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U.S. TRADE AND DEVELOPMENT AGENCY

Performance and Accountability Report

September 30, 2009

(With Independent Auditors' Report Thereon)

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U.S. TRADE AND DEVELOPMENT AGENCY

Performance and Accountability Report

September 30, 2009

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U.S. TRADE AND DEVELOPMENT AGENCY

Director's Message

September 30, 2009

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 affect 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 July 1, 2008 through June 30, 2009. In addition, the NBC provided assurance that these controls did not change for the period July 1, 2009 through September 30, 2009 and that the description of controls in the FY 2009 Type II SAS 70 examination report presents fairly the aspects of NBC controls that were in place as of September 30, 2009. USTDA relies on these assurances.

U.S. TRADE AND DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the year ended September 30, 2009

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.

2009 Goal	2009 Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual
60%	66%	72%	66%	83%	72%

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.

	2009 Goal	2009 Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual
Multiplier[1]	35:1	41:1	35:1	39:1	43:1	43:1
Hit Rate[2]	35%	36%	35%	35%	35%	36%

For the most recent ten-year period for which information is complete, USTDA identified $12.4 billion in U.S. exports from the completed projects on which USTDA spent $301.6 million. This resulted in an export multiplier of 41:1. With respect to the commercial impact indicators, USTDA exceeded its export multiplier benchmark ($41 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, 429 projects out of 1,184 produced exports, yielding a hit rate of 36%, also exceeding 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

[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.

evaluations team or its external evaluations team that there are any material inadequacies that would significantly impede the use of performance data by the Agency's management and government decision-makers.

(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 will continue to meet and/or exceed its commercial impact goals. Based on USTDA's budget for FY 2010 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, 2009, reports a net position of $101,296,726.

Total assets of $109,699,431 include fund balance with Treasury of $108,856,619. The total assets as of September 30, 2009 decreased by $.5 million from FY 2008. The decrease was primarily due to decreases from FY 2008 in accounts receivable of $.3 million and $.2 million of advances.

Total liabilities reported are $8,402,705 and are comprised of approximately $7,076,209 of accounts payable, of which $6,167,221 relates to grants payments owed, but unpaid as of September 30, 2009. Total liabilities as of September 30, 2009 decreased by $.4 million from FY 2008. The decrease was primarily due to the decrease in the accrual for grant payments.

Financial Results

USTDA's net cost of operations for the year ended September 30, 2009 amounted to $50,971,986 and total budgetary resources for the year amounted to $61,034,899. The net cost of operations for FY 2009 decreased by approximately $2.4 million from FY 2008. This decrease is the result of lower customer billings. The budgetary resources for FY 2009 decreased approximately $5 million from FY 2008. This decrease was primarily due to a decrease of approximately $8.6 million in recoveries, increases of $2.8 million in nonexpenditure transfers, and an increase $.4 million in appropriations. Decrease in enacted reductions in FY 2009 was less than FY 2008 by $.4 million.

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 2009.

U.S. TRADE AND DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the year ended September 30, 2009

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, 2009 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, 2009 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Leocadia Zak
Acting Director

July 16, 2009

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, 2009. 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.

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, 2009 and 2008, and the related statements of net cost, and 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*, as amended. 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 U.S. Trade and Development Agency as of September 30, 2009 and 2008, 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 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 12, 2009, 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.

November 12, 2009

U.S. TRADE AND DEVELOPMENT AGENCY

Balance Sheets

As of September 30, 2009 and 2008

Assets		FY 2009		FY 2008
Intragovernmental:				
Fund balance with Treasury (Note 2)	$	108,856,619	$	108,865,441
Total intragovernmental		108,856,619		108,865,441
Accounts receivable (Note 3)		72,059		405,433
Other (Note 3)		385,596		646,747
General property and equipment, net (Note 4)		385,157		277,026
Total assets	$	109,699,431	$	110,194,647

Liabilities and Net Position				
Liabilities (Note 5)				
Intragovernmental:				
Accounts payable	$	96,413	$	82,559
Other (Note 5)		424,647		541,626
Total intragovernmental		521,060		624,185
Accounts payable		6,979,796		7,394,258
Other (Note 5)		901,849		794,669
Total liabilities		8,402,705		8,813,112
Net position:				
Unexpended appropriations		101,289,856		101,098,058
Cumulative results of operations		6,870		283,477
Total net position		101,296,726		101,381,535
Total liabilities and net position	$	109,699,431	$	110,194,647

