

**DEFENSE CONTRACT
AUDIT AGENCY**



**PRINCIPAL
FINANCIAL STATEMENTS**

**Department of Defense
 Defense Contract Audit Agency
 CONSOLIDATED BALANCE SHEET
 (Amounts in Thousands)
 As of September 30,**

	<u>2006</u>	<u>2005</u>
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 40,483	\$ 26,202
Accounts Receivable (Note 3)	<u>3,825</u>	<u>9,191</u>
Total Intragovernmental Assets	44,308	35,393
Accounts Receivable, Net (Note 3)	125	155
Other Assets (Note 4)	<u>458</u>	<u>474</u>
TOTAL ASSETS	<u>44,891</u>	<u>36,022</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable (Note 5)	787	379
Other Liabilities (Note 6)	<u>5,001</u>	<u>5,209</u>
Total Intragovernmental Liabilities	5,788	5,588
Accounts Payable (Note 5)	7,492	5,666
Employment-Related Benefits Liabilities (Note 5)	14,244	16,586
Other Liabilities (Note 6)	<u>38,330</u>	<u>37,676</u>
TOTAL LIABILITIES	<u>65,854</u>	<u>65,516</u>
NET POSITION		
Unexpended Appropriations (Note 7)	25,232	16,416
Cumulative Results of Operations	<u>(46,195)</u>	<u>(45,910)</u>
TOTAL NET POSITION	<u>(20,963)</u>	<u>(29,494)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 44,891</u>	<u>\$ 36,022</u>

**Department of Defense
 Defense Contract Audit Agency
 CONSOLIDATED STATEMENT OF NET COST
 (Amounts in Thousands)
 As of September 30,**

	<u>Incurred Costs</u>	<u>Forward Pricing</u>	<u>Other</u>	<u>Total 2006</u>	<u>Total 2005</u>
PROGRAM COSTS					
Gross Costs	\$ 236,182	\$ 112,936	\$ 119,497	\$ 468,615	\$ 465,227
(Less: Earned Revenue)	<u>(29,144)</u>	<u>(13,936)</u>	<u>(14,746)</u>	<u>(57,826)</u>	<u>(54,153)</u>
Net Program Costs	207,038	99,000	104,751	410,789	411,074
Cost Not Assigned to Programs	-	-	-	-	-
Less: Earned revenues not attributed to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cost of Operations	<u>\$ 207,038</u>	<u>\$ 99,000</u>	<u>\$ 104,751</u>	<u>\$ 410,789</u>	<u>\$ 411,074</u>

**Department of Defense
 Defense Contract Audit Agency
 CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 (Amounts in Thousands)
 As of September 30,**

	<u>2006</u>	<u>2005</u>
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$ (45,910)	\$ (46,369)
Prior Period Adjustments	<u>-</u>	<u>-</u>
Beginning Balances as Adjusted	(45,910)	(46,369)
Budgetary Financing Sources		
Appropriations received	-	-
Appropriations transferred – in/out	-	-
Other Adjustments (rescissions, etc)	-	-
Appropriations Used	382,358	383,410
Other Financing Sources		
Imputed Financing from costs absorbed by others	<u>28,146</u>	<u>28,123</u>
Total Financing Sources	410,504	411,533
Net Cost of Operations	<u>410,789</u>	<u>411,074</u>
Ending Balances	<u>(46,195)</u>	<u>(45,910)</u>
UNEXPENED APPROPRIATIONS		
Beginning Balances	16,416	18,235
Prior Period Adjustments	<u>-</u>	<u>-</u>
Beginning Balances as adjusted	16,416	18,235
Financing Sources		
Appropriations received	392,146	367,549
Appropriations transferred – in/out	65	14,356
Other Adjustments (rescissions, etc)	(1,037)	(314)
Appropriations Used	<u>(382,358)</u>	<u>(383,410)</u>
Total Financing Sources	8,816	(1,819)
Ending Balances	<u>\$ 25,232</u>	<u>\$ 16,416</u>

**Department of Defense
 Defense Contract Audit Agency
 COMBINED STATEMENT OF BUDGETARY RESOURCES
 (Amounts in Thousands)
 As of September 30,**

