U.S. TRADE AND DEVELOPMENT AGENCY

Performance and Accountability Report

September 30, 2008

(With Independent Auditors' Report Thereon)

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U.S. TRADE AND DEVELOPMENT AGENCY

Director's Message

September 30, 2008

Mission Statement

The U.S. Trade and Development Agency (USTDA or the Agency) advances economic development and U.S. commercial interests in developing and middle-income countries. The Agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the Agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

Data Assessment

The USTDA develops and promulgates accounting systems and procedures for use by its staff to maximize accountability, standardization and cost effectiveness; monitors Agency compliance with these systems and procedures; reviews reports of the independent auditors to ensure compliance with auditor recommendations; monitors the activities of the Agency's programs; and performs analysis of required changes in procedure that affects the financial reporting of the Agency.

In addition, the Agency conducts independent program audits each year to supplement the work of the independent financial statement auditors and provides oversight of decentralized accounts payable processing and payroll activities. The Agency also performs internal control information system reviews and conducts fact finding activities to support decisions impacting revisions to the Agency's accounting and financial reporting systems.

The Agency has service level agreements with the National Business Center (NBC) of the Department of the Interior for Payroll, Personnel, and Accounting services. The operating effectiveness of the NBC's Oracle Federal Financials General Information Technology and Accounting Operations Controls was examined and a Type II Statement of Accounting Standards No. 70 (Type II SAS 70) report was issued for the period June 16, 2007 through June 15, 2008. In addition, the NBC provided assurance that these controls did not change for the period June 15, through September 30, 2008, and that the description of controls in the FY 2008 Type II SAS 70 examination report presents fairly the aspects of NBC controls that were in place as of September 30, 2008. USTDA relies on these assurances.

U.S. TRADE AND DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the year ended September 30, 2008

Description of the Reporting Entity

The United States Trade and Development Agency (USTDA or the Agency) is an independent U.S. government agency administered under the authority of Section 661 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2421).

The organization was established on July 1, 1980 as the U.S. Trade and Development Program (TDP) by delegation of authority as a component of the International Development Cooperation Agency (IDCA), and in 1988, under the Omnibus Trade and Competitiveness Act, the organization was made a separate component agency of IDCA. On October 28, 1992, the Jobs Through Exports Act of 1992 established USTDA as an independent agency under the foreign policy guidance of the Secretary of State.

Performance Goals and Results

The government-wide implementation of annual performance plans under the *Government Performance and Results Act of 1993* (GPRA) required agencies to develop strategic plans and subsequent reports beginning with fiscal year (FY) 1999. The USTDA focuses on meeting stated goals and objectives in its current Strategic Plan covering the 2008-2012 time period.

USTDA uses two specific performance measures, the "multiplier" and the "hit rate" to ascertain whether its program achieves the long-term strategic objectives of advancing U.S. commercial interests in development projects. The targets for the "multiplier" and "hit rate" performance measures, while ambitious, have remained fairly constant. USTDA projects often take many years to mature and, therefore, the measures are applied on the basis of a ten-year rolling average.

In addition, the Agency uses four newly-established measurements for development impact:

- Percentage of implemented activities resulting in infrastructure/industrial projects
- Percentage of implemented activities leading to adoption of market-oriented reforms
- Percentage of implemented activates creating ten or more jobs, or training at least ten people
- Percentage of implemented activities resulting in the transfer of advanced technology or increased productivity

(A) Commercial Objectives:

Since 2004, USTDA has been required to review all feasibility studies and technical assistance activities completed in each fiscal year and assess whether they have the potential to contribute to the agency's long-term commercial goals (i.e., the "multiplier" and "hit rate").

The chart below reflects, for each year, the percentage of USTDA activities that have the potential to contribute to the Agency's long term commercial goals:

2008 Goal	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual
60%	72%	66%	83%	72%	66%

Over the past four years, USTDA has demonstrated the ability to achieve and/or exceed its ambitious commercial impact goals. USTDA's performance during the period highlights the results-oriented nature of USTDA's program.