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Net Cost

For the Years ended September 30, 2009 and 2008

	FY 2009	FY 2008
Cost of Operations:		
Grants program costs	$ 50,565,190	$ 53,386,624
Less earned revenue	(78,900)	(433,600)
Net grant program cost	50,486,290	52,953,024
Costs not assigned to programs	485,696	410,337
Net cost of operations (Notes 6 & 11)	$ 50,971,986	$ 53,363,361

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Changes in Net Position

For the Years ended September 30, 2009 and 2008

	FY 2009	FY 2008
Cumulative results of operations:		
Beginning balances	$ 283,477	$ 14,917
Budgetary financing sources:		
Appropriations used	50,382,230	53,381,708
Other financing sources:		
Imputed financing	313,149	250,213
Total financing sources	50,695,379	53,631,921
Net cost of operations	(50,971,986)	(53,363,361)
Net change	(276,607)	268,560
Ending balances	$ 6,870	$ 283,477
Unexpended appropriations:		
Beginning balances	$ 101,098,058	$ 109,796,445
Budgetary financing sources:		
Appropriations received	50,800,000	50,400,000
Appropriations transferred in/out	2,778,000	—
Other adjustments (rescissions, etc.)	(3,003,972)	(5,716,679)
Appropriations used	(50,382,230)	(53,381,708)
Total budgetary financing sources	191,798	(8,698,387)
Total unexpended appropriations	101,289,856	101,098,058
Net position	$ 101,296,726	$ 101,381,535

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Budgetary Resources

For the Years ended September 30, 2009 and 2008

	FY 2009	FY 2008
Budgetary resources:		
Unobligated balance, brought forward, October 1	$ 7,429,651	$ 9,739,038
Recoveries of prior year unpaid obligations	3,031,220	11,569,605
Budget authority:		
Appropriations	50,800,000	50,400,000
Spending authority from offsetting collections:		
Collected	78,900	433,600
Change in unfilled customer orders		
Advance received	(78,900)	(433,600)
Nonexpenditure transfers	2,778,000	—
Permanently not available:		
Cancellation of expired accounts	(3,003,972)	(5,308,439)
Enacted reductions	—	(408,240)
Total budgetary resources	$ 61,034,899	$ 65,991,964
Status of budgetary resources:		
Obligations incurred:		
Direct (Note 7)	$ 54,704,800	$ 58,562,314
Unobligated balance available:		
Apportioned (Note 8)	3,520,756	3,368,390
Unobligated balance not available	2,809,343	4,061,260
Total status of budgetary resources	$ 61,034,899	$ 65,991,964
Change in obligated balance:		
Unpaid obligations, brought forward, October 1	$ 100,977,582	$ 103,953,159
Obligations incurred	54,704,800	58,562,314
Less: Gross outlays	(50,549,289)	(49,968,286)
Less: Recoveries of prior years' obligations	(3,031,220)	(11,569,605)
Obligated balance, net – end of the period (Note 9)	102,101,873	100,977,582
Net Outlays:		
Gross outlays	$ 50,549,289	$ 49,968,286
Less: Offsetting collections	—	—
Net outlays	$ 50,549,289	$ 49,968,286

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Notes to Financial Statements

September 30, 2009 and 2008

(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 also 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 represent accounting principles generally accepted in the United States of America for U.S government entities.

(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 de-obligated 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. This reprogramming begins with de-obligations that occur after September 30, 2009.

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 using the straight-line method and is 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, 2009. Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts owed. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available, congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. There is no certainty that Congress will appropriate funds to satisfy such 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 25.8% 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 12.3%.

The total amount of imputed financing for retirement and other post-retirement benefits paid by OPM for FY 2009 is calculated at $313,149 which includes $82,134 for pension cost for CSRS and FERS; $230,240 for the Federal Employees Health Benefit Program (FEHP); and $775 for Federal Employees Group Life Insurance (FEGLI). These amounts are included in USTDA's FY 2009 financial statements. In FY 2008, OPM funded $250,213 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 $445,670 and $404,438 for retirement system coverage for its employees during FY 2009 and FY 2008, respectively.

(m) Use of Estimates

Management has made certain estimates and assumptions when reporting in these financial statements on assets and liabilities. They are also used in expenses and note disclosures. Actual results could differ from these estimates. Significant estimates underlying the accompanying financial statements include the allowance for doubtful accounts which is 50 % of balances that are 181-365 days old, the depreciation of property over 5-10 years using the straight line method, one half year's depreciation in the year of purchase, with no residual value, and the accounts payable accrual. USTDA uses the average of actual receivables to undelivered orders over three years and applies the resulting percentage to calculate the current year's estimate of accounts payable.