	<u>2006</u>	<u>2005</u>
BUDGETARY RESOURCES		
Budget Authority:		
Appropriations Received	\$ 392,146	\$ 367,549
Net Transfers Current Year Balance, Actual	(90)	(216)
Unobligated Balance – Beginning of Period	2,292	2,949
Net Transfers Prior-Year Balance, Actual	155	14,572
Spending Authority from Offsetting Collections		
Collected	63,223	52,760
Receivable from Federal Sources	(5,396)	1,393
Advance received	(7)	(5)
Recoveries of Prior Year Obligations	3,446	1,552
Permanently Not Available	<u>(1,038)</u>	<u>(313)</u>
TOTAL BUDGETARY RESOURCES	<u>454,731</u>	<u>440,241</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations Incurred		
Direct	389,765	383,720
Reimbursable	<u>58,130</u>	<u>54,229</u>
Subtotal	447,895	437,949
Unobligated Balances - Apportioned	675	698
Unobligated Balances – Not Available	<u>6,161</u>	<u>1,594</u>
TOTAL STATUS OF BUDGETARY RESOURCES	<u>454,731</u>	<u>440,241</u>
 RELATIONSHIP OF OBLIGATIONS TO OUTLAYS		
Obligated Balance, Net – Beginning of Period	23,996	24,383
Less: Obligated Balance, Net – End of Period		
Accounts Receivable	(3,825)	(9,221)
Undelivered Orders	17,644	13,682
Accounts Payable	19,828	19,535
Outlays		
Disbursements	440,194	435,393
Collections	<u>(63,215)</u>	<u>(52,754)</u>
Net Outlays	<u>\$ 376,979</u>	<u>\$ 382,639</u>

**Department of Defense
 Defense Contract Audit Agency
 CONSOLIDATED STATEMENT OF FINANCING
 (Amounts in Thousands)
 As of September 30,**

	<u>2006</u>	<u>2005</u>
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$ 447,895	\$ 437,949
Less: Spending Authority from Offsetting		
Collections and Recoveries	<u>(61,266)</u>	<u>(55,699)</u>
Net Obligations	386,629	382,250
Other Resources		
Imputed Financing from Cost Absorbed by Others	<u>28,146</u>	<u>28,123</u>
Net Other Resources used to Finance Activities	28,146	28,123
 Total Resources Used to Finance Activities	 414,775	 410,373
 RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided		
Undelivered Orders	(3,948)	2,168
Unfilled Customer Orders	(7)	(5)
Resources that fund expenses recognized in prior periods	(2,600)	(506)
Other – (Increases)/Decreases	<u>-</u>	<u>-</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(6,555)	1,657
Total Resources Used to Finance Net Cost of Operations	<u>408,220</u>	<u>412,030</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Increase in Annual Leave Liability	1,129	621
Other	<u>1,440</u>	<u>(1,577)</u>
Total Components of the Net Cost of Operations that will not require or generate resources in the current period	2,569	(956)
 NET COST OF OPERATIONS	 <u>\$ 410,789</u>	 <u>\$ 411,074</u>

**DEFENSE CONTRACT
AUDIT AGENCY**



**NOTES TO THE PRINCIPAL
FINANCIAL STATEMENTS**

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

ORGANIZATION

The Defense Contract Audit Agency (DCAA) was established in 1965 by Secretary of Defense Robert S. McNamara. The DCAA is a worldwide, single mission agency dedicated to providing timely and responsive audits and financial advisory services to the Department of Defense (DoD) contracting officers and other customers. The DCAA's primary customers are contracting officers in the Military Services, and the Defense Contract Management Agency. The Agency also performs, on a reimbursable basis, contract audit services for other federal agencies. The majority of DCAA's workload originates from statutory and regulatory requirements designed to ensure that the government meets its fiduciary responsibilities to the public when awarding and administering contracts.

The Agency is organized into six major components: a Headquarters and five regions. The Headquarters staff is responsible for the overall management of the Agency's operations, development of policies and plans, and allocation and accounting for the Agency's resources. The regions direct, manage and administer the personnel and resources allocated to their assigned geographical areas in the accomplishment of the DCAA's mission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying principal financial statements present the financial activity and position of the DCAA in formats similar to the ones prescribed by the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements* and the Department of Defense Financial Management Regulation (DoD FMR 7000.14R). This Circular is the central reference point for agency and government-wide financial reporting. The financial statements presented herein are in addition to financial reports prepared in accordance with OMB and the Department of Treasury (Treasury) directives to monitor the status and control the use of budgetary resources.

The financial statements have been prepared from the accounting books and records of the DCAA and its accounting services provider, the Defense Finance and Accounting Service (DFAS), in accordance with DoD's accounting policies. DoD's accounting policies follow the U.S. generally accepted accounting principles (GAAP) for the federal government prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the official accounting standards-setting body for the federal government.