	2008 Goal	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Multiplier[1]	35:1	35:1	39:1	43:1	43:1	38:1
Hit Rate[2]	35%	35%	35%	35%	36%	37%

For the most recent ten-year period in which information is complete, USTDA identified $10.2 billion in U.S. exports from the completed projects on which USTDA spent $290.8 million. This resulted in an export multiplier of 35:1. With respect to the commercial impact indicators, USTDA met its export multiplier benchmark ($35 per $1 invested by USTDA).

The hit rate represents the proportion of USTDA activities for which USTDA has identified exports. For the same ten-year period, 410 projects out of 1,178 produced exports, yielding a hit rate of 35%, equivalent to the Agency's stated goal.

(B) Development Objectives:

Because the maturation period of development projects is typically lengthy, developmental impact evaluations are not made until six years after completion of a USTDA activity. Consequently, no actual results are required for the period from FY 2004 – FY 2010. Beginning in 2011, the Agency will be required to show whether or not its implemented projects are meeting the following goals:

- 55% result in infrastructure and industrial improvements
- 25% lead to the adoption of market-oriented reforms
- 30% result in the creation of ten or more jobs, or the training of ten or more people
- 50% lead to the transfer of advanced technology or increased productivity

(C) Reliability and Completeness of the Performance Data

USTDA maintains an internal evaluations team and also contracts with independent evaluators. Both teams review USTDA activities for commercial impacts and developmental impacts. Review of USTDA activities takes place while activities are ongoing and upon completion. USTDA has had extensive experience measuring the success of its activities against its commercial goals. There is no indication from either the Agency's internal evaluations team or its external evaluations team that there are any material inadequacies that would significantly impede the use of proper performance data by the Agency's management and government decision-makers.

[1] The multiplier is a ten year rolling average of the dollar amount in US exports produced for every $1 in expended USTDA program funding.
[2] The hit rate is a ten year rolling average of the percentage of agency projects that have led to US exports.

(D) Performance Goal Levels in the Performance Budget

While USTDA has broadened the focus of its program to better match the Administration's trade and foreign policy priorities, it expects to continue to meet and/or exceed its commercial impact goals. Based on USTDA's budget for FY 2009, the Agency expects to again exceed its commercial impact goals. As a result, there is no identified need to adjust the Agency's performance goals.

Evaluations

The USTDA evaluations staff is responsible for maintaining status reports on the results of the Agency's activities and providing summary reports on the Agency's success in achieving U.S. export and host country development objectives.

Management has designed and followed a plan to provide reasonable assurance that reported performance information is relevant and reliable.

Financial Condition

The accompanying balance sheet as of September 30, 2008, reports a net position of $101,381,535.

Total assets of $110,194,647 includes fund balance with Treasury of $108,865,441. The total assets are approximately $9.6 million less than FY 2007 levels. The decrease is primarily due to decreases in miscellaneous receipts and obligated and unobligated balances of approximately $6.0 million, a decrease of $3.9 million in advances, offset by a net increase of $0.3 million in accounts receivable and property and equipment. Total liabilities reported are $8,813,112.

Financial Results

USTDA's net cost of operations for the year ended September 30, 2008 is $53,363,361 and total budgetary resources for the year is $65,991,964. The net cost of operations for FY 2008 has remained consistent with that of FY 2007. The budgetary resources for FY 2008 has decreased approximately $0.9 million from FY 2007 levels. The decrease is primarily due to increases of approximately $6.4 million in recoveries, decreases of $5.2 million in nonexpenditure transfers, and $2.1 million in cancellation of expired accounts.

The accompanying statements of net cost, changes in net position, and budgetary resources illustrate in detail the financial results of USTDA's operations for FY 2008.

