempt from reimbursement to the Department of the Treasury.

The Federal Employees' Compensation Act (FECA) reimbursement to the DOL. FECA costs reflect cost incurred for income lost and medical costs for Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The costs are paid as authorized in the FECA by the DOL. The USACE reimburses the DOL for the costs. The USACE records a liability until the reimbursement to the DOL is accomplished. FY 2007 and beyond liabilities of $16.9 million are reflected as noncurrent.

Note Reference

See Note Disclosure 1.S. **-** Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Contingencies and Other Liabilities.

Capital Lease Liability

As of March 31	2006				2005
	Asset Category				
	Land and Buildings	Equipment	Other	Total	Total
1. Future Payments Due					
A. 2006	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
B. 2007	0.00	0.00	0.00	0.00	0.00
C. 2008	0.00	0.00	0.00	0.00	0.00
D. 2009	0.00	0.00	0.00	0.00	0.00
E. 2010	0.00	0.00	0.00	0.00	0.00
F. 2011	0.00	0.00	0.00	0.00	0.00
G. After 5 Years	0.00	0.00	0.00	0.00	0.00
H. Total Future Lease Payments Due	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
I. Less: Imputed Interest Executory Costs	0.00	0.00	0.00	0.00	0.00
J. Net Capital Lease Liability	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2. Capital Lease Liabilities Covered by Budgetary Resources				$ 0.00	$ 0.00
3. Capital Lease Liabilities Not Covered by Budgetary Resources				$ 0.00	$ 0.00

Note 16.	Commitments and Contingencies

Disclosures Related to Commitments and Contingencies:

Proprietary contingencies are commonly referred to as contingent liabilities. The U. S. Army Corps of Engineers (USACE) has 16 cases pending litigation, seven claims pending in contract claims and appeals, and nine tort claims in which the relief requested is $1.4 billion or more. The USACE Legal Counsel is of the opinion that it is "remote" that the outcome of the litigation will result in a loss.

The USACE is responsible for the Formerly Utilized Sites Remedial Action Program (FUSRAP), which was established to respond to radiological contamination from early U.S. atomic energy and weapons program. This program is funded through a Civil Works appropriation. The USACE recognizes future contingent liabilities related to this program but the liability amounts are currently unknown. The project sites are: St. Louis Downtown Site Inaccessible Soils, Iowa Army Ammunition Plant FUSRAP Site, Colonie Site, Maywood Site Groundwater, Middlesex Sampling Plant Site Groundwater, Combustion Engineering Site, DuPont Chambers Works Site, W. R. Grace Radioactive Waste Disposal Area Site, Seaway Industrial Park Site, Niagara Falls Storage Site, Shallow Land Disposal Area Site, Former Harshaw Chemical Company Site, Guterl Specialty Steel Site, and Painesville Site.

Since these cases fail to satisfy the criteria to record a contingent liability in accordance with the Statement of Federal Financial Accounting Standard No. 5, Accounting for Liabilities of the Federal Government, no amount is included in our financial statements.

Note Reference
See Note Disclosure 1.S. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Contingencies and Other Liabilities.

Note 17. Military Retirement Benefits and Other Employment Related Actuarial Liabilities

As of March 31	2006							2005	
	Actuarial Present Value of Projected Plan Benefits		Assume Interest Rate (%)	(Less: Assets Available to Pay Benefits)		Unfunded Actuarial Liability		Unfunded Actuarial Liability	
1. Pension and Health Benefits									
A. Military Retirement Pensions	$	0.00		$	0.00	$	0.00	$	0.00
B. Military Retirement Health Benefits		0.00			0.00		0.00		0.00
C. Military Medicare-Eligible Retiree Benefits		0.00			0.00		0.00		0.00
D. Total Pension and Health Benefits	$	0.00		$	0.00	$	0.00	$	0.00
2. Other									
A. FECA	$	0.00		$	0.00	$	0.00	$	0.00
B. Voluntary Separation Incentive Programs		0.00			0.00		0.00		0.00
C. Military Medicare-Eligible Retiree Benefits		0.00			0.00		0.00		0.00
D. Total Other	$	0.00		$	0.00	$	0.00	$	0.00
3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities:	$	0.00		$	0.00	$	0.00	$	0.00

Actuarial Cost Method Used:
Assumptions:
Market Value of Investments in Market-based and Marketable Securities:

Note 18. General Disclosures Related to the Statement of Net Cost

Intragovernmental Costs and Exchange Revenue As of March 31	2006	2005
1. Intragovernmental Costs	$ 521,788,351.68	$ 753,321,077.25
2. Public Costs	5,071,089,091.17	4,477,032,060.88
3. Total Costs	$ 5,592,877,442.85	$ 5,230,353,138.13
4. Intragovernmental Earned Revenue	$ (2,874,567,387.44)	$ (1,350,812,379.09)
5. Public Earned Revenue	(189,273,309.38)	(169,636,403.94)
6. Total Earned Revenue	$ (3,063,840,696.82)	$ (1,520,448,783.03)
7. Net Cost of Operations	$ 2,529,036,746.03	$ 3,709,904,355.10

Fluctuations

Intragovernmental Costs decreased $231.5 million (31 percent). The decrease is the result of programming changes implemented during 1st Quarter, FY 2006, in the Corps of Engineers Financial Management System (CEFMS) that corrected general ledger correlations for the Revolving Fund. These programming changes provided further break out for the cost and revenue associated with employee labor costs that functionalizes through the Revolving Fund. Therefore, 2nd Quarter, FY 2005 public cost was understated and intragovernmental cost was overstated.