Basis of Accounting

Transactions are recorded using financial (accrual) and budgetary bases of accounting. Budgetary and financial accounting information are complementary, but the types of information and timing of their recognition cause differences between the two bases of accounting.

Budgetary accounting facilitates compliance with legal constraints and statutory controls over the use of federal funds. Financial accounting supports accrual accounting and financial reporting by accounting for assets, liabilities, net position, revenues, and expenses to show actual financial position and net costs of operations. Under accrual accounting, exchange revenues are recognized when earned and operating expenses are recognized when incurred, without regard to the receipt or payment of cash.

Revenues and Other Financing Sources

The DCAA receives appropriations of Operation and Maintenance and Procurement funds from the Office of Management and Budget through the Department of Defense to execute their mission and report on resource usage. The DCAA no longer receives new appropriations of Research, Development, Test and Evaluation (RDT&E) funds. In addition, when authorized, these appropriations are supplemented by revenues generated by sales of services to other Federal agencies on a reimbursable order basis. These services are provided in connection with the negotiation, administration, and settlement of contracts and subcontracts.

Accounting for Intragovernmental Transactions

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

Most DoD and other Federal accounting systems do not capture accounts receivable or accounts payable data to identify the corresponding buying or selling agency. However, the DCAA's accounting systems capture trading partner data at the transaction level. The Defense Finance & Accounting Service (DFAS) reviews expenses at the transaction level by trading partner to ensure expenses are properly identified. Any potential error in intragovernmental accounts receivable or accounts payable and the corresponding revenue or expense is not material to the DCAA's financial statements.

Fund Balance with Treasury

The DCAA receives its spending authorizations as allotments from DoD appropriations. The DoD reconciles Fund Balance with Treasury at the agency-wide level. As such, what is presented on the DCAA's balance sheet is not reconcilable with account balances maintained by the Department of Treasury.

Accounts Receivable

Intragovernmental accounts receivable are due primarily from other non-DoD federal agencies for services performed on a reimbursable basis. The DCAA does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against federal agencies are to be resolved between the agencies. If such claims cannot be resolved by the agencies, they are to be referred to the Government Accountability Office. Nonfederal accounts receivable are due

predominantly from employees. The DCAA established an allowance for uncollectible accounts due from the public by determining the established percentage of debts based on the age of the receivable.

Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances or prepayments and reported as assets on the balance sheet. Advances and prepayments are recognized as expenditures when the related goods and service are received.

Lease Agreements

The DCAA does not have any capital leases. Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expenses, as payments are made over the lease term. The DCAA has operating leases on office space that expire at various times. The lease terms depend on individual contracts and locations.

Other Assets

Other assets represent payments of salary and travel advances made to civilian employees to defray anticipated business expenses while on official travel.

Accounts Payable

Intragovernmental accounts payable are amounts owed to other federal agencies for goods and services received but unpaid at the end of the year. Similarly, nonfederal accounts payable represent amounts owed to the public for goods and services received but unpaid at the end of the year, and the liability for canceled accounts payable.

Other Employment-Related Benefits Liabilities

Other Employment-Related Benefits Liabilities represent estimated actuarial liability, as determined by the U.S. Department of Labor (Labor), for future workers' compensation benefits payable under the Federal Employees Compensation Act (FECA).

Other Liabilities

Intragovernmental other liabilities primarily represent amounts related to the reimbursement to Labor for FECA payments. Nonfederal other liabilities are primarily accrued funded payroll and benefits, and the unfunded liability for annual leave, compensatory time and credit hours earned but not taken. The unfunded liability for these accrued amounts is reduced as leave is taken and reflects current pay rates. Sick and other types of nonvested leave are expensed as taken.

Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include the amount of unobligated allotments which have not been rescinded or withdrawn and amounts obligated but for which liabilities for payments had not been incurred at the end of the year.

Cumulative results of operations represent the accumulated difference between (1) financing sources and revenues and (2) expenses since the inception of the DCAA.

Comparative Data

The DCAA presents the current and previous year's financial data for comparative purposes.

Management's Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. ASSETS

The DCAA's assets are classified as entity or nonentity. Entity assets are resources that the DCAA has the authority and the legal obligation to use. Nonentity assets are held by the DCAA, but are not available for use in its operations. Entity assets include accounts receivable, other assets and account balances with Treasury comprised of appropriated funds and cash collected for reimbursable audit work.

