Department of Defense
US Army Corps of Engineers
CONSOLIDATED BALANCE SHEET
As of December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
1. ASSETS (Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	$ 6,448,549,095.20	$ 2,589,512,948.10
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	33,171,296.59	31,278,894.05
2. Investments (Note 4)	3,278,375,630.70	2,861,224,760.35
3. Accounts Receivable (Note 5)	2,540,757,347.09	1,514,396,418.69
4. Other Assets (Note 6)	0.00	0.00
5. Total Intragovernmental Assets	$ 12,300,853,369.58	$ 6,996,413,021.19
B. Cash and Other Monetary Assets (Note 7)	$ 1,065,433.61	$ 1,044,021.25
C. Accounts Receivable (Note 5)	1,747,884,105.30	1,813,088,561.52
D. Loans Receivable (Note 8)	0.00	0.00
E. Inventory and Related Property (Note 9)	117,344,134.65	58,901,404.73
F. General Property, Plant and Equipment (Note 10)	26,847,123,022.23	27,258,891,245.35
G. Investments (Note 4)	0.00	0.00
H. Other Assets (Note 6)	0.00	0.00
2. TOTAL ASSETS	$ 41,014,270,065.37	$ 36,128,338,254.04
3. LIABILITIES (Note 11)		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	$ 666,649,658.36	$ 506,197,873.61
2. Debt (Note 13)	14,429,458.71	15,166,193.71
3. Other Liabilities (Note 15 & 16)	1,948,636,755.36	1,990,510,021.69
4. Total Intragovernmental Liabilities	$ 2,629,715,872.43	$ 2,511,874,089.01
B. Accounts Payable (Note 12)	$ 293,105,918.27	$ 193,859,884.14
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 17)	0.00	0.00
D. Environmental and Disposal Liabilities (Note 14)	529,617,000.00	0.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	620,631,369.29	635,661,321.17
4. TOTAL LIABILITIES	$ 4,073,070,159.99	$ 3,341,395,294.32
5. NET POSITION		
A. Unexpended Appropriations - Earmarked Funds (Note 23)	$ 0.00	$ 0.00
B. Unexpended Appropriations - Other Funds	5,662,777,421.58	1,560,437,261.40
C. Cumulative Results of Operations - Earmarked Funds	4,993,831,391.75	0.00
D. Cumulative Results of Operations - Other Funds	26,284,591,092.05	31,226,505,698.32
6. TOTAL NET POSITION	$ 36,941,199,905.38	$ 32,786,942,959.72
7. TOTAL LIABILITIES AND NET POSITION	$ 41,014,270,065.37	$ 36,128,338,254.04

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF NET COST
For the periods ended December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
1. Program Costs		
A. Gross Costs	$ 2,575,908,458.79	$ 3,176,216,545.77
B. (Less: Earned Revenue)	(1,601,283,763.03)	(913,380,356.56)
C. Net Program Costs	$ 974,624,695.76	$ 2,262,836,189.21
2. Cost Not Assigned to Programs	0.00	0.00
3. (Less: Earned Revenue Not Attributable to Programs)	0.00	0.00
4. Net Cost of Operations	$ 974,624,695.76	$ 2,262,836,189.21

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
CUMULATIVE RESULTS OF OPERATIONS		
1. Beginning Balances	$ 30,806,396,602.98	$ 32,276,298,348.60
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	30,806,396,602.98	32,276,298,348.60
4. Budgetary Financing Sources:		
4.A. Appropriations received		
4.A.1 Earmarked funds	0.00	0.00
4.A.2 All other funds	0.00	0.00
4.B. Appropriations transferred-in/out (+/-)	0.00	0.00
4.C. Other adjustments (rescissions, etc.) (+/-)	0.00	0.00
4.D. Appropriations used		
4.D.1 Earmarked Funds	0.00	0.00
4.D.2 All other Funds	736,565,651.16	696,572,696.69
4.E. Nonexchange revenue		
4.E.1 Earmarked funds	428,449,296.70	0.00
4.E.2 All other funds	54,870.05	373,104,794.01
4.F. Donations and forfeitures of cash and cash equivalents		
4.F.1 Earmarked funds	0.00	0.00
4.F.2 All other funds	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	223,985,650.34	119,743,919.81
4.H. Other budgetary financing sources (+/-)		
4.H.1 Earmarked funds	0.00	0.00
4.H.2 All other funds	0.00	(34,597,765.38)
5. Other Financing Sources:		
5.A. Donations and forfeitures of property		
5.A.1 Earmarked funds	0.00	0.00
5.A.2 All other funds	10,506.00	112,000.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	(11,524.99)
5.C. Imputed financing from costs absorbed by others	57,418,408.97	57,942,401.60
5.D. Other (+/-)	166,193.36	177,017.19
6. Total Financing Sources		
6.A. Earmarked funds	435,753,425.04	0.00
6.B. All other funds	1,010,897,151.54	1,213,043,538.93
7. Net Cost of Operations (+/-)		
7.A. Earmarked funds	223,466,309.04	0.00
7.B. All other funds	751,158,386.72	2,262,836,189.21
8. Net Change		
8.A. Earmarked funds	212,287,116.00	0.00
8.B. All other funds	259,738,764.82	(1,049,792,650.28)
9. Ending Balances		
9.A. Earmarked funds	4,993,831,391.75	0.00
9.B. All other funds	26,284,591,092.05	31,226,505,698.32

Department of Defense

US Army Corps of Engineers

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
10. Total all funds	$ 31,278,422,483.80	$ 31,226,505,698.32