Public Costs increased $594.1 million (13 percent) due to programming changes implemented during 1st Quarter, FY 2006, in CEFMS that corrected general ledger correlations for the Revolving Fund. The programming changes provided further break out for the cost and revenue associated with employee labor costs that functionalizes through the Revolving Fund. The increase was also a result of costs associated with support of the hurricane cleanup efforts in the USACE New Orleans and Vicksburg Districts.

Intragovernmental Earned Revenue increased $1.5 billion (113 percent) due to reimbursable work performed for the Federal Emergency Management Agency (FEMA) on the hurricane relief efforts in Louisiana, Mississippi and Texas.

Public Earned Revenue increased $19.6 million (12 percent). The increase is due to programming changes made in the CEFMS that corrected general ledger correlations for the Revolving Fund. Public revenue was understated in the 2nd Quarter, FY 2005 because prior to the reprogramming, the CEFMS transaction updates did not properly update all relevant revenue general ledger accounts. The programming changes were effective 1st Quarter, FY 2006.

General Disclosures

Intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government. Public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity. For public earned revenue, the buyer of the goods or services is a nonfederal entity. For intragovernmental costs, the seller is a federal entity. If a federal entity purchases goods or services from another federal entity and sells them to the public, the exchange revenue would be classified as public, but the related costs would be classified as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

Intragovernmental Reconciliation. The USACE was able to reconcile its intragovernmental costs and revenue balances with its intra-departmental (Department of Defense) trading partners. No material reconciling differences were identified.

Other Disclosures

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

The amounts presented in the SoNC are based on obligations, disbursements, and accruals. The USACE records transactions on an accrual basis as required by generally accepted accounting principles.

There were no costs associated with Stewardship or Heritage Assets.

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

As of March 31	2006		2005	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance				
A. Changes in Accounting Standards	$ 0.00	$ 0.00	$ 0.00	$ 0.00
B. Errors and Omissions in Prior Year Accounting Reports	0.00	0.00	0.00	0.00
C. Total Prior Period Adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2. Imputed Financing				
A. Civilian CSRS/FERS Retirement	$ 43,176,904.36	$ 0.00	$ 45,298,921.72	$ 0.00
B. Civilian Health	69,171,550.00	0.00	66,879,910.00	0.00
C. Civilian Life Insurance	183,912.58	0.00	181,128.56	0.00
D. Judgment Fund	22,000,431.04	0.00	8,539,284.35	0.00
E. IntraEntity	0.00	0.00	0.00	0.00
F. Total Imputed Financing	$ 134,532,797.98	$ 0.00	$ 120,899,244.63	$ 0.00

Fluctuations

Imputed Financing – Judgment Fund: Judgment Fund claims paid by the Department of the Treasury increased by $13.6 million (158 percent) for 2nd Quarter, FY 2006. This is due to an increase in environmental cases. The amount paid, plus interest, for environmental cases in 2nd Quarter, FY 2005 was $7.2 million compared to $21.5 million for 2nd Quarter, FY 2006.

Other Disclosures

Taxes and Other Nonexchange Revenue include $615.1 million in tax collections and $56.5 million in interest income deposited into the trust fund accounts. Excise taxes totaling $37.7 million have been deposited into the Inland Waterways Trust Fund. Taxes totaling $577.4 million have been collected and deposited into the Harbor Maintenance Trust Fund. These taxes are derived from:

Tax on Domestics	$ 32.7 million
Tax on Foreign Trade	$ 86.1 million
Tax on Imports	$453.4 million
Tax on Passengers	$ 5.2 million

Transfers-in include: $10 million transferred into the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund and $63.1 million in budget authority transferred into the Coastal Wetlands Restoration Trust Fund from the Aquatic Resources Trust Fund. However, the funds have not been received and recorded by the U. S. Army Corps of Engineers (USACE) as of March 31, 2006. The Department of the Treasury transferred $674 million in budget authority to the Harbor Maintenance Trust Fund along with $145 million to the Inland Waterways Trust Fund.

Transfers-in, from other governmental agencies total $283.4 thousand. The Department of Interior transferred $259.6 thousand to the Little Rock District and the U. S. Department of Agriculture Forest Service transferred $23.8 thousand to the Savannah District.

Transfers-out to other governmental agencies total $16.3 million. This is due to the transfer of funds from the Harbor Maintenance Trust Fund to the Saint Lawrence Seaway Development Corporation.

Other Information Related to the Statement of Changes in Net Position

Cumulative Results of Operations:

Budgetary Financing Sources – Appropriations used - All other funds: There is an overall increase of $350.6 million (23 percent) in appropriations used – all other funds for 2nd Quarter, FY 2006. The most significant increase is in General Funds with an increase of $353.5 which is due to an increase in funding and current year expenses due to the hurricane relief effort.

Budgetary Financing Sources – Nonexchange revenue – Earmarked funds: The $851.3 million (100 percent) increase in budgetary financing sources – nonexchange revenue – earmarked funds is due to a new requirement, by the Federal Accounting Standards Advisory Board (FASAB), to record Earmarked Funds separately from all other funds on the Statement of Changes in Net Position as outlined in the Statement of Federal Financial Accounting Standards (SFFAS) 27, “Identifying and Reporting Earmarked Funds”. The USACE began reporting the new requirement 1st Quarter, FY 2006.

Budgetary Financing Sources – Nonexchange revenue – All other funds: The $761.4 million (100 percent) decrease in nonexchange revenue – all other funds is due to a new requirement, by the FASAB, to record Earmarked Funds separately from all other funds on the Statement of Changes in Net Position as outlined in SFFAS 27, “Identifying and Reporting Earmarked Funds”. The USACE began reporting the new requirement 1st Quarter, FY 2006.