As of September 30, (Amounts in thousands)	2006			2005
	Nonentity	Entity	Total	
Intragovernmental Assets:				
Fund Balance with Treasury	-	\$ 40,483	\$ 40,483	\$ 26,202
Accounts Receivable, Net	-	<u>3,825</u>	<u>3,825</u>	<u>9,191</u>
Total Intragovernmental Assets	-	<u>\$ 44,308</u>	<u>\$ 44,308</u>	<u>\$ 35,393</u>
Nonfederal Assets:				
Accounts Receivable, Net	\$ -	\$ 125	\$ 125	\$ 155
Other Assets	-	<u>458</u>	<u>458</u>	<u>474</u>
Total Nonfederal Assets	\$ -	<u>\$ 583</u>	<u>\$ 583</u>	<u>\$ 629</u>
Total Assets	<u>\$ -</u>	<u>\$ 44,891</u>	<u>\$ 44,891</u>	<u>\$ 36,022</u>

3. ACCOUNTS RECEIVABLE

As of September 30, (Amounts in thousands)	2006			2005
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
Intragovernmental Receivables:	\$ 3,825	\$ N/A	\$ 3,825	\$ 9,191
Nonfederal Receivables (From The Public):	128	(3)	125	155
Total Accounts Receivable:	<u>\$ 3,953</u>	<u>\$ (3)</u>	<u>\$ 3,950</u>	<u>\$ 9,346</u>

The DCAA has established an allowance for uncollectible accounts due from the public by applying a predetermined percentage of loss for each age group to the monthly receivable. Nonfederal Receivables represent receivables due from the public for audit work, and amounts due from employees for Federal Employee Health Benefit premiums paid by DCAA while employees were in a leave without pay status.

4. OTHER ASSETS

Other Assets consist of advances to employees to offset expenses related to official temporary duty travel or relocation.

5. LIABILITIES

DCAA's liabilities are classified as covered by budgetary resources or not covered by budgetary resources.

As of September 30, (Amounts in thousands)	2006			2005
	Covered By Budgetary Resources	Not Covered By Budgetary Resources	Total	Total
Intragovernmental Liabilities:				
Accounts Payable	\$ 787	-	\$ 787	\$ 379
Other	1,844	3,157	5,001	5,209
Total Intragovernmental Liabilities	2,631	3,157	5,788	5,588
Nonfederal Liabilities:				
Accounts Payable	5,406	2,086	7,492	5,666
Benefits and Other Employment-Related Actuarial Liabilities	-	14,244	14,244	16,586
Other Liabilities	11,801	26,529	38,330	37,676
Total Nonfederal Liabilities	<u>17,207</u>	<u>42,859</u>	<u>60,066</u>	<u>59,928</u>
Total Liabilities	<u>\$ 19,838</u>	<u>\$ 46,016</u>	<u>\$ 65,854</u>	<u>\$ 65,516</u>

6. OTHER LIABILITIES

As of September 30,

(Amounts in thousands)

	2006		2005	
	Current Liability	Noncurrent Liability	Total	Total
Intragovernmental:				
Resources Payable to Treasury	\$ -	\$ -	\$ -	\$ -
Accounts Payable –				
Canceled Appropriations	-	-	-	-
FECA Reimbursement to the				
Department of Labor	1,513	1,644	3,157	3,378
Other Liabilities	1,844	-	1,844	1,831
Total Intragovernmental				
Other Liabilities	3,357	1,644	5,001	5,209
Nonfederal:				
Accrued Funded Payroll				
And Benefits	11,791	-	11,791	12,259
Deposit Funds and				
Suspense Accounts	-	-	-	-
Accrued Unfunded Annual				
Leave	26,529	-	26,529	25,400
Advances from Others	10	-	10	17
Total Nonfederal Other				
Liabilities	38,330	-	38,330	37,676
Total Other Liabilities	\$ 41,687	\$ 1,644	\$ 43,331	\$ 42,885

7. UNEXPENDED APPROPRIATIONS

As of September 30,

(Amounts in thousands)

Unexpended Appropriations:

	2006	2005
Unobligated, Available	\$ 675	\$ 698
Unobligated, Unavailable	6,161	1,563
Unexpended Obligations	18,396	14,155
Total Unexpended Appropriations	\$ 25,232	\$ 16,416

8. STATEMENT OF NET COST

The Statement of Net Cost reports DCAA's gross and net costs arrayed as between its two major product lines, forward pricing and incurred cost audits, and other work. The presentation of the two major product lines correlates to DCAA's performance standards/stretch goals as set forth in DCAA Director's Performance Plan with the DoD Comptroller.