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the periods ended December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
UNEXPENDED APPROPRIATIONS		
1. Beginning Balances	$ 1,005,843,072.74	$ 396,361,969.29
2. Prior Period Adjustments:		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
3. Beginning balances, as adjusted	1,005,843,072.74	396,361,969.29
4. Budgetary Financing Sources:		
4.A. Appropriations received		
4.A.1 Earmarked funds	0.00	0.00
4.A.2 All other funds	5,393,000,000.00	1,860,921,967.46
4.B. Appropriations transferred-in/out (+/-)	500,000.00	0.00
4.C. Other adjustments (rescissions, etc) (+/-)	0.00	(273,978.66)
4.D. Appropriations used		
4.D.1 Earmarked Funds	0.00	0.00
4.D.2 All other Funds	(736,565,651.16)	(696,572,696.69)
4.E. Nonexchange revenue		
4.E.1 Earmarked funds	0.00	0.00
4.E.2 All other funds	0.00	0.00
4.F. Donations and forfeitures of cash and cash equivalents		
4.F.1 Earmarked funds	0.00	0.00
4.F.2 All other funds	0.00	0.00
4.G. Transfers-in/out without reimbursement (+/-)	0.00	0.00
4.H. Other budgetary financing sources (+/-)		
4.H.1 Earmarked funds	0.00	0.00
4.H.2 All other funds	0.00	0.00
5. Other Financing Sources:		
5.A. Donations and forfeitures of property		
5.A.1 Earmarked funds	0.00	0.00
5.A.2 All other funds	0.00	0.00
5.B. Transfers-in/out without reimbursement (+/-)	0.00	0.00
5.C. Imputed financing from costs absorbed by others	0.00	0.00
5.D. Other (+/-)	0.00	0.00
6. Total Financing Sources		
6.A. Earmarked funds	0.00	0.00
6.B. All other funds	4,656,934,348.84	1,164,075,292.11
7. Net Cost of Operations (+/-)		
7.A. Earmarked funds	0.00	0.00
7.B. All other funds		
8. Net Change		
8.A. Earmarked funds	0.00	0.00
8.B. All other funds	4,656,934,348.84	1,164,075,292.11
9. Ending Balances		
9.A. Earmarked funds	0.00	0.00
9.B. All other funds	5,662,777,421.58	1,560,437,261.40

Department of Defense

US Army Corps of Engineers

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the periods ended December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
10. Total all funds	$ 5,662,777,421.58	$ 1,560,437,261.40

Department of Defense
US Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended December 31, 2005 and 2004

	2006 Combined	2005 Combined
BUDGETARY FINANCING ACCOUNTS		
BUDGETARY RESOURCES:		
1. Unobligated balance, brought forward, October 1	$ 5,003,184,815.65	$ 1,693,280,555.92
2. Recoveries of prior year unpaid obligations	0.00	0.00
3. Budget authority		
3.A. Appropriation	6,306,661,367.99	2,577,826,726.72
3.B. Borrowing authority	0.00	0.00
3.C. Contract authority	0.00	0.00
3.D. Spending authority from offsetting collections		
3.D.1 Earned		
3.D.1.a. Collected	1,668,783,229.64	1,141,049,402.77
3.D.1.b. Change in receivables from Federal sources	1,194,369,636.01	641,359,555.09
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	12,398,816.32	(4,915,090.69)
3.D.2.b. Without advance from Federal sources	237,652,254.69	220,098,919.08
3.D.3. Anticipated for rest of year, without advances	4,525,150,129.25	3,508,533,135.57
3.D.4. Previously unavailable	0.00	0.00
3.D.5. Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	13,945,015,433.90	8,083,952,648.54
4. Nonexpenditure transfers, net, anticipated and actual	227,181,522.00	69,395,278.98
5. Temporarily not available pursuant to Public Law	(10,000,000.00)	(10,000,000.00)
6. Permanently not available	(166,193.36)	(195,617.03)
7. Total Budgetary Resources	$ 19,165,215,578.19	$ 9,836,432,866.41

Department of Defense

US Army Corps of Engineers

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the periods ended December 31, 2005 and 2004

	2006 Combined	2005 Combined
Status of Budgetary Resources:		
8. Obligations incurred:		
8.A. Direct	$ 1,451,384,776.07	$ 1,154,434,967.83
8.B. Reimbursable	3,846,460,395.51	2,124,051,203.98
8.C. Subtotal	5,297,845,171.58	3,278,486,171.81
9. Unobligated balance:		
9.A. Apportioned	8,259,205,353.55	2,353,434,783.90
9.B. Exempt from apportionment	5,608,106,771.49	4,204,446,038.60
9.C. Subtotal	13,867,312,125.04	6,557,880,822.50
10. Unobligated balance not available	58,281.57	65,872.10
11. Total status of budgetary resources	$ 19,165,215,578.19	$ 9,836,432,866.41
Change in Obligated Balance:		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	3,945,373,877.53	3,171,190,104.14
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	$ (5,449,985,294.23)	$ (2,132,514,813.27)
12.C. Total unpaid obligated balance	(1,504,611,416.70)	1,038,675,290.87
13. Obligations incurred net (+/-)	$ 5,297,845,171.58	$ 3,278,486,171.81
14. Less: Gross outlays	(4,116,683,644.38)	(3,103,975,917.75)
15. Obligated balance transferred, net		
15.A. Actual transfers, unpaid obligations (+/-)	0.00	0.00
15.B. Actual transfers, uncollected customer payments from Federal sources (+/-)	0.00	0.00
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	0.00	0.00
17. Change in uncollected customer payments from Federal sources (+/-)	(1,432,021,890.70)	(861,458,474.17)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	5,126,535,404.73	3,345,700,358.20
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	(6,882,007,184.93)	(2,993,973,287.44)
18.C. Total, unpaid obligated balance, net, end of period	(1,755,471,780.20)	351,727,070.76
Net Outlays		
19. Net Outlays:		
19.A. Gross outlays	4,116,683,644.38	3,103,975,917.75
19.B. Less: Offsetting collections	(1,681,182,045.96)	(1,136,134,312.08)
19.C. Less: Distributed Offsetting receipts	(448,906,124.78)	(395,838,781.05)
19.D. Net Outlays	$ 1,986,595,473.64	$ 1,572,002,824.62

Department of Defense
US Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended December 31, 2005 and 2004

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

Department of Defense
US Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the periods ended December 31, 2005 and 2004