Management Assurances

The U.S. Trade and Development Agency's (USTDA) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). USTDA conducted an assessment of the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, USTDA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of June 30, 2008 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, USTDA conducted an assessment of the effectiveness of its internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, USTDA can provide reasonable assurance that internal control over financial reporting as of June 30, 2008 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

___________/s/_________________
Larry Walther
Director

July 15, 2008
Date

The Agency has service level agreements with the National Business Center (NBC) of the Department of the Interior for Payroll, Personnel, and Accounting services. The operating effectiveness of the NBC's Oracle Federal Financials General Information Technology and Accounting Operations Controls was examined and a Type II Statement of Accounting Standards No. 70 (Type II SAS 70) report was issued. In addition, the NBC provided assurance that these controls remained in effect through September 30, 2008. The results of this examination provide reasonable assurance that USTDA's financial management systems complied substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S, Government Standard General Ledger at the transaction level.

Limitations of the Financial Statements

These financial statements have been prepared to report the financial position and results of operations of USTDA pursuant to the requirements of 31 U.S.C. §3515(b). While the statements have been prepared from the books and records of the Agency in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Director
U.S. Trade and Development Agency:

We have audited the accompanying balance sheets of the U.S. Trade and Development Agency (USTDA) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the USTDA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the USTDA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USTDA as of September 30, 2008 and 2007, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Other Accompanying Information section is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2008, on our consideration of the USTDA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 14, 2008

U.S. TRADE AND DEVELOPMENT AGENCY

Balance Sheets

As of September 30, 2008 and 2007

Assets	**FY 2008**	**FY 2007**
Intragovernmental:		
Fund balance with Treasury (Note 2)	$ 108,865,441	$ 114,883,040
Total intragovernmental	108,865,441	114,883,040
Accounts receivable (Note 3)	405,433	9,428
Other (Note 3)	646,747	4,574,205
General property and equipment, net (Note 4)	277,026	329,857
Total assets	$ 110,194,647	$ 119,796,530
Liabilities and Net Position		
Liabilities (Note 5)		
Intragovernmental:		
Accounts payable	$ 82,559	$ 61,743
Other (Note 5)	541,626	1,703,343
Total intragovernmental	624,185	1,765,086
Accounts payable	7,394,258	7,597,606
Other (Note 5)	794,669	622,476
Total liabilities	8,813,112	9,985,168
Net position:		
Unexpended appropriations	101,098,058	109,796,445
Cumulative results of operations	283,477	14,917
Total net position	101,381,535	109,811,362
Total liabilities and net position	$ 110,194,647	$ 119,796,530

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Net Cost

For the Years ended September 30, 2008 and 2007

	FY 2008	FY 2007
Cost of Operations:		
Grants program costs	$ 53,777,586	$ 53,843,261
Less earned revenue	(433,600)	(637,500)
Net grant program cost	53,343,986	53,205,761
Costs not assigned to programs	19,375	392,415
Net cost of operations (Notes 6 & 11)	$ 53,363,361	$ 53,598,176

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Changes in Net Position

For the Years ended September 30, 2008 and 2007

	FY 2008	FY 2007
Cumulative results of operations:		
Beginning balances	$ 14,917	$ 141,471
Adjustments:	—	(58,885)
Budgetary financing sources:		
Appropriations used	53,381,708	53,252,543
Other financing sources:		
Imputed financing	250,213	277,964
Total financing sources	53,631,921	53,471,622
Net cost of operations	(53,363,361)	(53,598,176)
Net change	268,560	(126,554)
Ending balances	$ 283,477	$ 14,917
Unexpended appropriations:		
Beginning balances	$ 109,796,445	$ 110,532,610
Budgetary financing sources:		
Appropriations received	50,400,000	50,431,726
Appropriations transferred in/out	—	5,245,000
Other adjustments (rescissions, etc.)	(5,716,679)	(3,160,348)
Appropriations used	(53,381,708)	(53,252,543)
Total budgetary financing sources	(8,698,387)	(736,165)
Total unexpended appropriations	101,098,058	109,796,445
Net position	$ 101,381,535	$ 109,811,362