There is an overall increase in total nonexchange revenue of $97.7 million reported by Trust Funds. This is due to the fluctuation in taxes for Harbor Maintenance and Inland Waterways Trust Funds and interest for Harbor Maintenance, Inland Waterways, and South Dakota Trust Funds. The USACE is the lead agency for reporting Inland Waterways, Harbor Maintenance, and South Dakota Trust Funds. Interest on investments (cash) increased by $19.7 million, for all three trust funds. Tax revenue collected from Harbor Maintenance and Inland Waterways Trust Funds increased by $78 million. South Dakota Trust Funds does not have tax revenue.

Budgetary Financing Sources – Transfers-in/out without reimbursement: There is an overall increase of $37.6 million (19 percent) in transfers-in/out without reimbursement. The increase is due to several factors. Transfer Funds has a net increase of $93.4 million. This increase is a result of the USACE recording budget authority receivables, from the Department of Energy and the Department of Transportation in FY 2006, in the Transfer Fund Account. In FY 2005 it was not recorded as such. Trust Funds have a net decrease of $61.6 million. This is due to $63.1 million in budget authority, transferring into the Coastal Wetlands Restoration Trust Fund from the Aquatic Resources Trust Fund, has not been received and recorded by the USACE as of March 31, 2006. Coastal Wetlands Restoration Trust Fund FY 2005 budget authority was received during 2nd Quarter, FY 2005.

Budgetary Financing Sources – Other budgetary financing sources – All other funds: The decrease of $42.9 million (100 percent) in other budgetary financing sources – all other funds is due to a change in reporting procedures for General, Revolving, and Transfer Funds. General and Revolving Funds now record United States Standard General Ledgers (USSGL) 7190 Other Gains and 7290 Other Losses which updates the Statement of Financing instead of the Change in Net Position. Also, Transfer Funds no longer update USSGL 3100 Unexpended Appropriations.

Other Financing Sources – Donations and forfeitures of property – All other funds: There is an overall increase of $6.0 million (100 percent) in donations and forfeitures of property – all other funds. The most significant increase is in General Funds with donated tracts of land received in the Kansas City, Walla Walla, and Sacramento districts which value at $5.9 million.

Other Financing Sources – Transfers-in/out without reimbursement: Transfers-in/out without reimbursement decreased $2.4 million (111 percent). During 2nd Quarter, FY 2005 the USACE transferred-out $2.2 million to the Department of Interior. This year the USACE received transfers-in of $283.4 thousand from the Department of Interior and Department of Agriculture. There has been no transfers-out to other government agencies during FY 2006.

Other Financing Sources – Imputed financing from costs absorbed by others: Imputed financing from costs absorbed by others increased $13.6 million (11 percent). This is due to an increase in the amount paid for environmental cases. The amount has increased from $7.2 million for 2nd Quarter, FY 2005, to $21.5 million for 2nd Quarter, FY 2006.

Other Financing Sources – Other: Other Financing Sources – Other has decreased by $388.3 thousand (100 percent) and is due to a change in reporting the amount of principal repayments to the Department of the Treasury, on Borrowing Authority, as revenue in FY 2005 to a reduction in expense in FY 2006. The amount of principal repayments decreased from $388.3 thousand in 2nd Quarter, FY 2005 to $342.2 thousand in 2nd Quarter, FY 2006. The change in reporting occurred in 2nd Quarter, FY 2006.

Unexpended Appropriations:

Beginning Balances and Prior period adjustments: The overall $609.5 million (154 percent) increase in the beginning balance is due to General Funds receiving $680.5 million more in appropriations in FY 2005 than in FY 2004. Therefore, the beginning balances are larger for FY 2006 than FY 2005.

Budgetary Financing Sources – Appropriations received – All other funds: The $3.2 billion (63 percent) increase in appropriations received – all other funds is due to several factors. Formerly Utilized Sites Remedial Action Program (FUSRAP) has a decrease of $25.0 million and General Funds has an increase of $3.2 billion. The increase for General Funds is due to increased funding needed for the hurricane relief effort.

Budgetary Financing Sources – Appropriations transferred-in/out: Appropriations transferred-in/out has a net decrease of $21.6 million (90 percent). Transfer Funds received $24.0 million less and General Funds received $2.4 million more in transfers-in/out from the Department of Interior for 2nd Quarter, FY 2006 compared to 2nd Quarter, FY 2005.

Budgetary Financing Sources – Other adjustments (rescissions, etc): The overall increase of $15.9 million (42 percent) is due to General Funds recording an increase of $15.8 million in rescissions during 2nd Quarter, FY 2006. There were no rescissions during 1st Quarter, FY 2006.

Budgetary Financing Sources – Appropriations used – All other funds: There is a $350.6 million increase (23 percent) in appropriations used – all other funds. This is due primarily to General Funds' increased activity caused by the hurricane relief effort in Louisiana, Mississippi and Texas. General Funds received $3.2 billion more in appropriated funds in FY 2006 than FY 2005. Therefore, General Funds' appropriations used account increased by $353.5 million in FY 2006 compared to FY 2005.

Appropriations Received

Appropriations Received on the Statement of Budgetary Resources (SBR) do not agree with Appropriations Received on the Statement of Changes in Net Position (SCNP) due to differences between proprietary and budgetary accounting concepts and reporting requirements. Appropriated Trust and Special Fund receipts in the amount of $1.0 billion are included in Appropriations Received on the SBR. These funds do not update the proprietary appropriations received account reported on the SCNP. These are reported as proprietary transfers-in.