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

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
1. Obligations incurred	$ 5,297,845,171.58	$ 3,278,486,171.81
2. Less: Spending authority from offsetting collections and recoveries (-)	(3,113,203,936.66)	(1,997,592,786.25)
3. Obligations net of offsetting collections and recoveries	2,184,641,234.92	1,280,893,385.56
4. Less: Offsetting receipts (-)	(448,906,124.78)	(395,838,781.05)
5. Net obligations	1,735,735,110.14	885,054,604.51
Other Resources		
6. Donations and forfeitures of property	10,506.00	112,000.00
7. Transfers in/out without reimbursement (+/-)	0.00	(11,524.99)
8. Imputed financing from costs absorbed by others	57,418,408.97	57,942,401.60
9. Other (+/-)	166,193.36	177,017.19
10. Net other resources used to finance activities	57,595,108.33	58,219,893.80
11. Total resources used to finance activities	$ 1,793,330,218.47	$ 943,274,498.31
Resources Used to Finance Items not Part of the Net Cost of Operations		
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
12a. Undelivered Orders (-)	(1,366,726,757.26)	(465,203,552.95)
12b. Unfilled Customer Orders	250,051,071.01	215,183,828.39
13. Resources that fund expenses recognized in prior periods	(34,459,055.44)	(13,563,921.51)
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	448,906,124.78	395,838,781.05
15. Resources that finance the acquisition of assets	(606,391.32)	(140,313,970.71)
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations		
16a. Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)	(10,000,000.00)	(10,000,000.00)
16b. Other (+/-)	(10,506.00)	(100,475.01)
17. Total resources used to finance items not part of the net cost of operations	$ (712,845,514.23)	$ (18,159,310.74)
18. Total resources used to finance the net cost of operations	$ 1,080,484,704.24	$ 925,115,187.57

Department of Defense
US Army Corps of Engineers
CONSOLIDATED STATEMENT OF FINANCING
For the periods ended December 31, 2005 and 2004

	2006 Consolidated	2005 Consolidated
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Period:		
19. Increase in annual leave liability	0.00	0.00
20. Increase in environmental and disposal liability	0.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	(78,946.00)	0.00
23. Other (+/-)	0.00	4,357,035.80
24. Total components of Net Cost of Operations that will require or generate resources in future periods	(78,946.00)	4,357,035.80
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	131,912,063.41	618,743,872.49
26. Revaluation of assets or liabilities (+/-)	(51,513,218.65)	699,765,644.39
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	(241,238.66)	12,000.00
27c. Operating Material & Supplies Used	0.00	0.00
27d. Other	(185,938,668.58)	14,842,448.96
28. Total components of Net Cost of Operations that will not require or generate resources	(105,781,062.48)	1,333,363,965.84
29. Total components of net cost of operations that will not require or generate resources in the current period	$ (105,860,008.48)	$ 1,337,721,001.64
30. Net Cost of Operations	$ 974,624,695.76	$ 2,262,836,189.21

Note 1.	Significant Accounting Policies

1.A. Basis of Presentation

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

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

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

1.B. Mission of the Reporting Entity

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

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

Entity Accounts:

General Funds

96X3112	Flood Control, Mississippi River and Tributaries
96X3121	General Investigations
96 3121	General Investigations (fiscal year)
96X3122	Construction, General
96X3123	Operation and Maintenance, General
96X3124	General Expenses
96X3125	Flood Control and Coastal Emergencies

96X3126	Regulatory Program
96X3128	Washington Aqueduct Capital Improvements
96 3129	Payment to the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund (fiscal year)
96X3130	FUSRAP, Formerly Utilized Sites Remedial Action Program
96 3132	Office of Assistant Secretary of the Army (Civil Works)
96X6094	Advances from the District of Columbia

Revolving Funds

96X4902	Revolving Fund

Special Funds

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

Trust Funds

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

Transfer Funds

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

Non-Entity:

Deposit Funds

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

Clearing Accounts

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

Receipt Accounts

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

Obsolete Accounts:

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

1.C. Appropriations and Funds

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

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

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

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

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

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

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

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

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

1.D. Basis of Accounting

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

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

1.E. Revenues and Other Financing Sources

Financing sources for General Funds are provided primarily through congressional appropriations that are received on both an annual and a multiyear basis. When authorized, these appropriations are supplemented by revenues generated by sales of goods or services through a reimbursable order process. The USACE recognizes revenue as a result of costs incurred or services performed on behalf of other federal agencies and the public. Revenue is recognized when earned under the reimbursable order process.

1.F. Recognition of Expenses

For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. Expenditures for capital and other long-term assets are not recognized as expenses in the USACE operations until depreciated in the case of property, plant, and equipment (PP&E) or consumed in the case of operating materials and supplies (OM&S). Net increases or decreases in unexpended appropriations are recognized as a change in the net position.

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

1.G. Accounting for Intragovernmental Activities

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

The USACE's proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related costs are not apportioned to federal agencies. The USACE's financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

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

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

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

To prepare reliable financial statements, transactions occurring between entities within the Department or between two or more federal agencies must be eliminated. The USACE is responsible for eliminating transactions between components and activities.

The Department of the Treasury, Financial Management Service (FMS), is responsible for eliminating transactions between the Department and other federal agencies. In September 2000, the Department of the Treasury, FMS, issued the "Federal Intragovernmental Transactions Accounting Policies and Procedures Guide." The USACE implemented the policies and procedures in this guide related to reconciling intragovernmental assets, liabilities, revenues, and expenses for non-fiduciary transactions. In addition, the USACE implemented the policies and procedures contained in the "Intragovernmental Fiduciary Transactions Accounting Guide," as updated by the "Federal Intragovernmental Transactions Accounting Policies and Procedures Guide," issued October 2002 for reconciling intragovernmental transactions. These transactions pertain to investments in Federal securities, borrowings from the Department of the Treasury and the Federal Financing Bank, Federal Employees' Compensation Act transactions with the Department of Labor (DoL), and benefit program transactions with the OPM.

1.H. Transactions with Foreign Governments and International Organizations

Each year, the DoD Components sell defense articles and services to foreign governments and international organizations, primarily under the provision of the "Arms Export Control Act of 1976." Under the provision of the Act, the Department has authority to sell defense articles and services to foreign countries and international organizations, generally at no profit or loss to the U.S. Government. Customers may be required to make payments in advance.

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

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

In addition, the DFAS centers and the UFC submit reports to the Department of the Treasury, by appropriation on interagency transfers, collections received, and disbursements issued. The Department of the Treasury then records this information to the applicable FBWT account maintained in the Department of the Treasury's system. Differences between the USACE's recorded balance in the FBWT accounts and the Department of the Treasury's FBWT accounts sometimes result and are subsequently reconciled. Material disclosures are provided at Note 3. Differences between accounting offices' detail-level records and the Department of the Treasury's FBWT accounts are disclosed at Note 3, specifically, differences caused by in-transit disbursements and unmatched disbursements (which are not recorded in the accounting offices' detail-level records).

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

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

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

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

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

Not applicable.