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Budgetary Resources

For the Years ended September 30, 2008 and 2007

	FY 2008	FY 2007
Budgetary resources:		
Unobligated balance, brought forward, October 1	$ 9,739,038	$ 9,258,596
Recoveries of prior year unpaid obligations	11,569,605	5,100,492
Budget authority:		
Appropriations	50,400,000	50,431,726
Spending authority from offsetting collections:		
Collected	433,600	639,890
Change in unfilled customer orders		
Advance received	(433,600)	(637,500)
Nonexpenditure transfers	—	5,245,000
Permanently not available:		
Cancellation of expired accounts	(5,308,439)	(3,160,348)
Enacted reductions	(408,240)	—
Total budgetary resources	$ 65,991,964	$ 66,877,856
Status of budgetary resources:		
Obligations incurred:		
Direct (Note 7)	$ 58,562,314	$ 57,138,818
Unobligated balance available:		
Apportioned (Note 8)	3,368,390	7,725,135
Unobligated balance not available	4,061,260	2,013,903
Total status of budgetary resources	$ 65,991,964	$ 66,877,856
Change in obligated balance:		
Unpaid obligations, brought forward, October 1	$ 103,953,159	$ 104,638,355
Obligations incurred	58,562,314	57,138,818
Less: Gross outlays	(49,968,286)	(52,723,522)
Less: Recoveries of prior years' obligations	(11,569,605)	(5,100,492)
Obligated balance, net – end of the period (Note 9)	100,977,582	103,953,159
Net Outlays:		
Gross outlays	$ 49,968,286	$ 52,723,522
Less: Offsetting collections	—	(2,390)
Net outlays	$ 49,968,286	$ 52,721,132

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The U.S. Trade and Development Agency (USTDA or the Agency) is an independent U.S. government agency administered under the authority of Section 661 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2421).

USTDA advances economic development and U.S. commercial interests in developing and middle-income countries. The Agency funds various forms of technical assistance, feasibility studies, training, orientation visits, and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision making in host countries creates an enabling environment for trade, investment, and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the Agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

The organization was established on July 1, 1980 as the U.S. Trade and Development Program (TDP) by delegation of authority as a component of the International Development Cooperation Agency (IDCA). In 1988, under the Omnibus Trade and Competitiveness Act, the organization was a separate component agency of IDCA. On October 28, 1992, the Jobs Through Exports Act of 1992 established USTDA as an independent agency under the foreign policy guidance of the Secretary of State.

(b) Basis of Presentation

These financial statements have been prepared to report the financial position, net costs, changes in net position, and budgetary resources of USTDA, as required by its authorizing legislation (Public Law 102-549, Title II). These financial statements include all activity related to USTDA's appropriation (No. 11-1001) and reimbursable interagency agreements, whereby USTDA receives transfers from other federal agencies for use in specific regions or sectors.

(c) Budgets and Budgetary Accounting

Congress annually adopts a budget appropriation that provides USTDA with authority to use funds from the U.S. Treasury to meet operating and program expense requirements. All revenue received from other sources, except for appropriations transferred from other federal agencies and transfers received under reimbursable interagency agreements, must be returned to the U.S. Treasury.

(d) Basis of Accounting

USTDA's Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual method of accounting. This method requires recognition of the financial effects of transactions, events, and circumstances in the period(s) when those transactions, events, and circumstances occur, regardless of when cash is received or paid. USTDA uses budgetary accounting to facilitate compliance with legal constraints and to track its budget authority at the various stages of execution, including commitments, obligation, and eventual outlay. The Statement of Budgetary Resources is prepared using budgetary accounting methods.

The standards used in the preparation of the accompanying financial statements are issued by the Federal Accounting Standards Advisory Board, which are accounting principles generally accepted in the United States of America.

(e) Revenue and Other Financing Sources

During FY 2008, USTDA received a two-year appropriation to be used for program and administrative expenses, which is available for obligation through September 30, 2009. These funds were issued in accordance with Section 611 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008 ("The Act"). The Act allows funds that were initially obligated prior to their expiration, to remain available for re-obligation for an additional 4 years from the date on which the availability of such funds would otherwise have expired.