Note Reference

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

Note 20. Disclosures Related to the Statement of Budgetary Resources

As of March 31	2006	2005
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 4,211,582,486.05	$ 2,429,771,256.18
2. Available Borrowing and Contract Authority at the End of the Period	0.00	0.00

Other Information:

Intraentity Transactions

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

Apportionment Categories

The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A in the SBR includes: $3.5 billion for direct; $14.7 million for direct obligations exempt from apportionment; $6.7 billion for reimbursable obligations; and $68 thousand for reimbursable obligations exempt from apportionment. The U.S. Army Corps of Engineers (USACE) has no apportionments under Category B.

Undelivered Orders

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

Borrowing Authority

Borrowing authority is for capital improvements to the Washington Aqueduct. Funding to repay the debt is provided by Arlington County, Virginia, and the city of Falls Church, Virginia.

Abnormal Balances

The abnormal balance in USSGL 4620 R of $(1,021,747,343.93) is due to Revolving Fund incurring negative unobligated funds exempt from apportionment pending anticipated resources exempt from apportionment.

Permanent Indefinite Appropriations

The USACE receives budget authority from Trust Funds established by the Department of the Treasury for Coastal Wetlands, Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration in order to maintain the USACE's mission areas of water resources and environment.

Special Funds receive receipts from hydraulic mining in California; leases of land acquired for flood control, navigation, and allied purposes; and licenses under the Federal Power Act for improvements of navigable water, maintenance and operation of dams, etc.

Appropriations Received on the Statement of Budgetary Resources (SBR) do not agree with Appropriations Received on the Statement of Changes in Net Position (SCNP) due to differences between proprietary and budgetary accounting concepts and reporting requirements. Appropriated Trust and Special Fund receipts in the amount of $1.0 billion are included in Appropriations Received on the SBR. These funds do not update the proprietary appropriations received account reported on the SCNP. These are reported as proprietary transfers-in.

Change In Reporting Procedure

Per OMB Circular A-136, the parent agency should report the budgetary activity for allocation transfers. The child, USACE, shall report the activity relating to the allocation in all of its financial statements, except the Statement of Budgetary Resources (SBR). Previous to 2nd Quarter, FY 2006, the USACE reported an SBR in its financial statements for Transfer Funds. Beginning with 2nd Quarter, FY 2006, adjustments are made to zero out the balances in the budgetary accounts imported from the USACE's trial balances, except for the amount needed in allocation transfers to close out the beginning balance in USSGL 4201 at FY 2006 year-end. There is residual activity on the SBR from beginning balances in undelivered orders, delivered orders-unpaid, and allocations to be transferred. The Inland Waterways and Harbor Maintenance Trust Funds are not included in this change in reporting procedure because the USACE is the lead agency for reporting and includes the parent budgetary activity in its financial statements, including the Statement of Budgetary Resources.

Fluctuations

Note 20, Line 1 – The vast majority of the $1.8 billion (73 percent) variance is due to undelivered orders incurred for labor, materials, travel, etc in General Funds, of which $1.6 billion is in the Flood Control and Coastal Emergencies appropriation. This appropriation is for work related to hurricane relief and cleanup efforts.

SBR Fluctuations

Unobligated balance, brought forward October 1 - The increase of $3.3 billion (195 percent) is primarily due to the increase in activity in General Funds in FY 2005 due to the hurricane relief effort in Louisiana, Mississippi and Texas.

Budget authority - The majority of the increase of $3.3 billion (54 percent) is due to General Funds receiving $3.2 billion more in appropriated funds in FY 2006 than FY 2005. An increase of $2.2 billion was reported in the Flood Control and Coastal Emergencies appropriation alone.

Spending authority from offsetting collections - The overall increase of $6.3 billion (52 percent) in spending authority from offsetting collections is due to increased activity in General Funds for hurricane relief efforts in Louisiana, Mississippi and Texas and activity in Revolving Fund for operations in the Gulf Region Division in Iraq.

Nonexpenditure transfers, net, anticipated, and actual - The decrease of $305.4 million (103 percent) is primarily due to adjustments in Transfer Funds in order to zero out the budgetary accounts (see Change In Reporting Procedure above). Adjustments of $252 million were made to allocation transfers of current year authority and allocations receivable in the Transfer Funds. Also, the USACE has yet to receive budget authority from Coastal Wetlands for FY 2006.

Permanently not available - The decrease of $16 million (42 percent) is due to more rescission warrants in General Funds than this time last year.

Obligations incurred - The increase of $673.8 million (24 percent) in direct obligations incurred is due to increased activity in Louisiana, Mississippi and Texas for hurricane relief efforts in General Funds. Transfer Funds decreased $148 million due to adjusting entries (see Change In Reporting Procedure above). In regard to the increase of $3.2 billion (89 percent) in reimbursable obligations incurred, $2.3 billion occurred in General Funds related to hurricane relief efforts, and $910 million occurred in the Revolving Fund due to activity in the Gulf Region Division in Iraq and to programming changes made in the accounting system at the end of FY 2005.

Unobligated balance - The increase of apportioned unobligated balance of $4.7 billion (112 percent) is an increase in General Funds. The increase of $723 million (22 percent) in unobligated balance exempt from apportionment is primarily made up of an increase of $875 billion in Revolving Fund; a decrease of $67 million in General Funds; and a decrease of $90 million in Transfer Funds.

Unobligated balance not available - The decrease of $8 thousand (12 percent) is the result of the return of expired funds to the Agency for International Development during the 4^{th} Qtr FY 2005.