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

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

The related property portion of the amount reported on the Inventory and Related Property line includes operating materials and supplies (OM&S). The OM&S are valued at standard purchase price. For the most part, the Department is using the consumption method of accounting for OM&S, as defined in the SFFAS No. 3, "Accounting for Inventory and Related Property", as material that has not been issued to the end user. Once OM&S is issued, the material is expensed. Material disclosures related to inventory and related property is provided at Note 9.

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

Investments in the Department of the Treasury securities are reported at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment using the effective interest rate method or other method if similar results are obtained. The USACE's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. Consequently, a provision is not made for unrealized gains or losses on these securities, because in the majority of cases, they are held to maturity. Amounts reported reflect the value of investments in the South Dakota Terrestrial Wildlife Habitat Restoration, Inland Waterways, and Harbor Maintenance Trust Fund accounts, which are managed by the Department of the Treasury. Material disclosures are provided at Note 4.

1.O. General Property, Plant and Equipment

General property, plant, and equipment (PP&E) assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years, and when the acquisition cost is greater than $25,000, with the exception of all buildings and structures related to hydro-power purpose which are capitalized (to include joint cost) regardless of cost. Starting in FY 2004, all Civil Works Buildings and Structures under $25,000 are expensed except for hydro-power assets.

All General PP&E, other than land, is depreciated on a straight-line basis. Land is not depreciated.

In FY 2004, the USACE, Office of the Secretary of Defense Comptroller, and Department of Defense Inspector General (DoDIG) reached an agreement on supporting documentation for land values to include administrative costs. The USACE is in the process of gathering the necessary supporting documentation in accordance with the Memorandum of Agreement signed on June 9, 2004.

When it is in the best interest of the government, the USACE provides to contractors government property necessary to complete contract work. Such property is either owned or leased by the USACE, or purchased directly by the contractor for the government based on contract terms. When the value of contractor procured General PP&E exceeds the DoD capitalization threshold, such PP&E is required to be included in the value of General PP&E reported on the USACE Balance Sheet. The Department of Defense completed a study that indicates that the value of General PP&E above the DoD capitalization threshold and not older than the DoD Standard Recovery Periods for depreciation, and that is presently in the possession of contractors, is not material to the Department's financial statements. Regardless, the Department is developing new policies and a contractor reporting process that will provide appropriate General PP&E information for future financial statement reporting purposes. Accordingly, the USACE currently reports only government property in the possession of contractors that is maintained in the USACE property systems.

To bring the USACE into compliance with federal accounting standards, the Department has issued new property accountability and reporting regulations that require the DoD Components to maintain, in DoD Component property systems, information on all property furnished to contractors. This action and other DoD proposed actions are structured to capture and report the information necessary for compliance with federal accounting standards.

Material disclosures are provided at Note 10.

1.P. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances or prepayments and reported as an asset on the Balance Sheet. Advances and prepayments are recognized as expenditures and expenses when the related goods and services are received.

1.Q. Leases

Generally, lease payments are for the rental of equipment, space, and operating facilities and are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease), the USACE records the applicable asset and liability if the value equals or exceeds the current DoD capitalization threshold. The capitalization threshold for civil works assets is $25,000. The USACE records the amounts as the lesser of the present value of the rental and other lease payments during the lease term (excluding that portion of the payments representing executory costs paid to the lessor) or the asset's fair market value. Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expenses as payments are made over the lease term.

1.R. Other Assets

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

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

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

1.S. Contingencies and Other Liabilities

The SFFAS No. 5, “Accounting for Liabilities of the Federal Government,” defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss to the USACE. The uncertainty will be resolved when one or more future events occur or fail to occur. A contingency is recognized as a liability when a past event or exchange transaction has occurred, a future loss is probable, and the amount of loss can be reasonably estimated.

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

1.T. Accrued Leave

Civilian annual leave and military leave that have been accrued and not used as of the balance sheet date are reported as liabilities. The liability reported at the end of the fiscal year reflects current pay rates.

1.U. Net Position

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

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

1.V. Treaties for Use of Foreign Bases

The USACE has no existing treaties for use of foreign bases.

1.W. Comparative Data

The Financial Statements and accompanying Notes to the Financial Statements report the financial position and results of operations for FY 2006. Financial statement fluctuations greater than 2 percent of total assets on the Balance Sheet and/or greater than 10 percent between FY 2005 and FY 2006 are explained within the Notes to the Financial Statements.

1.X. Unexpended Obligations

The USACE records obligations for goods and services that have been ordered but not yet received. No liability for payment has been established in the financial statements because goods/services have yet to be delivered.

1.Y. Undistributed Disbursements and Collections

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

The Department of Defense policy is to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of Federal and nonfederal accounts payable and accounts receivable. Unsupported undistributed disbursements are recorded in accounts payable. Unsupported undistributed collections are recorded in other liabilities. The USACE does not follow this procedure.

All unposted disbursements and collections for the USACE are unrecorded Intragovernmental Payment and Collection (IPAC) transactions. These transactions are all Federal.

Note 2. Nonentity Assets

As of December 31		2006		2005
1. Intragovernmental Assets				
A. Fund Balance with Treasury	$	33,171,296.59	$	31,278,894.05
B. Investments		0.00		0.00
C. Accounts Receivable		0.00		1,080.00
D. Other Assets		0.00		0.00
E. Total Intragovernmental Assets	$	33,171,296.59	$	31,279,974.05
2. Nonfederal Assets				
A. Cash and Other Monetary Assets	$	1,065,433.61	$	1,044,021.25
B. Accounts Receivable		1,716,183,166.43		1,735,036,003.82
C. Loans Receivable		0.00		0.00
D. Inventory & Related Property		0.00		0.00
E. General PP&E		0.00		0.00
F. Investments		0.00		0.00
G. Other Assets		0.00		0.00
H. Total Nonfederal Assets	$	1,717,248,600.04	$	1,736,080,025.07
3. Total Nonentity Assets	$	1,750,419,896.63	$	1,767,359,999.12
4. Total Entity Assets	$	39,263,850,168.74	$	34,360,978,254.92
5. Total Assets	$	41,014,270,065.37	$	36,128,338,254.04

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

Composition of Other Nonentity Assets

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

Cash and Other Monetary Assets is comprised of $4.3 thousand in change funds for recreation cashiers, $473.3 thousand in Disbursing Officer's cash, and $587.8 thousand in foreign currency, as listed at Note 7.