Funds transferred from the U.S. Agency for International Development for Support for East European Democracy Act (SEED), Economic Support Funds (ESF), and the Freedom Support Act (FSA) during FY 2002-2005, are available for reobligation in the manner described in the preceding paragraph. SEED, ESF, and FSA funds for FY 1999-2001 that were initially obligated prior to their expiration remain available for re-obligation until expended.

Appropriations are recognized as a financing source at the time they are authorized and apportioned. Appropriations used to fund grant activities and administrative expenses are recognized as expenses and revenues as the resultant related expenses are incurred.

(f) Fund Balance with Treasury

USTDA does not maintain cash in commercial bank accounts. The U.S. Treasury processes cash receipts and disbursements. The balance of funds with Treasury primarily represents appropriated funds that are available to pay current liabilities and finance authorized purchase commitments relative to goods or services.

(g) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. USTDA capitalizes property and equipment with an acquisition cost greater than $5,000 and useful life exceeding one year. Depreciation is calculated based on an estimated useful life of 10 years for all assets, except computer equipment and software, which is depreciated over 5 years. Leasehold improvements are amortized over the estimated period of occupancy or the life of the improvement, whichever is less. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

(h) Liabilities

Liabilities represent amounts owed by USTDA as the result of transactions or events that have occurred as of September 30, 2008. Liabilities for which Congress has not appropriated funds are classified as liabilities not covered by budgetary resources (e.g., unfunded accrued leave). There is no certainty that Congress will appropriate funds to satisfy this liability. All liabilities other than unfunded accrued leave are considered current liabilities.

USTDA has no capital leases. Regarding its building lease, the General Services Administration (GSA) entered into a lease agreement for USTDA's rental of building space. USTDA pays GSA a standard-level users' charge for the annual rental. The standard-level users' charge approximates the commercial rental rates for similar properties. Average annual rent expense and related charges are approximately $1.5 million through 2012.

(i) Undelivered Orders

Undelivered orders represent the amount of orders for goods and services outstanding for which funds have been obligated but the liabilities have not been accrued.

(j) Accrued Leave

Annual leave is accrued as a liability as it is earned. The liability is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current year pay rates. To the extent that the current or prior year appropriations are not available to fund annual leave earned, but not taken, funding will be obtained from future appropriations. USTDA's handling of annual leave earned, but not taken is compliant with established regulations. Sick leave and other types of nonvested leave are charged to expense as the leave is used.

(k) Cumulative Results of Operations

Cumulative results of operations represent the difference between net property and equipment and unfunded annual leave, plus the net difference between expenses and financing sources since the inception of an activity.

(l) Retirement Plan

USTDA's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees participating in CSRS contribute 7.0% of their gross pay to the plan, and USTDA contributes 8.51%. The cost of providing a CSRS benefit, which is 25.2% as computed by the Office of Personnel Management (OPM), is more than the amounts contributed by USTDA and its employees. In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, USTDA reports the full cost of providing pension benefits to include the cost financed by OPM.

On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and the Social Security Act. Employees hired prior to January 1, 1984 could elect either to join FERS and the Social Security Act or remain in CSRS. A primary feature of FERS is that it offers a savings plan in which USTDA automatically contributes 1% of employees' pay and matches any employee contribution up to an additional 4% of basic pay. For most employees hired since December 31, 1983, USTDA also contributes the employer's matching share under the Social Security Act. For the FERS basic benefit, the employees contribute 0.8% of their basic pay while USTDA contributes 11.2% for a total contribution rate of 12%. The cost of providing a FERS benefit, as computed by OPM is 12%

The total amount of imputed financing for retirement and other post-retirement benefits paid by OPM for FY 2008 is calculated at $250,213 which includes $65,061 for pension cost for CSRS and FERS; $184,440 for the Federal Employees Health Benefit Program (FEHP); and $712 for Federal Employees Group Life Insurance (FEGLI). These amounts are included in USTDA's FY 2008 financial statements. In FY 2007, OPM funded $277,964 to pension, health, and life insurance benefits on behalf of USTDA's employees.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is therefore not disclosed by USTDA. The reporting of these amounts is the responsibility of OPM. USTDA has properly computed this amount and recorded a liability for it.