Obligated balance, net brought forward - The overall variance of $2.5 billion (245 percent) is due to increased activity in General Funds in FY2005 for hurricane relief efforts.

The increase of $3.8 billion (60 percent) in obligations incurred; the increase of $2.6 billion (43 percent) in gross outlays; the variance of $1.3 billion (288 percent) change in uncollected customer payments from Federal sources; and the variance of $2.6 billion (260 percent) of total unpaid obligated balance, net, end of period is again due to increased activity in General Funds for hurricane relief efforts, and Revolving Fund for operations in the Gulf Region Division in Iraq. Also, the Change In Reporting Procedure (see above) makes up a small portion of this variance.

Note 21. Disclosures Related to the Statement of Financing

Fluctuations

Resources Used to Finance Activities

Obligations incurred: Obligations incurred increased by $3.8 billion (60 percent). The increase is due primarily to an increase in obligations of $3.1 billion in the Flood Control and Coastal Emergencies appropriation for hurricane relief efforts in the Louisiana, Mississippi and Texas for hurricanes that occurred in FY 2005. There is also an increase of $910.3 million in obligations incurred in the Revolving Fund due to programming changes made in the accounting system at the end of FY 2005 as well as increased activity in the U.S. Army Corps of Engineers (USACE) Gulf Region Division in Iraq. Obligations incurred decreased by $148.5 million in the Transfer Funds due to a change in reporting procedures. Per Office of Management and Budget (OMB) Circular A-136, the parent agency should report the budgetary activity for allocation transfers. The child, USACE, shall report the activity relating to the allocation in all of its financial statements, except the Statement of Budgetary Resources (SBR). Prior to 2nd Quarter FY 2006, the USACE reported an SBR for Transfer Funds. Beginning with 2nd Quarter FY 2006, adjustments are made to zero out the balances in the budgetary accounts except for the amount needed in allocation transfers to close out the beginning balance in Total Actual Resources Collected (U.S. Standard General Ledger USSGL 4201) at FY 2006 yearend.

Less: Spending authority from offsetting collections: This amount increased by $2.3 billion (71 percent) due to an increase in the receivable for reimbursements and other income earned in the General Fund for $1.7 billion with a reduction of $374.1 million for unfilled customer orders with advances. Again, this increase is related to recovery work for hurricane damages in 2005. There is also an increase of $1.2 billion for collections in the Revolving Fund due to programming and general ledger correlation changes implemented at the end of FY 2005.

Less: Offsetting receipts: This amount increased by $85.1 million (11 percent) due to an increase in interest income and tax collections of $94.3 million in the Harbor Maintenance Trust Fund.

Other Resources

Donations and forfeitures of property: Donations and forfeitures of property increased by $6 million (5,377 percent) due primarily to the revaluation of donated land in the Kansas City District in the 2nd Quarter, FY 2006. The USACE adjusted the value of a land tract donated in 2004 by $5.2 million based on the fair market value of the land at the time of the donation. Prior to FY 2005 the USACE recorded donated land tracts at zero or nominal costs.

Transfers in/out without reimbursement: Net transfers in and out decreased by $2.4 million (111 percent). Last year the USACE transferred-out $2.2 million to the Department of Interior. This year the USACE received transfers-in of $283.4 thousand from the Department of Interior and Department of Agriculture.

Imputed financing from costs absorbed by others increased by $13.6 million (11 percent) due to an increase in environmental judgment fund claims paid by the Department of the Treasury for the USACE. The amount paid for environmental claims increased from $7.2 million for the 2nd Quarter, FY 2005 to $21.5 million for the 2nd Quarter, FY 2006. The USACE is not required to repay the Department of the Treasury for payment of these claims.

Other resources decreased by $388.3 thousand (100 percent) due to a change in reporting the amount of principal repayments to the Department of the Treasury on Borrowing Authority as revenue in FY 2005 to a reduction in expense in FY 2006. There was little change in the amount of principal repayments from 2nd Quarter, FY 2005 to 2nd Quarter, FY 2006. The change in reporting occurred in the 2nd Quarter, FY 2006.

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

Undelivered Orders: The change in undelivered orders increased by $938.6 million (110 percent) due to an increase in undelivered orders in the Flood Control and Coastal Emergencies appropriation associated with recovery work for hurricane damages to the Louisiana, Mississippi, and Texas in FY 2005.

Unfilled Customer Orders: The change in unfilled customer orders increased by $358.4 million (2,290 percent) due to an increase in unfilled customer orders in the Flood Control and Coastal Emergencies Appropriation for recovery work for hurricane damage in the Louisiana, Mississippi and Texas in FY 2005.

Resources that fund expenses recognized in prior periods: Resources that fund expenses recognized in prior period decreased by $16.2 million (34 percent) and is predominately attributed to the decrease in future funded expense for contracts with continuation clauses. This amount decreased by $20.4 million. The USACE has implemented and tightened controls on the use of continuing contracts. The USACE utilizes these controls to limit Government exposure. Additionally, the USACE developed specific execution guidance to control and manage the implementation of continuing contracts, consistent with law and prudent fiscal policy, and to carry out the Civil Works program accordingly. The change also reflects the payment of judgment fund claims in FY 2006 for $1.3 million and a change in the amount of future funded expenses related to employer contributions to employee benefit programs of $2.9 million.

Budgetary offsetting collections and receipts that do not affect net cost of operations: This amount increased by $85.1 million (11 percent) due to an increase in interest income and tax collections of $94.3 million in the Harbor Maintenance Trust Fund.