Non-federal nonentity accounts receivable represents all current and non-current receivables due from non-federal sources. Nonentity receivables include $832.3 million in long-term receivables due from state and local municipalities for water storage contracts, $35.1 million in current receivables due from state and local municipalities for water storage, $850.4 million in accrued interest receivable, $416.2 thousand in penalties, fines and administrative fees receivable,

$1.3 million in long-term receivables for hydraulic mining, and $1.5 million for other miscellaneous receivables. An additional $970.7 thousand represents the amount due from the leasing of land acquired for flood control purposes. Nonentity receivables are recorded in unavailable receipt accounts and funds will be returned to the U.S. Treasury when collected. The allowance for doubtful accounts totals $5.8 million for nonentity receivables.

Fluctuations

Line 1C. Accounts Receivable decreased by $1.1 thousand (100 percent) due to collection of a prior year accounts receivable from the Federal Bureau of Investigation for joint use of an antenna tower located in the USACE Kansas City District.

Line 4**.** Total Entity Assets increased $4.9 billion (14 percent). The fluctuation is due to receipt of appropriated funds in 1st Quarter, FY 2006 (December 2005). The FY 2005 appropriations were not received until January 2005. This created a $3.9 billion (149 percent) increase in the balance in Funds Balance with Treasury account. Intragovernmental accounts receivable, mainly from Department of Homeland Security, Federal Emergency Management Agency, increased $652.3 million. This is the result of performing reimbursable work during the hurricane relief effort. Non-Marketable, Market Based Securities increased $409 million (14 percent) due to an increase in tax revenues and interest on investments for Inland Waterways, Harbor Maintenance and South Dakota Terrestrial Wildlife Habitat Restoration Trust Funds.

Note Reference

For Additional Line Item discussion, see:

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

Note 3. Fund Balance with Treasury

As of December 31	2006	2005
1. Fund Balances		
A. Appropriated Funds	$ 4,940,424,017.60	$ 1,274,535,872.91
B. Revolving Funds	953,066,026.24	816,649,984.29
C. Trust Funds	81,763,421.33	72,901,437.84
D. Special Funds	5,654,348.87	8,748,247.77
E. Other Fund Types	500,812,577.75	447,956,299.34
F. Total Fund Balances	$ 6,481,720,391.79	$ 2,620,791,842.15
2. Fund Balances Per Treasury Versus Agency		
A. Fund Balance per Treasury	$ 6,402,808,685.71	$ 1,073,392,501.45
B. Fund Balance per USACE	6,481,720,391.79	2,620,791,842.15
3. Reconciling Amount	$ (78,911,706.08)	$ (1,547,399,340.70)

The Reconciling Amount for Fund Balances per the U. S. Army Corps of Engineers (USACE) includes $78.9 million in cash reported by the Department of the Treasury for Inland Waterways and Harbor Maintenance Trust Funds, for which the USACE is identified as the lead agency for reporting.

4. Other Information Related to Fund Balance with Treasury

Appropriated Funds includes net disbursements for undistributed Intragovernmental Payment and Collection (IPAC) transactions of ($6.7) million. These were distributed to the appropriate funds during January 2006.

Other Fund Types (nonentity) consist of $9.5 million in deposit, suspense, and clearing accounts that are not available to finance the USACE activities. Other Fund Types (entity) consists of $2 thousand in borrowing authority, $454.2 million in contributed funds, and $13.4 million in the suspense account established to finance Washington Aqueduct operations and are available to finance the USACE activities.

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

There are no restrictions for future use of unobligated balances.

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

Fluctuations

Appropriated Funds. Appropriated Funds increased by $3.7 billion (287.6 percent). The USACE Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. The USACE received warrants during 1st quarter FY 2006 of $5.4 billion. During 1st quarter FY 2005 the USACE was operating under a Continuing Resolution.

Revolving Funds. Revolving Funds increased by $136.4 million (16.7 percent). The increase is a result of $48.4 million in collections for outstanding receivables. The increase is also attributed to an unprecedented hurricane season in 2005, which halted activities that were to be funded through Revolving Funds overhead and shop/facility accounts. This resulted in a large surplus of cash in Revolving Funds.

Trust Funds. Trust Funds increased by $8.9 million (12.2 percent). The increase is from the Bureau of Public Debt's trial balance and financial statements for the Harbor Maintenance and Inland Waterways Trust Funds. The USACE incorporates the Bureau of Public Debt's trial balance and financial statements into its financial statements. The USACE is the lead agency for reporting these Trust Funds. The Bureau of Public Debt performs the investment activity for these Trust Funds. They had not invested all available cash as of the end of 1st Quarter, FY 2006.

Special Funds. Special Funds decreased by $3.1 million (35.4 percent). During FY 2005, the USACE received a retroactive adjustment for FY 2004 of $2.8 million in receipts from leases of land required for flood control and navigation. This resulted in a net decrease between FY 2006 and FY 2005.

Other Fund Types. Other Fund Types increased by $52.9 million (12 percent). The increase is due to cost share projects at the USACE Jacksonville District.

Reconciling Amount. The Reconciling Amount decreased $1.5 billion (95 percent). The decrease is a result of the exclusion of receipts for Contributed Funds which are rolled to the expenditure fund by the Department of the Treasury. In FY 2005, the USACE included these receipts in Line 1.A. Funds Balance per Treasury, which resulted in duplication.

Note Reference

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

Note 2 for Entity/Nonentity Accounts

Status of Fund Balance with Treasury

As of December 31	2006	2005
1. Unobligated Balance		
A. Available	$ 12,059,098,026.39	$ 3,049,347,686.93
B. Unavailable	(2,716,877,749.03)	65,872.10
2. Obligated Balance not yet Disbursed	$ 7,139,436,985.21	$ (481,971,144.28)
3. Nonbudgetary FBWT	$ 26,943,954.07	$ 0.00
4. NonFBWT Budgetary Accounts	$ (10,026,880,824.85)	$ 0.00
5. Total	$ 6,481,720,391.79	$ 2,567,442,414.75

Status of Funds Balance uses the formula of the Treasury FMS 2108: Yearend Closing Statement. The unobligated and obligated not yet disbursed amounts in the budgetary accounts should agree to the balance at the Department of the Treasury.

Fluctuations

Unobligated Balance Available. The Unobligated Balance Available increased $9 billion (295 percent). The USACE Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. The USACE received warrants during 1st quarter FY 2006 of $5.4 billion. During 1st quarter FY 2005 the USACE was operating under a Continuing Resolution. The increase also includes $1 billion in anticipated resources for programs exempt from apportionment resulting from corrections to the Corps of Engineers Financial Management System (CEFMS) general ledger correlation for the Revolving Funds. This entry was not programmed in CEFMS in 1st Quarter, FY 2005. Additionally, an increase of $1.8 billion for reimbursable orders was received in conjunction with the hurricane relief efforts.