(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, 2009 and 2008, as follows:

	2009	2008
Fund balances:		
Appropriated funds	$ 108,431,972	$ 108,328,332
Miscellaneous Receipts	424,647	456,704
Interest received	—	1,505
Other fund types (reimbursable)	—	78,900
Total	$ 108,856,619	$ 108,865,441
Status of fund balance with Treasury:		
Unobligated balance:		
Available	$ 3,520,756	$ 3,368,390
Unavailable	2,809,343	4,061,260
Obligated balance not yet disbursed	102,101,873	100,977,582
Non-budgetary	424,647	458,209
Total	$ 108,856,619	$ 108,865,441

Unobligated fund balances are either available or not available. Amounts are reported as not available when they are no longer legally available to USTDA for obligation. However, balances that are currently reported as not available can change over time, because they may be used to increase the amount of the initial obligation to cover additional expenditures that relate to these obligations.

(3) Receivables and Other Assets

Receivables and other assets at September 30, 2009 and 2008 consisted of the following components:

	2009	2008
Interest receivable	$ —	$ 4,517
Accounts receivable, net	72,059	400,916
Advances and prepayments	385,596	646,747
Total other assets	$ 457,655	$ 1,052,180

The accounts receivable reported represents the net amount due as a result of the close-out of one grant in FY 2008. The estimated uncollectable amount is 50% of the balance.

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 remain with the MDBs until the work is completed and bills are submitted and paid. Advances to the MDBs are liquidated on a first-in, first-out basis. USTDA has discontinued the issuance of advances to MDBs.

(4) Property and Equipment, Net

Property and equipment and related accumulated depreciation balances at September 30, 2009, and 2008 are as follows:

2009

Class of Asset	Service life		Acquisition value	Accumulated depreciation/ amortization		Net book value
Computer Equipment	5 years	$	397,107	149,339	$	247,768
Furniture and Fixtures	10 years		178,769	140,251		38,518
Computer Software	5 years		11,721	11,721		—
Other Equipment	10 years		234,256	141,715		92,541
Leasehold Improvement	8 years		20,255	13,925		6,330
Total property and equipment		$	842,108	456,951	$	385,157

2008

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

Depreciation expense for fiscal years ended September 30, 2009 and 2008 amounted to $98,426 and $85,352, respectively.

During FY 2009 and 2008, USTDA purchased property and equipment for $226,213 and $37,254, respectively. In addition, during FY 2009, USTDA disposed of property that cost $118,474, with related accumulated depreciation amounting to $98,818.

(5) Liabilities

Total liabilities represent the sum of liabilities not covered by budgetary resources, and those covered by budgetary resources. As of September 30, 2009 and 2008, total liabilities were as follows:

	2009	2008
Intragovernmental Liabilities:		
Liabilities not covered by budgetary resources:		
Miscellaneous receipts to be returned to Treasury	$ 424,647	$ 456,704
Interest to be returned to Treasury	—	6,022
Liabilities covered by budgetary resources:		
Deferred revenue	—	78,900
Accounts payable	96,413	82,559
Total intragovernmental liabilities	$ 521,060	$ 624,185
Other Liabilities:		
Liabilities not covered by budgetary resources:		
Accrued annual leave	$ 450,346	$ 394,406
Liabilities covered by budgetary resources:		
Accounts payable	6,979,796	7,394,258
Accrued payroll	451,503	400,263
Total other liabilities	$ 7,881,645	$ 8,188,927
Total Liabilities	$ 8,402,705	$ 8,813,112

All liabilities other than unfunded accrued leave are considered to be current liabilities.

(6) Intragovernmental Costs and Exchange Revenue

Program costs for fiscal years ended September 30, 2009 and 2008 consisted of the following:

Grants Program	2009	2008
Intragovernmental costs	$ 3,077,059	$ 2,939,944
Public costs	47,973,827	50,857,017
Total grant program costs	51,050,886	53,796,961
Intragovernmental earned revenue	(78,900)	(433,600)
Net grant program costs	$ 50,971,986	$ 53,363,361

Costs incurred by USTDA in FY 2009 and FY 2008, that do not require resources, were not assigned to the grants program.

(7) Apportionment Categories of Obligations Incurred

During fiscal years ended September 30, 2009 and 2008, funds were obligated in the following categories:

Obligations	2009	2008
Category A	$ 11,752,928	$ 11,992,555
Category B	42,951,872	46,569,759
Total obligations incurred	$ 54,704,800	$ 58,562,314

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

Total available unobligated balance of budget authority at September 30, 2009 and 2008 consisted of the following.