As of September 30, (Amounts in thousands)	<u>2006</u>	<u>2005</u>
Intragovernmental Costs	\$ 110,889	\$ 113,189
Public Costs	<u>357,726</u>	<u>352,038</u>
Total Costs	<u>\$ 468,615</u>	<u>\$ 465,227</u>
Intragovernmental Earned Revenue	\$ (57,719)	\$ (54,078)
Public Earned Revenue	<u>(107)</u>	<u>(75)</u>
Total Earned Revenue	<u>\$ (57,826)</u>	<u>\$ (54,153)</u>
Net Cost of Operation	<u>\$ 410,789</u>	<u>\$ 411,074</u>

Disclosures Related to the Statement of Net Cost

The Consolidated Statement of Net Cost in the federal government 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. Intragovernmental costs and revenue are related to transactions between two reporting entities within the Federal Government. Public costs and revenue are exchange transactions made between the reporting entity and a nonfederal entity. The DCAA is able to compare its intragovernmental costs and revenues with the corresponding balances of its intragovernmental trading partners and disclose any material differences identified within the Department of Defense. In addition, 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 Consolidated Statement of Net Cost are based on funding obligations, accrual, and disbursing transactions. The information presented also includes data from non-financial feeder systems to capture payroll expenses.

The DCAA does not have heritage assets or stewardship land and therefore does not have any related costs.

9. STATEMENT OF CHANGES IN NET POSITION

As of September 30, (Amounts in thousands)	2006	2005
Prior Period Adjustment Increase (Decrease) to Net Position Beginning Balance		
Errors and Omissions in Prior Year Accounting Reports	\$ -	\$ -
Total Prior Period Adjustment	\$ -	\$ -
Imputed Financing		
Civilian CSRS/FERS Retirement	\$ 10,227	\$ 11,240
Civilian Health	17,732	16,827
Civilian Life Insurance	56	56
Judgment Fund	131	-
Total Imputed Financing	\$ 28,146	\$ 28,123

Imputed Financing:

The amounts remitted to the Office of Personnel Management (OPM) by and for employees of the Defense Contract Audit Agency (DCAA) covered by the Civil Service Retirement System (CSRS), Federal Employees' Retirement System (FERS), Federal Employees' Health Benefits Program (FEHB) and the Federal Employees' Group Life Insurance Program (FEGLI) do not fully cover the Government's true cost of future benefits to those employees. As required by Statement of Federal Financial Standards No. 5 – Liabilities of the Federal Government, OPM provides the cost factors to the Defense Finance and Accounting Service (DFAS) for computation of imputed financing costs for civilian benefit programs. The imputed financing costs are the difference between the true cost of providing these benefits, and the employer and employee contributions. The DFAS calculates the employee benefit cost and forwards the information to the Under Secretary of Defense Personnel and Readiness for validation. The current costs and all imputed costs associated with pensions and other retirement benefits are included in the financial statements of DCAA.

- CSRS and FERS – The cost factor for CSRS and FERS is the portion of gross pay from which withholdings are made. The FY 2006 cost factors for CSRS and FERS are 25% and 12% (respectively) of basic pay and constitute the total service cost for retirement. The difference between the service cost and contributions is the imputed cost for retirement.
- FEHB – The calculation for imputed costs for the 4th Quarter, FY 2006 looks at the actual enrollment in FEHB at three points in time: October 1, 2005, March 31, 2006 and September 30, 2006. A multiplier of one is used for the October and September enrollments and a multiplier of two for the March enrollment. The grand total applying the multiplier is then divided by four to derive the “constructed FEHB enrollment.” The constructed FEHB enrollment is multiplied by the 4th Quarter, FY 2006 cost factor of \$1 thousand (rounded). This is the imputed cost for FEHB for 4th Quarter, FY 2006.

- FEGLI – The imputed cost for providing post-retirement FEGLI benefits is computed using a cost factor of .02% of basic pay for all employees covered by basic life insurance

10. STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of September 30, 2005 and 2006. The budgetary resources section presents the total budgetary resources available to DCAA. For 2005 and 2006, DCAA received approximately \$367.3 million and \$392.1 million, respectively, in budget authority and spending authority from offsetting collections of \$54.1 million and \$57.8 million, respectively.

11. STATEMENT OF FINANCING

Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different, causing differences in the basis of accounting. The Statement of Financing reconciles these differences between the budgetary-based Statement of Budgetary Resources to accrual-based Statement of Net Cost.