USTDA paid approximately $404,438, and $409,197 for retirement system coverage for its employees during FY 2008 and FY 2007, respectively.

(m) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements. Actual results could differ from these estimates.

(2) Fund Balance with Treasury

Fund balance with Treasury represents USTDA's undisbursed budgetary authority and funds to be returned to Treasury at September 30, 2008 and 2007, as follows:

		2008		2007
Fund balances:				
Appropriated funds	$	108,328,332	$	113,179,697
Miscellaneous Receipts		456,704		1,190,843
Interest received		1,505		—
Other fund types (reimbursable)		78,900		512,500
Total	$	108,865,441	$	114,883,040
Status of fund balance with Treasury:				
Unobligated balance:				
Available	$	3,368,390	$	7,725,135
Unavailable		4,061,260		2,013,903
Obligated balance not yet disbursed		100,977,582		103,953,159
Non-budgetary		458,209		1,190,843
Total	$	108,865,441	$	114,883,040

(3) Receivables and Other Assets

Other assets at September 30, 2008 and 2007 consisted of the following components:

		2008		2007
Interest receivable	$	4,517	$	—
Accounts receivable		400,916		9,428
Advances and prepayments		646,747		4,574,205
Total other assets	$	1,052,180	$	4,583,633

The accounts receivable reported represent the gross amount of refunds due as a result of the close-out of contractor performance on two grants. There is insufficient history to estimate the amount of funds that may not be collectible. USTDA anticipates collecting all of the funds due.

Advances to contractors represent amounts provided to Multilateral Development Banks (MDBs) for costs related to various project planning activities funded by USTDA. For accounting purposes, these funds were recorded as advances to contractors, and they remain with the MDBs until the work is done and bills are submitted and paid. Advances to the MDBs are liquidated on a first-in, first-out basis. USTDA has implemented procedures to close these accounts. In connection with this closure, USTDA has requested and received a refund in the amount of $2,730,765 from the European Bank for Reconstruction and Development.

(4) General Property and Equipment, Net

Recognition and measurement criteria for general property and equipment are dictated by SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, as amended by SFFAS Nos. 11, 16, and 23. USTDA capitalizes property and equipment with an acquisition cost greater than $5,000 and a useful life exceeding one year. Depreciation expense for the year was $85,352.

General property and equipment and related accumulated depreciation at September 30, 2008, and 2007 consisted of:

2008	Depreciation method	Service life	Acquisition value	Accumulated depreciation/ amortization	Net book value
Computer Equipment	Straight-line	5 years	$ 293,930	185,126	108,804
Furniture and Fixtures	Straight-line	10 years	180,035	130,757	49,278
Computer Software	Straight-line	5 years	11,721	10,549	1,172
Other Equipment	Straight-line	10 years	228,428	119,517	108,911
Leasehold Improvement	Straight-line	8 years	20,255	11,394	8,861
Total general property and equipment			$ 734,369	457,343	277,026

2007	Depreciation method	Service life	Acquisition value	Accumulated depreciation/ amortization	Net book value
Computer Equipment	Straight-line	5 years	$ 269,028	146,296	122,732
Furniture and Fixtures	Straight-line	10 years	180,362	119,593	60,769
Computer Software	Straight-line	5 years	11,721	8,205	3,516
Other Equipment	Straight-line	10 years	228,428	96,981	131,447
Leasehold Improvement	Straight-line	8 years	20,255	8,862	11,393
Total general property and equipment			$ 709,794	379,937	329,857

During FY 2008 and FY 2007, USTDA purchased property and equipment for $37,254 and $44,139 respectively. During FY 2008, USTDA disposed of property that cost $12,679, with accumulated depreciation of $7,946. $4,733 was recorded as a loss.