Unobligated Balance Unavailable. The Unobligated Balance Unavailable decreased $2.7 billion (100 percent). Revolving fund correlations were updated in 4th Quarter FY 2005 to include anticipated collections from Federal sources. The CEFMS general ledger correlations for the Revolving Funds were corrected. This entry was not programmed in CEFMS in 1st Quarter, FY 2005.

Obligated Balance not yet Disbursed. The Obligated Balance not yet Disbursed increased $7.6 billion (100 percent). Due to an unprecedented hurricane season during 2005, the USACE received an increase in appropriated funds and customer orders to perform numerous missions to support those affected by the hurricanes. Obligations of $4.5 billion have been incurred for hurricane efforts, but not yet disbursed. The USACE is the Federal Emergency Management Agency's emergency support function for engineering. The Bureau of Public Debt reported an increase of $3.1 billion in obligations for investment activity.

Non-Budgetary FBWT. The Non-Budgetary FBWT increased $27 million (100 percent). The increase is a result of footnote format changes.

Non-FBWT Budgetary Accounts. The Non-FBWT Budgetary Accounts increased $10.1 billion (100 percent). The increase is a result of footnote format changes.

Disclosures Related to Suspense/Budget Clearing Accounts

As of December 31	2004	2005	2006	(Decrease)/ Increase from FY 2005 - 2006
Account				
F3875	$ 509,747.74	$ 801,934.46	$ 456,425.35	$ (345,509.11)
F3880	0.00	0.00	0.00	0.00
F3882	0.00	0.00	0.00	0.00
F3885	0.00	(43,362,625.83)	(6,683,767.87)	36,678,857.96
F3886	0.00	0.00	0.00	0.00
Total	$ 509,747.74	$ (42,560,691.37)	$ (6,227,342.52)	$ 36,333,348.85

Fluctuations

96F3875. The Suspense/Budget Clearing Account 96F3875 decreased $346 thousand (76 percent). The decrease is due to funds for leases that were transferred to receipt account 5090.

96F3885. The Suspense/Budget Clearing Account 96F3885 decreased $36.7 million (549 percent). This account represents the unposted IPAC system net disbursement transactions. The decrease is a result of a large part of the transactions being recorded.

Disclosures Related to Problem Disbursements and In-Transit Disbursements

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

Note 4. Investments and Related Interest

As of December 31	2006								
		Par Value / Cost	Amortization Method		Unamortized (Premium) / Discount		Investments, Net		Market Value Disclosure
1. Intragovernmental Securities									
A. Nonmarketable, Market-Based	$	3,151,860,646.84	Level Yield Calculation	$	76,605,217.58	$	3,228,465,864.42	$	3,184,339,574.64
B. Accrued Interest		49,909,766.28					49,909,766.28		49,909,766.28
C. Total Intragovernmental Securities	$	3,201,770,413.12		$	76,605,217.58	$	3,278,375,630.70	$	3,234,249,340.92
2. Other Investments									
A. Total Investments	$	0.00		$	0.00	$	0.00		N/A

As of December 31	2005								
		Par Value / Cost	Amortization Method		Unamortized (Premium) / Discount		Investments, Net		Market Value Disclosure
3. Intragovernmental Securities									
A. Nonmarketable, Market-Based	$	2,757,808,991.06	Level Yield Calculation	$	62,019,149.45	$	2,819,828,140.51	$	2,976,625,042.82
B. Accrued Interest		41,396,619.84					41,396,619.84		41,396,619.84
C. Total Intragovernmental Securities	$	2,799,205,610.90		$	62,019,149.45	$	2,861,224,760.35	$	3,018,021,662.66
4. Other Investments									
A. Total Investments	$	0.00		$	0.00	$	0.00		N/A

Investments for the Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration Trust Funds are reported by the Department of the Treasury and are included in the USACE's financial statements. Investments include $284.3 million in one-day certificates and $2.9 billion in bonds and notes. Total investment amounts include $337 million in the Inland Waterways Trust Fund, $2.9 billion in the Harbor Maintenance Trust Fund, and $87 million in the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund.

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

The Department of the Treasury also provides the investment market value based on the bid price provided by the Federal Reserve Bank of New York on December 31, 2005.

Note Reference

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

Fluctuations

Line 1A. Non-Marketable, Market Based Securities: The overall increase of $409 million (14 percent) in Non-Marketable, Market Based Securities is due to several factors. There is an increase in tax revenues in Harbor Maintenance and Inland Waterways Trust Funds and an increase in interest on investments (cash) for Harbor Maintenance, Inland Waterways and South Dakota Trust Funds. Tax revenues are from imports, exports, domestics, excise, foreign trade and passengers. The tax revenues are invested by the Department of the Treasury and reported on Bureau of Public Debt's financial statements for Harbor Maintenance and Inland Waterways Trust Funds. Harbor Maintenance reports an increase in investments of $431 million compared to the 1st Quarter, FY2005. The increase in investments is due to an increase in volume for taxes on imports and foreign trade. South Dakota is reporting a $15.6 million increase in investments for the 1st Quarter, FY 2006, compared to the 1st Quarter, FY 2005. The increase is due to the Department of the Treasury investing the funds collected in notes and bonds instead of one-day certificates. Inland Waterways reports a decrease in investments of $34 million for the 1st Quarter, FY 2006. The decrease is caused by budget authority transferred by the Department of the Treasury to the Inland Waterways expenditure account. The funds are transferred from invested balances and are based upon weekly estimates needed to cover expenditures. As funds are withdrawn, investment accounts decrease.

Line 1B. Accrued Interest: The increase of $9 million (21 percent) in accrued interest on investments is due to an increase in investments through tax collections and customs duties on imports and foreign trade from the Harbor Maintenance Trust Funds. The taxes and customs duties are collected by the Department of the Treasury for the USACE Trust Funds, recorded on a cash basis, and is strictly a point-of-service collection. Inland Waterways Trust Fund collects excise taxes and Harbor Maintenance Trust Fund collects customs duties. Harbor Maintenance has an increase of $9.4 million and South Dakota is reporting an increase of $829 thousand. The increase in the South Dakota account is due to a policy change where the Department of the Treasury invests its funds in notes and bonds instead of one-day certificates. Inland Waterways is reporting a decrease of $1.7 million in their interest income receivable. Funds are withdrawn to transfer budget authority in order to cover expenditures. Withdrawals result in fewer investments available to accrue interest in the Inland Waterways Trust Fund.