12. LEASES

The DCAA leases real property under operating leases. These leases expire in various years. Minimum rental payments under operating leases having remaining terms in excess of one year as of September 30, 2006 for each of the next 5 years and in aggregate are as follows (Amounts in Thousands)

<u>Year Ended September 30</u>	<u>Operating Lease Amounts</u>
2007	\$ 6,207
2008	6,760
2009	5,118
2010	4,067
2011	2,933
2012 and thereafter	6,110
<u>Total Minimum Future Lease Payments</u>	<u>\$ 31,195</u>

Amounts reported as of September 30, 2006 for operating lease future payments represent amounts gathered from lease occupancy agreements.

**DEFENSE CONTRACT
AUDIT AGENCY**



**REQUIRED SUPPLEMENTAL
INFORMATION**

Department of Defense
Defense Contract Audit Agency
CONSOLIDATING BALANCE SHEET
As of September 30, 2006
(Amounts in Thousands)

	Research, Development, Test & Evaluation	Operation And Maintenance	Procurement	Combined Total	Eliminations	Consolidated Total
ASSETS						
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 28	\$ 38,905	\$ 1,550	\$ 40,483	\$ -	\$ 40,483
Accounts Receivable	-	3,825	-	3,825	-	3,825
Total Intragovernmental Assets	28	42,730	1,550	44,308	-	44,308
Accounts Receivable	-	125	-	125	-	125
Other Assets	-	458	-	458	-	458
TOTAL ASSETS	<u>28</u>	<u>43,313</u>	<u>1,550</u>	<u>44,891</u>	<u>-</u>	<u>44,891</u>
LIABILITIES						
Intragovernmental:						
Accounts Payable	2	785	-	787	-	787
Other Liabilities	-	5,001	-	5,001	-	5,001
Total Intragovernmental Liabilities	2	5,786	-	5,788	-	5,788
Accounts Payable	-	7,358	134	7,492	-	7,492
Employment-Related Benefits Liabilities	-	14,244	-	14,244	-	14,244
Other Liabilities	-	38,330	-	38,330	-	38,330
TOTAL LIABILITIES	<u>2</u>	<u>65,718</u>	<u>134</u>	<u>65,854</u>	<u>-</u>	<u>65,854</u>
NET POSITION						
Unexpended Appropriations (Note 7)	26	23,790	1,416	25,232	-	25,232
Cumulative Results of Operations	-	(46,195)	-	(46,195)	-	(46,195)
TOTAL NET POSITION	<u>26</u>	<u>(22,405)</u>	<u>1,416</u>	<u>(20,963)</u>	<u>-</u>	<u>(20,963)</u>
TOTAL LIABILITIES AND NET POSITION	<u>28</u>	<u>43,313</u>	<u>1,550</u>	<u>44,891</u>	<u>-</u>	<u>44,891</u>

**Department of Defense
Defense Contract Audit Agency
CONSOLIDATING STATEMENT OF NET COST
As of September 30, 2006
(Amounts in Thousands)**

	Research, Development, Test & Evaluation	Operation And Maintenance	Procurement	Combined Total	Eliminations	Consolidated Total
PROGRAM COSTS						
Gross Costs	\$ (9)	\$ 467,751	\$ 873	\$ 468,615	-	\$ 468,615
Less Earned Revenue		(57,826)	-	(57,826)	-	(57,826)
Net Program Costs	(9)	409,925	873	410,789	-	410,789
Cost Not Assigned to Programs	-	-	-	-	-	-
Less: Earned revenues not attributed to programs	-	-	-	-	-	-
Net Cost of Operations	<u>\$ (9)</u>	<u>\$ 409,925</u>	<u>\$ 873</u>	<u>\$ 410,789</u>	<u>\$ -</u>	<u>\$ 410,789</u>

**Department of Defense
Defense Contract Audit Agency
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
As of September 30, 2006
(Amounts in Thousands)**

	Research, Development, Test & Evaluation	Operation And Maintenance	Procurement	Combined Total	Eliminations	Consolidated Total
CUMMULATIVE RESULTS OF OPERATIONS						
Beginning Balances	\$ -	\$ (45,910)	\$ -	\$ (45,910)	\$ -	\$ (45,910)
Prior Period Adjustments	-	-	-	-	-	-
Beginning Balances - As Adjusted	-	(45,910)	-	(45,910)	-	(45,910)
Budgetary Financing Sources						
Appropriations Used	(9)	381,494	873	382,358	-	382,358
Other Financing Sources						
Imputed Financing from Costs Absorbed by Others	-	28,146	-	28,146	-	28,146
Total Financing Sources	(9)	409,640	873	410,504	-	410,504
Net Cost of Operations	(9)	409,925	873	410,789	-	410,789
Ending Balances	-	(46,195)	-	(46,195)	-	(46,195)
Unexpended Appropriations						
Beginning Balances	17	15,231	1,168	16,416	-	16,416
Prior Period Adjustments	-	-	-	-	-	-
Beginning Balances as Adjusted	17	15,231	1,168	16,416	-	16,416
Financing Sources						
Appropriations Received	-	390,669	1,477	392,146	-	392,146
Appropriations transferred - in/out	-	65	-	65	-	65
Other Adjustments - (rescissions, etc)	-	(681)	(356)	(1,037)	-	(1,037)
Appropriations Used	9	(381,494)	(873)	(382,358)	-	(382,358)
Total Financing Sources	9	8,559	248	8,816	-	8,816
Net Cost of Operations	-	-	-	-	-	-
Net Position - End of the Period	26	23,790	1,416	25,232	-	25,232