(5) Liabilities

Liabilities are recognized when incurred regardless of whether they are covered by available budgetary resources. Total liabilities reported on the financial statements represent the sum of liabilities not covered by budgetary resources, and those covered by budgetary resources.

	2008	2007
Intragovernmental Liabilities:		
Liabilities not covered by budgetary resources:		
Miscellaneous receipts to be returned to Treasury	$ 456,704	$ 1,190,843
Interest to be returned to Treasury	6,022	—
Liabilities covered by budgetary resources:		
Deferred revenue	78,900	512,500
Accounts payable	82,559	61,743
Total intragovernmental liabilities	$ 624,185	$ 1,765,086
Other Liabilities:		
Liabilities not covered by budgetary resources:		
Accrued annual leave	$ 394,406	$ 324,367
Liabilities covered by budgetary resources:		
Accounts payable	7,394,258	7,597,606
Accrued payroll	400,263	298,109
Total other liabilities	$ 8,188,927	$ 8,220,082
Total Liabilities	$ 8,813,112	$ 9,985,168

(6) Intragovernmental Costs and Exchange Revenue

In FY 2008 and FY 2007, program costs consisted of the following:

Grants Program		**2008**		**2007**
Intragovernmental costs	$	2,939,944	$	2,544,128
Public costs		50,857,017		51,691,548
Total grant program costs		53,796,961		54,235,676
Intragovernmental earned revenue		(433,600)		(637,500)
Net grant program costs	$	53,363,361	$	53,598,176

All costs incurred by USTDA in FY 2008 and FY 2007 were related to the grants program.

(7) Apportionment Categories of Obligations Incurred

In FY 2008 and 2007 USTDA obligated funds in the following categories:

Obligations		**2008**		**2007**
Category A	$	11,992,555	$	11,284,459
Category B		46,569,759		45,854,359
Total obligations incurred	$	58,562,314	$	57,138,818

Category A represents funds that are obligated for operating expenses.

Category B represents funds that are obligated for program activities.

(8) Unobligated Balances Available – Apportioned

USTDA's total available unobligated balance of budget authority at September 30, 2008 and 2007 consisted of the following.

		2008		2007
Unrestricted no-year funds	$	325,959	$	325,959
Successor appropriations - no-year funds		349,644		1,033,745
Funds transferred from USAID for feasibility studies and related activities in the New Independent States (FSA no-year funds)		782,721		170,412
Total no-year funds	$	1,458,324	$	1,530,116
Funds transferred from USAID for feasibility studies and related activities in the New Independent States (FSA funds)		—		2,181,157
Funds transferred from USAID for feasibility studies and related activities in Azerbaijan		—		1,000,000
Successor appropriations - multiple year		595,843		94,724
USTDA two-year appropriations		1,314,223		2,919,138
Total unobligated and available appropriations	$	3,368,390	$	7,725,135

None of these transfers represent allocations from USAID.

(9) Undelivered Orders

USTDA's undelivered orders balances at September 30, 2008 and 2007 consisted of the following**:**

Purpose		**2008**		**2007**
Obligated balance at the end of the period	$	100,977,582	$	103,953,159
Accounts payable (covered by budgetary resources)		(7,877,080)		(7,957,458)
Undelivered orders	$	93,100,502	$	95,995,701

Accounts payable in this note excludes liabilities not covered by budgetary resources and deferred revenue.

(10) Permanent Indefinite Appropriations

USTDA's no-year funds at September 30, 2008 and 2007 existed for the following purposes.