	2009	2008
Unrestricted no-year funds	$ 325,959	$ 325,959
Funds transferred from USAID for feasibility studies and related activities in the New Independent States (NIS), and Support for Eastern European Democracy (SEED). Successor appropriations.	325,170	349,644
Funds transferred from USAID for feasibility studies and related activities in the New Independent States (FSA no-year funds)	704,893	782,721
Total no-year funds	$ 1,356,022	$ 1,458,324
Funds transferred from USAID for feasibility studies and related activities in tne NIS (FSA funds):		
Successor appropriations	127,402	595,843
Core budget two-year appropriations	2,037,332	1,314,223
Total unobligated and available appropriations	$ 3,520,756	$ 3,368,390

All funds transferred from USAID were appropriation transfers. USTDA did not receive allocations during FY 2009.

(9) Undelivered Orders

At September 30, 2009 and 2008, undelivered orders balances consisted of the following:

Purpose		2009		2008
Obligated balance at the end of the period	$	102,101,873	$	100,977,582
Accounts payable (covered by budgetary resources) *		(7,527,710)		(7,877,080)
Undelivered orders	$	94,574,163	$	93,100,502

*Accounts payable in this note excludes liabilities not covered by budgetary resources.

(10) Permanent Indefinite Appropriations

No-year funds at September 30, 2009 and 2008 existed for the following purposes:

Purpose		2009		2008
General program activities	$	325,959	$	325,959
Freedom Support Act (FSA) transfer funds for feasibility studies and activities in the NIS		704,893		782,721
Support for feasibility studies and activities (NIS and SEED)		325,170		349,644
Total permanent indefinite appropriations	$	1,356,022	$	1,458,324

U.S. TRADE AND DEVELOPMENT AGENCY

Notes to Financial Statements

September 30, 2009 and 2008

(11) Reconciliation of Net Cost to Budget

The following schedule reconciles resources available to USTDA to finance operations and the net cost of operating for fiscal years ended September 30, 2009 and 2008:

		2009		2008
Resources used to finance activities:				
Budgetary resources obligated	$	54,704,800	$	58,562,314
Recoveries of prior years obligations		(3,031,220)		(11,569,605)
Imputed financing for costs absorbed by others		313,149		250,213
Other		256,797		(391,488)
Total resources used to finance activities	$	52,243,526	$	46,851,434
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	$	(1,212,511)	$	6,822,657
Change in offsetting collections and receipts that do not affect the net cost of operations		(78,900)		(433,600)
Resources that finance the acquisition of assets		(226,213)		(37,254)
Adjustment for loss not realized		1,477		
Loss on disposition of assets		18,181		4,733
Total resources used to finance items not part of the net cost of operations	$	(1,497,966)	$	6,356,536
Costs that do not require resources:				
Depreciation and amortization	$	98,426	$	85,352
Bad debt expenses		72,060		
Costs that require resources in a future period:				
Increase in accrued leave liability		55,940		70,039
Total costs that do not require resources	$	226,426	$	155,391
Net cost of operations	$	50,971,986	$	53,363,361

U.S. TRADE AND DEVELOPMENT AGENCY

Other Accompanying Information

Intragovernmental Assets, Liabilities, Revenue and Expenses

September 30, 2009 and 2008

Intragovernmental Assets

Trading Partner	Partner #	Fund Balance with Treasury
Department of the Treasury	20	$ 108,856,619
Total		$ 108,856,619

Intragovernmental Liabilities

Trading Partner	Partner #	Accounts Payable	Funds to be Returned to Treasury
Office of Personnel Management	24	$ 900	$ —
Department of State	19	64,251	—
Department of the Treasury	20	—	424,647
National Archives	88	1,012	—
Department of the Interior	14	30,250	—
Total		$ 96,413	$ 424,647

Intragovernmental Revenue

Trading Partner	Partner #	Amount
Department of Defense	21	$ 78,900
Total		$ 78,900

Intragovernmental Expenses

Trading Partner	Partner #	Amount
Department of Defense	21	$ 2,340
Department of the Interior (NBC)	14	1,336,279
Department of State	19	300,096
U.S. Foreign Commercial Services	13	650
General Services Administration	47	1,405,041
Department of Homeland Security	70	21,168
Office of Personnel Management	24	990
National Archives	88	500
U.S. Postal Service	18	9,995
Total		$ 3,077,059

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, 2009 and 2008 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 12, 2009.

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*, as amended. 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 2009 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 was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

In our fiscal year 2009 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the USTDA's management, the USTDA's Office of Inspector General, 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.

November 12, 2009

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, 2009 and 2008, 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 12, 2009.

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*, as amended. 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. 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 tests of compliance described in the preceding paragraph 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.

This report is intended solely for the information and use of the USTDA's management, the USTDA's Office of Inspector General, 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.

November 12, 2009