**Department of Defense
Defense Contract Audit Agency
COMBINING STATEMENT OF BUDGETARY RESOURCES
As of September 30, 2006**

(Amounts in Thousands)

	<u>Research, Development, Test & Evaluation</u>	<u>Operation And Maintenance</u>	<u>Procurement</u>	<u>Combined Total</u>
BUDGETARY RESOURCES				
Appropriations Received	\$ -	\$ 390,669	\$ 1,477	\$ 392,146
Net Transfers, Current Year Balance		(90)	-	(90)
Unobligated Balance - Beginning of Period	17	1,820	455	2,292
Net Transfers Prior-Year Balance, Actual	-	155	-	155
Spending Authority from Offsetting Collections	-	57,820	-	57,820
Recoveries of Prior Year Obligations	9	3,419	18	3,446
Permanently not Available	-	(682)	(356)	(1,038)
TOTAL BUDGETARY RESOURCES	<u>26</u>	<u>453,111</u>	<u>1,594</u>	<u>454,731</u>
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred	-	446,488	1,407	447,895
Unobligated Balances - Available	-	532	143	675
Unobligated Balances - Unavailable	26	6,091	44	6,161
TOTAL STATUS OF BUDGETARY RESOURCES	<u>26</u>	<u>453,111</u>	<u>1,594</u>	<u>454,731</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS				
Obligated Balance, Net - Beginning of Period	-	22,663	1,333	23,996
Obligated Balance, Net - End of Period	-	(3,825)	-	(3,825)
Accounts Receivable	-	16,415	1,229	17,644
Undelivered Orders	1	19,693	134	19,828
Accounts Payable				
Outlays				
Disbursements	(11)	438,846	1,359	440,194
Collections	-	(63,215)	-	(63,215)
NET OUTLAYS	<u>(11)</u>	<u>375,631</u>	<u>1,359</u>	<u>376,979</u>

Department of Defense
Defense Contract Audit Agency
CONSOLIDATING STATEMENT OF FINANCING
As of September 30, 2006
(Amounts in Thousands)

	<u>Research, Development, Test & Evaluation</u>	<u>Operation And Maintenance</u>	<u>Procurement</u>	<u>Combined Total</u>
\$ -	\$ 446,488	\$ 1,407		\$ 447,895
(9)	(61,239)	(18)		(61,266)
-	28,146	-		28,146
\$ (9)	\$ 413,395	\$ 1,389		\$ 414,775

RESOURCES USED TO FINANCE ACTIVITIES

Obligations Incurred	
Less: Spending Authority from Offsetting Collections and Recoveries	(9)
Imputed Financing from Cost Absorbed by Others	-
Total Resources Used to Finance Activities	(9)

**RESOURCES USED TO FINANCE ITEMS NOT PART
OF THE NET COST OF OPERATIONS**

Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided Undelivered Orders	-	(3,438)	(517)	(3,955)
Financing Sources that Fund Costs of Prior Periods	-	(2,600)	-	(2,600)
Other - (Increases)/Decreases	-	-	-	-
Total Resources Used to Finance Net Cost of Operations	\$ (9)	\$ 407,357	\$ 872	\$ 408,220

**COMPONENTS OF THE NET COST OF OPERATIONS
THAT WILL NOT REQUIRE OR GENERATE RESOURCES
IN THE CURRENT PERIOD**

Increase in Annual Leave Liability	-	1,129	-	1,129
Other	-	1,440	-	1,440
Total Components of Net Cost of Operations that will not require Or generate resources in the current period	\$ -	\$ 2,569	\$ -	\$ 2,569
NET COST OF OPERATIONS	\$ (9)	\$ 409,926	\$ 872	\$ 410,789