Purpose		**2008**		**2007**
General program activities	$	325,959	$	325,959
Freedom Support Act (FSA) transfer funds for feasibility studies and program activities		782,721		170,412
FSA successor appropriation		349,644		310,022
Support for Eastern European Democracy (SEED) funds successor appropriations		—		723,723
Total permanent indefinite appropriations	$	1,458,324	$	1,530,116

(11) Reconciliation of Net Cost to Budget

The following schedule reconciles resources available to USTDA to finance operations and the net cost of operating USTDA's programs:

	2008	2007
Resources used to finance activities:		
Budgetary resources obligated	$ 58,562,314	$ 57,138,818
Recoveries of prior years obligations	(11,569,605)	(5,100,492)
Imputed financing for costs absorbed by others	250,213	277,964
Other	(391,488)	(9,377)
Total resources used to finance activities	$ 46,851,434	$ 52,306,913
Resources used to finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods and services ordered, but not received	$ 6,822,657	$ 1,854,108
Change in offsetting collections and receipts that do not affect the net cost of operations	(433,600)	(637,500)
Resources that finance the acquisition of assets	(37,254)	(44,139)
Loss on disposition of assets	4,733	—
Total resources used to finance items not part of the net cost of operations	$ 6,356,536	$ 1,172,469
Costs that do not require resources:		
Depreciation and amortization	$ 85,352	$ 80,252
Cost of operations that require resources in future periods:		
Increase in accrued leave liability	70,039	38,542
Total costs that do not require resources	$ 155,391	$ 118,794
Net cost of operations	$ 53,363,361	$ 53,598,176

U.S. TRADE AND DEVELOPMENT AGENCY

Other Accompanying Information

Intragovernmental Assets, Liabilities, Revenue, and Expenses

September 30, 2008

Intragovernmental Assets

Trading Partner	Partner #		Fund Balance with Treasury
Department of the Treasury	20	$	108,865,441
Total		$	108,865,441

Intragovernmental Liabilities

Trading Partner	Partner #		Accounts Payable		Deferred Revenue		Funds to be Returned to Treasury
Department of Defense	21	$	—	$	78,900		—
Department of State	19		76,347		—		—
Department of the Treasury	20		—		—	$	462,726
National Archives	88		506		—		—
Office of Personnel Management	24		5,706		—		—
Total		$	82,559	$	78,900	$	462,726

U.S. TRADE AND DEVELOPMENT AGENCY

Other Accompanying Information

Intragovernmental Assets, Liabilities, Revenue, and Expenses

September 30, 2008

Intragovernmental Revenue

Trading Partner	Partner #	Amount
Department of Defense	21	$ 433,600
Total		$ 433,600

Intragovernmental Expenses

Trading Partner	Partner #	Amount
Department of Agriculture	12	$ 785
Department of Homeland Security	70	4,569
Department of the Interior (NBC)	14	1,183,413
Department of State	19	349,949
Department of Treasury	20	450
General Services Administration	47	1,372,040
Office of Personnel Management	24	11,240
National Archives	88	506
U.S. Postal Service	18	16,992
Total		$ 2,939,944

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Independent Auditors' Report on Internal Control Over Financial Reporting

The Director
U.S. Trade and Development Agency:

We have audited the balance sheets of the U.S. Trade and Development Agency (USTDA) as of September 30, 2008 and 2007 and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 14, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the USTDA is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2008 audit, we considered the USTDA's internal control over financial reporting by obtaining an understanding of the USTDA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the USTDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the USTDA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the USTDA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the USTDA's financial statements that is more than inconsequential will not be prevented or detected by the USTDA's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the USTDA's internal control.

In our fiscal year 2008 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we have reported to management of the USTDA in a separate letter dated November 14, 2008.

This report is intended solely for the information and use of the USTDA's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 14, 2008

KPMG LLP
2001 M Street, NW
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Independent Auditors' Report on Compliance and Other Matters

The Director
U.S. Trade and Development Agency:

We have audited the balance sheets of the U.S. Trade and Development Agency (USTDA) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 14, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the USTDA is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the USTDA. As part of obtaining reasonable assurance about whether the USTDA's financial statements are free of material misstatement, we performed tests of the USTDA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the USTDA. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our other tests of compliance discussed in the third paragraph of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the USTDA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

We noted certain additional matters that we have reported to management of the USTDA in a separate letter dated November 14, 2008.

This report is intended solely for the information and use of the USTDA's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 14, 2008