Line 1C. Total Intragovernmental Securities: Total Intragovernmental Securities has a net increase of $417 million (15 percent) in investments and interest as of 1st Quarter, FY 2006, compared to 1st Quarter, FY 2005. The increase is a result of tax revenues collected and invested until funds are needed for support of operations.

Note 5. Accounts Receivable

As of December 31	2006			2005
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intragovernmental Receivables	$ 2,540,757,347.09	N/A	$ 2,540,757,347.09	$ 1,514,396,418.69
2. Nonfederal Receivables (From the Public)	$ 1,753,655,868.18	$ (5,771,762.88)	$ 1,747,884,105.30	$ 1,813,088,561.52
3. Total Accounts Receivable	$ 4,294,413,215.27	$ (5,771,762.88)	$ 4,288,641,452.39	$ 3,327,484,980.21

4. Allowance method:

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

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

5. Other information:

Elimination Adjustments

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

Receivables with Other Federal Agencies (Non-Defense)

Receivables with Department of Homeland Security (DHS) increased by $671.1 million as a result of reimbursable work performed for Federal Emergency Management Agency (FEMA), primarily attributable to hurricane relief efforts. Some activities previously identified under other agencies are now reported under DHS. Receivables for amounts to be transferred from the Aquatic Resources Trust Fund (Department of Interior) for currently invested balances to the USACE Coastal Wetlands Trust Fund is $19.9 million more than at this time last year. This is associated with coastal wetland projects in the New Orleans District. Additionally, receivables for Inland Waterways are $130.7 million more than this time last year because of amounts to be transferred to the USACE from the Inland Waterways Trust Fund for inland waterway navigation projects.

Intragovernmental Receivables Over 180 Days

The amount of intragovernmental receivables over 180 days old is $13.1 million versus $29.5 million this time last year. The reduction is attributed to increased concentrated efforts to clear delinquent receivables.

Public Receivables Over 180 Days

The amount of public receivables over 180 days old is $73.1 million. Receivables with the public include $55.1 million in accrued interest on receivables over 180 days old associated with long-term water storage contracts. Of the total receivables over 180 days old, $38.8 million is owed by the Commonwealth of Puerto Rico on a 50 year contract for the Cerrillos Dam water storage.

Nonfederal Refunds Receivable

The amount of public receivables includes $1.1 million in refunds receivable, 95 percent of which are current refunds receivable largely attributed to refunds due for liquidated damages, refunds due from U.S Bank on credit cards and condemnation cases.

Other Disclosures

Public receivables include $35.1 million in current and $832.3 million in non-current long-term accounts receivable (principal) associated with water storage contracts, $850.4 million in accrued interest receivable, and $416.2 thousand in penalties, fines, and administrative fees receivable. Public receivables also include $1.3 million in long-term receivables for hydraulic mining and $970.7 thousand due from the leasing of land acquired for flood control purposes, and $27.1 million due from the D.C. Public Schools and Department of Housing. The remainder is for various other accounts receivables.

The amount of Public Receivables on the Treasury Report on Receivables Due from the Public is $1.2 million greater than the balance of public receivables reported on the balance sheet. The difference is attributed to the allowance for estimated uncollectibles of $5.8 million not reported on the Treasury Report on Receivables less the amount of work-in-progress for $4.6 million.

Total trust fund receivables for currently invested balances are $476.5 million, and include $366.0 million for the Coastal Wetlands Restoration Trust Fund, and $110.4 million for the Inland Waterways Trust Fund. To accommodate cash management practices, funds remain invested until needed for disbursement. The budget authority is realized and obligations may be incurred before the actual transfer of funds.

Fluctuations

Intragovernmental Receivables. The increase in intragovernmental receivables is attributed to the increase of $671.1 million in reimbursable work performed for FEMA in support of hurricane relief efforts in Mississippi, Louisiana, and Texas. Receivables for amounts to be transferred from the Aquatic Resources Trust Fund (Department of Interior) for currently invested balances to the USACE are $19.9 million more than at this time last year. This is associated with coastal wetland projects in the New Orleans District. Additionally, receivables for Inland Waterways are $130.7 million more than at this time last year because of amounts to be transferred to the USACE from the Inland Waterways Trust Fund for inland waterway navigation projects. Receivables for amounts to be transferred to the USACE from the Department of Energy (DOE) are $162.9 million more than at this time last year. No receivable from DOE was recorded in 1st Quarter, FY 2005. In FY 2005 the amount from DOE, Bonneville Power Administration had already been received and the receivable liquidated.

Accounts Receivable Aging - Levels 1 and 2

ENTITY	CATEGORY	INTRAGOVERNMENTAL	NONFEDERAL
USACE	Nondelinquent Current	2,284,017,093.58	65,658,896.70
USACE	Nondelinquent Noncurrent		1,578,984,434.72
USACE	Delinquent 1 to 30 days	209,758,322.62	18,282,891.87
USACE	Delinquent 31 to 60 days	10,517,852.51	4,648,527.26
USACE	Delinquent 61 to 90 days	13,901,445.24	3,578,913.95
USACE	Delinquent 91 to 180 days	9,857,219.88	9,426,202.79
USACE	Delinquent 181 days to 1 year	4,155,901.04	3,704,068.69
USACE	Delinquent Greater than 1 year and less than or equal to 2 years	5,092,503.32	19,286,219.02
USACE	Delinquent Greater than 2 years and less than or equal to 6 years	3,445,968.68	42,095,879.38
USACE	Delinquent Greater than 6 years and less than 10 years	11,040.32	7,989,833.80
USACE	Delinquent Greater than 10 years	0.00	0.00

Intragovernmental - Metric 1.

The total Intragovernmental delinquent amount is $257 million. Of the $257 million, $228 million is due from FEMA and results primarily from Hurricane Katrina and Rita disaster bills. This amount increased $190 million due to 168 new bills that are now 30 days delinquent as it takes approximately 90 days to clear these bills. Of the $228 million amount due, $187 million are accounts receivable due less than 90 days delinquent.