Required Supplemental Information - Part A

AT97 - Other Defense Organizations General Funds

Schedule, Part A DoD Intra-governmental Asset Balances. (\$Amounts in Thousands)	Treasury Index	Fund Balance with Treasury	Accounts Receivable	Loans Receivable	Investments	Other
The Judiciary	10		\$29			
Executive Office of the President	11		\$38			
Department of Agriculture	12		\$70			
Department of Commerce	13		(\$2,067)			
Department of the Interior	14		\$91			
Department of Justice	15		\$922			
Department of Labor	16		\$15			
Navy General Fund	17		\$15,519		\$47	
United States Postal Service	18		\$153			
Department of State	19		\$150			
Department of the Treasury	20	\$54,879,072	(\$103)		\$1,888,704	
Army General Fund	21		\$15,550		\$27	
Office of Personnel Management	24		\$13			\$86,253
Federal Communications Commission	27		\$1			
Social Security Administration	28		\$1			
Nuclear Regulatory Commission	31		\$50			
Department of Veterans Affairs	36		\$75			
Government Printing Office	4		\$2,491			
Pennsylvania Avenue Development Corp	42		\$70			
General Service Administration	47		\$47,684			
National Science Foundation	49		\$7,162			
General Accounting Office	5		\$11			
Federal Labor Relations Authority	54		\$1			
Central Intelligence Agency	56		\$1,088			
Air Force General Fund	57		\$11,768			\$363,477
Environmental Protection Agency	68		(\$856)			
Department of Transportation	69		\$27,696			
Homeland Security	70		\$5,108		\$5	
Agency for International Development	72		\$245			
Department of Health and Human Services	75		\$4,986			

Required Supplemental Information - Part A

AT97 - Other Defense Organizations General Funds

Schedule, Part A DoD Intra-governmental Asset Balances. (\$A amounts in Thousands)	Treasury Index	Fund Balance with Treasury	Accounts Receivable	Loans Receivable	Investments	Other
National Aeronautics and Space Administration	80		\$14,307			
Department of Housing and Urban Development	86		\$20			
Department of Energy	89		\$880			
Department of Education	91		\$323			
Independent Agencies	95		\$0			
US Army Corps of Engineers	96		\$255			
Other Defense Organizations Working Capital Funds	97-4930		\$4,922			\$96,425
Army Working Capital Fund	97-4930.001		\$96			
Navy Working Capital Fund	97-4930.002		\$2,179			\$214
Air Force Working Capital Fund	97-4930.003		\$1			
The General Fund of the Treasury	99		\$26,258			
Totals might not match reports.	Totals:	\$54,879,072	\$187,202		\$1,888,783	\$546,369

Department of the Interior	14	\$23	
Department of Labor	16		\$3,157
Army General Fund	21	\$0	
Office of Personnel Management	24	\$179	\$1,844
General Service Administration	47	\$540	
Air Force General Fund	57	\$1	
Homeland Security	70	\$40	
Department of Health and Human Services	75	\$2	
Other Defense Organizations Working Capital Funds	97-4930	\$1	
Totals might not match reports.	Totals:	\$786	\$5,001

Required Supplemental Information - Part C

AT97 - Other Defense Organizations General Funds

Under Secretary of Defense (Comptroller)

DCAA - Defense Contract Audit Agency

Schedule, Part C DoD Intra-governmental revenue and related costs. (\$Amounts in Thousands)	Treasury Index	Earned Revenue
Department of Agriculture	12	\$281
Department of Commerce	13	\$287
Department of the Interior	14	\$412
Department of Labor	16	\$96
United States Postal Service	18	\$874
Department of State	19	\$620
Department of the Treasury	20	\$780
Army General Fund	21	\$75
Federal Communications Commission	27	\$11
Social Security Administration	28	\$50
Nuclear Regulatory Commission	31	\$84
Department of Veterans Affairs	36	\$246
General Service Administration	47	\$35
National Science Foundation	49	\$528
General Accounting Office	5	\$1
Air Force General Fund	57	\$18
Environmental Protection Agency	68	\$1,655
Department of Transportation	69	\$2,453
Homeland Security	70	\$3,169
Agency for International Development	72	\$2,090
Department of Health and Human Services	75	\$3,547
National Aeronautics and Space Administration	80	\$16,464
Department of Housing and Urban Development	86	\$37
National Archives and Records Administration	88	\$31
Department of Energy	89	\$13,245
Department of Education	91	\$21
Independent Agencies	95	\$3
US Army Corps of Engineers	96	\$5,789
Other Defense Organizations General Funds	97	\$4,815
Totals might not match reports.	Totals:	\$57,717