Resources that finance the acquisition of assets: Resources that finance the acquisition of assets decreased by $2.5 million (61 percent). This change is due to reduced expenditures in the Vicksburg District for work on revetments. The Vicksburg District completed revetment work and placed the assets in service in the 2nd Quarter, FY 2006. Revetment projects occur periodically and may take several years to complete. Therefore, the need for expenditures and acquisition of new assets related to this project decreased in FY 2006. The Louisville District also had reduced expenditures related to several projects due to reduced funding.

Other resources or adjustments to net obligated resources that do not affect net cost of operations – Other: This amount decreased by $8.5 million (408 percent) due primarily to the revaluation of a donated land tract in the Kansas City District by $5.2 million in February, 2006. The asset value was adjusted based on the fair market value at the date of the acquisition. Prior to FY 2005 the USACE recorded donated assets at zero or nominal costs. There was also a net change in asset transfers of $2.4 million. Last year the USACE transferred-out $2.2 million to the Department of Interior. This year the USACE received transfers-in of $283.4 thousand from the Department of Interior and the Department of Agriculture.

Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:

Components Requiring or Generating Resources in Future Period:

Increase in exchange revenue receivable from the public: The exchange revenue receivable from the public decreased by $751.5 thousand (100 percent). This was not reported until the 4th Quarter, FY 2005 in the Revolving Fund.

Other: Other components requiring resources in future periods increased by $87.8 million (8,278 percent) due to an increase in environmental liabilities of $88.4 million for the estimated cleanup costs related to radiological contamination from early U.S. atomic energy and weapons program.

Components not Requiring or Generating Resources:

Depreciation and amortization: Depreciation expense decreased by $552.7 million (69 percent). The USACE made significant adjustments to depreciation expense in FY 2005 to change the estimated useful life of real property assets, to correct the placed-in-service dates for some assets and to adjust for errors in depreciation for Additions and Betterments.

Revaluation of assets or liabilities: The revaluation of assets changed by $965.9 million (114 percent) due to several factors. The USACE recorded a net loss of $846.7 million for the 2nd Quarter, FY 2005 compared to a net gain of $119.2 million for the 2nd Quarter, FY 2006. The USACE made large adjustments in FY 2005 to write-off river bank stabilization projects and revetments that were improperly capitalized. The USACE also recognized losses in FY 2005 for land, buildings and other structures that were leased for non-monetary or nominal amounts to non-Federal entities for public parks, recreation areas and fish and wildlife management areas. The USACE treated the leases as "operating leases" and maintained the assets on its financial and property records. Because the lease periods equaled or exceeded the useful life of the assets, the assets were considered donations and written-off in FY 2005. The gain reported for FY 2006 includes an abnormal balance for Other Miscellaneous Losses for Capital Investments (USSGL 7290) of $66.6 million. This is due to the reversal of prior year losses. A correction of a prior year loss was made for $49.4 million for fish mitigation studies in the Portland district. This amount is now recorded as Other Assets. Corrections were also made for $17.3 million to reverse losses for asset transfers to the public that had been written off in the prior year.

Other – Costs of Goods Sold: Costs of goods sold increased $264 thousand (171 percent). This is due to an increase in the sale of assets of $595.7 thousand in the General Fund. There was also a reversal of a prior year fixed asset sale transaction with related cost of goods sold expense of $290.5 thousand that was recorded for the wrong amount.

Other Information

Intra-entity transactions have not been eliminated because the Statement of Financing is presented as combined and combining.

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

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

The USACE made no adjustment to the Statement of Financing to bring it into balance with the Statement of Net Cost.

Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations – Other includes asset donations of $6.1 million and the net amount of asset transfers-in and out of $248.1 thousand.

Components Requiring or Generating Resources in the Future Period: Other includes the unfunded environmental liability for estimated cleanup costs of $88.4 million and $440.0 thousand for a Contract Dispute Judgment Fund claim incurred in FY 2006.

Components not Requiring or Generating Resources: Other includes cost capitalization offset expense of ($256.2) million, other expenses not requiring budgetary resources of $31.2 million, contra bad debt expense incurred for others of ($5.6) million and bad debt expense of $5.6 million. The cost capitalization offset account provides a mechanism to offset all direct costs in the expense accounts when those costs are subsequently capitalized into an in-process account. Other expenses not requiring budgetary resources includes $86.6 million related to current year expenses in the allocation transfer appropriations. Per OMB Circular A-136, the parent agency should report the budgetary activity for allocation transfers. The child, the USACE, reports the activity related to the allocation in all of its financial statements except the Statement of Budgetary Resources (SBR). Therefore, current year expenses are reported as not requiring budgetary resources. Expenses not requiring budgetary resources also includes ($100.3) million for the reversal of prior year entries primarily related to the write-off of Construction In Process (CIP) accounts and $31.1 million for the write-off of current year CIP projects. Expenses not requiring budgetary resources also includes $13.3 million for Revolving Fund sale of assets within the USACE.

Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources total $2.6 billion and the amount reported as components requiring or generating resources in future periods on the Statement of Financing totals $88.8 million. Components requiring or generating resources in future periods includes $88.4 million for the estimated cleanup costs for environmental liabilities and $440.0 thousand for a Contract Disputes Judgment Fund claim incurred in FY 2006. This difference of $2.6 billion is due to the following:

Debt of $13.9 million payable to Department of the Treasury for Borrowing Authority is unfunded. Arlington County, the city of Falls Church, Virginia, and the District of Columbia provide funding to repay the debt.

The offsetting custodial liability to accounts receivable for $1.8 billion is unfunded. This amount will be deposited in the General Fund of the Department of the Treasury and is primarily related to water storage contracts.

Workmen’s Compensation liabilities under the Federal Employees Compensation Act for $37.5 million are unfunded.

Unfunded Judgment Fund liabilities for Contract Dispute claims total $161.8 million. The future funded expense for all liabilities has been recognized in prior years with the exception of a new claim for $440.0 thousand incurred in FY 2006.

Unfunded environmental liabilities total $618 million. The USACE recorded the future funded expense for $529.6 million in FY 2005 and recognized an additional expense of $88.4 million in 2nd Quarter, FY 2006.

Other liabilities for $4.8 million are for contracts with continuation clauses. The future funded expense was recognized in FY 2005.

Allocation Transfers

The USACE recorded other expenses not requiring budgetary resources of $86.6 million to reconcile budgetary activity with current period expenses for allocation transfers. The USACE receives funds from the following agencies for the listed appropriations:

Department of Agriculture to State and Private Forestry, Forest Service (96 12X1105)
Department of Commerce to Economic Development Administration (96 13X2050)
Department of Interior to Construction National Park Service (96 14X1039)
and Land Acquisition and State Assistance, National Park Service (96 14X5035)
Department of the Army to OMA, American Samoa Projects (96 21X2020)
Department of Transportation to Federal Aid Highways (96 69X8083)
Department of Energy to Bonneville Power Administration (96 89X4045)
Agency for International Development to Development Assistance, Agency for International Development (96 72 99/00 1021)

Note 22.	Disclosures Related to the Statement of Custodial Activity

Note 23. Earmarked Funds

BALANCE SHEET As of March 31	MRF	MERHCF	Other Earmarked Funds	Total Earmarked Funds
ASSETS				
Fund balance with Treasury	$ 0.00	$ 0.00	$ 576,016,491.55	$ 576,016,491.55
Investments	0.00	0.00	3,386,524,792.23	3,386,524,792.23
Accounts and Interest Receivable	0.00	0.00	776,642,873.55	776,642,873.55
Other Assets	0.00	0.00	757,183,193.61	757,183,193.61
Total Assets	$ 0.00	$ 0.00	$ 5,496,367,350.94	$ 5,496,367,350.94
LIABILITIES and NET POSITION				
Military Retirement Benefits and Other Employment Related Actuarial Liabilities	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Other Liabilities	0.00	0.00	485,553,633.21	485,553,633.21
Unexpended Appropriations	0.00	0.00	0.00	0.00
Cumulative Results of Operations	0.00	0.00	5,010,813,717.73	5,010,813,717.73
Total Liabilities and Net Position	$ 0.00	$ 0.00	$ 5,496,367,350.94	$ 5,496,367,350.94
STATEMENT OF NET COST As of March 31				
Program Costs	$ 0.00	$ 0.00	$ 496,653,407.75	$ 496,653,407.75
Less Earned Revenue	0.00	0.00	(197,181.70)	(197,181.70)
Net Program Costs	$ 0.00	$ 0.00	$ 496,456,226.05	$ 496,456,226.05
Less Earned Revenues Not Attributable to Programs	0.00	0.00	0.00	0.00
Net Cost of Operations	$ 0.00	$ 0.00	$ 496,456,226.05	$ 496,456,226.05
STATEMENT OF CHANGES IN NET POSITION As of March 31				
Net Position Beginning of the Period	$ 0.00	$ 0.00	$ 4,781,544,275.75	$ 4,781,544,275.75
Net Cost of Operations	0.00	0.00	496,456,226.05	496,456,226.05
Other Nonexchange Revenue	0.00	0.00	725,725,668.03	725,725,668.03
Change in Net Position	$ 0.00	$ 0.00	$ 229,269,441.98	$ 229,269,441.98
Net Position End of Period	$ 0.00	$ 0.00	$ 5,010,813,717.73	$ 5,010,813,717.73

Earmarked Funds are financed by specifically identified revenues, required by statute to be used for designated activities, benefits or purposes, and remain available over time. Earmarked funds also have a requirement to account for and report on the receipt, use and retention of revenues and other financing sources that distinguish it from general revenues.

USACE Earmarked Funds are Comprised of the Following:

Special Recreation Use Fees, 16 United States Code (USC) 4061-6a granted the U. S. Army Corps of Engineers (USACE) the authority to charge and collect fair and equitable Special Recreation Use Fees at recreation facilities and campgrounds located at lakes or reservoirs that are under the jurisdiction of the USACE. Types of allowable fees include, but are not limited to, daily use fees, admission fees, recreational fees, annual pass fees, and other permit type fees. The revenue from receipts is received from the public. The purpose of the funds is to maintain and operate the recreation and camping facilities. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Hydraulic Mining in California, Debris, 33 United States Code (USC) 683 states that those operating hydraulic mines through which debris flows in part or in whole to a body restrained by a dam or other work erected by the California Debris Commission shall pay a tax as determined by the Federal Energy Regulatory Commission (the Commission), paid annually on a date fixed by the Commission. Taxes imposed under this code are collected and then expended under the supervision of the USACE and the direction of the Department of the Army. The revenue from receipts is received from the public. The purpose of the fund is for repayment of funds advanced by the Federal Government or other agency for construction, restraining works, settling reservoirs, and for maintenance. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Payments to States, Flood Control Act of 1954, 33 USC 701c-3, establishes that 75 percent of all funds received and deposited from the leasing of lands acquired by the United States for flood control, navigation and allied purposes, including the development of hydroelectric power, shall be returned to the state on which the property is located. The USACE collects lease receipts into a receipt account. The revenue from receipts is received from the public. Funds are appropriated in the amount of 75 percent of the receipts in the following fiscal year. The funds are then disbursed to the state in which the property is located for the benefit of public schools and public roads. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Maintenance and Operation of Dams and Other Improvements of Navigable Waters, 16 USC 803(f), 810 states that whenever a reservoir or other improvement is constructed by the United States, the the Commission shall assess charges against any licensee directly benefited, and any amount so assessed shall be paid into the Department of the Treasury of the United States. The Code goes on to say that all charges arising from other licenses except those charges established by the Commission for purpose of administrative reimbursement shall be paid to the Department of the Treasury from which specific allocations will be made. From the specific allocations, 50 per centum of charges from all other licenses is reserved and appropriated as a special fund in the Department of the Treasury to be expended under the direction of the Secretary of the Army in the maintenance and operation of dams and other navigation structures that are owned by the United States or in construction, maintenance, or operation of headwater or other improvements of navigable waters of the United States. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. The revenue from receipts is received from the public. There has been no change to legislation during the reporting period to change the purpose of the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Fund for NonFederal Use of Disposal Facilities (for dredged material) was established by 33 USC 2326. The law provides that the Secretary of the Army (Secretary) may permit the use of any dredged material disposal facility under the jurisdiction of, or managed by, the Secretary by a nonfederal interest if the Secretary determines that such use will not reduce the availability of the facility for project purposes. The Secretary may impose fees to recover capital, operation and maintenance costs associated with such use. Any monies received through collection of fees under this law shall be available to the Secretary, and shall be used by the Secretary, for the operation and maintenance of the disposal facility from which the fees were collected. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund was established by Public Law 106-53, Sec. 603. Yearly transfers are made from the General Fund of the Department of the Treasury to the Trust Fund for investment purposes. Investment activity is managed by the Department of the Treasury, Bureau of Public Debt (BPD). The BPD purchases and redeems nonmarketable market-based securities issued by the Department of the Treasury, PBD. Investments include one-day certificates, bonds and notes. When the fund reaches the aggregate amount of $108 million, withdrawals may be made by the USACE for payment to the State of South Dakota. The state shall use the payments to fund the annually scheduled work for wildlife habitat restoration. This fund is classified as a trust fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Coastal Wetlands Restoration Trust Fund is authorized by 16 USC 3951-3956. This Act grants parallel authority to the USACE, along with the Environmental Protection Agency, and the Fish and Wildlife Service to work with the State of Louisiana to develop, review, evaluate, and approve a plan that is proposed to achieve a goal of "no net loss of wetlands" in coastal Louisiana. The USACE is also responsible for allocating funds among the named Task Force members. Federal contributions are established at 75 percent of project costs or 85 percent if the State has an approved Coastal Wetlands Conservation Plan. This fund is classified as a trust fund expenditure account and receives funding transfers from the Aquatic Resources Trust Fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Rivers and Harbors Contributed and Advance Funds, authorized by 33 USC 701h, 702f, and 703, establishes funding to construct, improve, and maintain levees, water outlets, flood control, debris removal, rectification and enlargement of river channels, etc. in the course of flood control and river/harbor maintenance. Whenever any state or political subdivision thereof shall offer to advance funds for a flood control project duly adopted and authorized by law, the Secretary of the Army may in his discretion, receive such funds and expend the same in the immediate prosecution of such work. This fund is classified as a trust fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were $7.5 million in transfers of buildings and other structures from the Rivers and Harbors Contributed and Advance Funds account to the USACE General Funds.

Inland Waterways Trust Fund is authorized by 26 USC 9506. The law made the Inland Waterways Trust Fund available for USACE expenditures for navigation, construction, and rehabilitation projects on inland waterways. Collections for excise taxes from the public are made into the trust fund. The collections are invested and investment activity is managed by the Department of the Treasury, BPD. The BPD purchases and redeems nonmarketable market-based securities issued by the Department of the Treasury, PBD. Investments include one-day certificates, bonds and notes. The fund is classified as a trust fund and utilizes receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were $122.7 million in transfers of buildings and other structures from the Inland Waterways Trust Fund account to the USACE General Funds.

Harbor Maintenance Trust Fund was authorized by 26 USC 9505. The USACE Civil Works mission is funded by the Energy and Water Developments Appropriations Act (the Act). The Act of 1986 was implemented to cover a portion of USACE operations and maintenance costs for deep draft navigation. As provided in the Act, amounts in the Harbor Maintenance Trust Funds shall be available for making expenditures to carry out the functions specified in the Act and for the payment of all expenses of administration incurred by the Department of the Treasury, the USACE, and the Department of Commerce. Collections are made into the trust fund from taxes collected from imports, domestics, passengers and foreign trade. The collections are invested and investment activity is managed by the Department of the Treasury, BPD. The fund is classified as a trust fund and utilizes receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund.

Note 24. Other Disclosures

As of March 31	2006 Asset Category			
	Land and Buildings	Equipment	Other	Total
1. ENTITY AS LESSEE- Operating Leases				
Future Payments Due				
Fiscal Year				
2006	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2007	0.00	0.00	0.00	0.00
2008	0.00	0.00	0.00	0.00
2009	0.00	0.00	0.00	0.00
2010	0.00	0.00	0.00	0.00
2011	0.00	0.00	0.00	0.00
After 5 Years	0.00	0.00	0.00	0.00
Total Future Lease Payments Due	$ 0.00	$ 0.00	$ 0.00	$ 0.00

2. During FY 2006, the USACE has received $ 25.9 million in direct appropriations from the Power Marketing Administration.