Coast Guard and the Environmental Protection Agency (EPA) recently began allowing payments to be submitted via the Intragovernmental Payment and Collections system. Although over $500 thousand of accounts receivable was collected, $500 thousand in new accounts receivable were generated. Of the combined total for Coast Guard and EPA, $1.5 million of accounts receivable are under 90 days delinquent.

Public - Metric 2.

Public debt is due to litigation on water storage contracts or admiralty claims. Some delinquency is due to legislation that has to be passed before a decision is made on disputed allocations. Others are due to contractors requesting forgiveness through the Water Resources Development Act. Installment payment agreements are in place for $12.3 million of total delinquent accounts receivable and should be coded as current accounts receivable.

Note 6. Other Assets

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

Note 7. Cash and Other Monetary Assets

As of December 31	2006	2005
1. Cash	$ 477,632.88	$ 410,720.29
2. Foreign Currency (Nonpurchased)	587,800.73	633,300.96
3. Total Cash, Foreign Currency, & Other Monetary Assets	$ 1,065,433.61	$ 1,044,021.25

Definitions

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

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

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

Other USACE Disclosures – Cash consists of $473.3 thousand in Disbursing Officer's Cash and $4.3 thousand in change funds for recreation cashiers.

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

There are no restrictions on cash.

Fluctuations

The increase in cash is due to an increase in travel advances issued. Many USACE employees impacted by Hurricane Katrina were put on safe haven travel orders and did not have Government issued credit cards for travel. These employees were issued cash advances. The advances are recorded in the Disbursing Officer's accountability.

Note Reference

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

Note 8. Direct Loan and/or Loan Guarantee Programs

As of December 31

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

Military Housing Privatization Initiative

Armament Retooling & Manufacturing Support Initiative

Direct Loans Obligated After FY 1991

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

Total Amount of Direct Loans Disbursed

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

US Army Corps of Engineers

Subsidy Expense for Post FY 1991 Direct Loan

As of December 31

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

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

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

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

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

Subsidy Rate for Direct Loans

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

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

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

Defaulted Guaranteed Loans from Post FY 1991 Guarantees

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

Guaranteed Loans Outstanding

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

Liabilities for Post FY 1991 Loan Guarantees, Present Value

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

Subsidy Expense for Post FY 1991 Loan Guarantees

As of December 31

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

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

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

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

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

Subsidy Rates for Loan Guarantees

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

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

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

Administrative Expenses

As of December 31	2006	2005
1. Direct Loans		
Military Housing Privatization Initiative	$ 0.00	$ 0.00
Total	$ 0.00	$ 0.00
2. Loan Guarantees		
Military Housing Privatization Initiative	$ 0.00	$ 0.00
Armament Retooling & Manufacturing Support Initiative	0.00	0.00
Total	$ 0.00	$ 0.00

Note 9. Inventory and Related Property

As of December 31	2006	2005
1. Inventory, Net	$ 117,227,498.99	$ 58,643,035.61
2. Operating Materials & Supplies, Net	116,635.66	258,369.12
3. Stockpile Materials, Net	0.00	0.00
4. Total	$ 117,344,134.65	$ 58,901,404.73

Inventory, Net

As of December 31	2006						2005		
	Inventory, Gross Value		Revaluation Allowance		Inventory, Net		Inventory, Net		Valuation Method
1. Inventory Categories									
A. Available and Purchased for Resale	$	94,969,020.51	$	(39,967.11)	94,929,053.40	$	38,418,975.52		MAC
B. Held for Repair		0.00		0.00	0.00		0.00		MAC
C. Excess, Obsolete, and Unserviceable		0.00		0.00	0.00		0.00		MAC
D. Raw Materials		0.00		0.00	0.00		0.00		MAC
E. Work in Process		22,298,445.59		0.00	22,298,445.59		20,224,060.09		MAC
F. Total	$	117,267,466.10	$	(39,967.11)	117,227,498.99	$	58,643,035.61		

Legend for Valuation Methods:

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

Inventory may be sold to foreign, state and local governments, private parties, and contractors in accordance with current policies and guidance or at the direction of the U.S. President.

Definitions

Inventory Available and Purchased for Resale includes consumable spare and repair parts and repairable items owned and managed by the Department. Material available and purchased for resale includes material held due to a managerial determination that it should be retained to support military or national contingencies.

Inventory Held for Repair is damaged inventory that requires repair to make suitable for sale. Many of the inventory items are more economical to repair than to procure. In addition, because the Department often relies on weapon systems and machinery no longer in production, the Department supports a process that encourages the repair and rebuilding of certain items. This repair cycle is essential to maintaining a ready, mobile, and armed military force.

Excess, Obsolete, and Unserviceable inventory consists of scrap materials or items that cannot be economically repaired and are awaiting disposal. Potentially reusable material, presented in previous years as “Excess, Obsolete and Unserviceable,” is included in “Held for Use” or “Held for Repair” categories according to its condition.

Work-in-Process (WIP) balances include costs related to the production or servicing of items, including direct material, direct labor, applied overhead, and other direct costs. WIP also includes the value of finished products or completed services pending the submission of bills to the customer. The WIP designation may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other Government plants for accrued costs of end-items of material ordered, but not delivered.

General Composition of Inventory

Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. "Inventory Held for Current Sale" is that expected to be sold in the normal course of operations. "Excess Inventory" is that which exceeds the demand expected in the normal course of operations and which does not meet management's criteria to be held in reserve for future sale. "Obsolete Inventory" is that which no longer is needed due to changes in technology, laws, customs or operations. "Unserviceable Inventory" is damaged inventory that is more economical to dispose of than to repair. WIP includes associated labor, applied overhead and supplies used in the delivery of services.

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

The inventory valuation method is based on a moving weighted average based on actual cost divided by quantity. A perpetual record of inventory is maintained to allow for recomputation of the average unit cost as new receipts are recorded.

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

Fluctuations

Available and Purchased for Resale. Available and Purchased for Resale increased $56.5 million (147.1 percent). The increase is attributed to corrections made to the value of the Warehouse Stock Found on Works account in the amount of $47.1 million. This account had previously been understated. The correction was made in 2nd Quarter FY 2005. New Orleans and Vicksburg Districts increased stock purchases $2.1 million due to the work related to Hurricane Katrina. The increase is also attributed to a $7.3 million transfer of materials for river bank stabilization revetment projects on the Mississippi River by New Orleans District from WIP to Available and Purchased for Resale.

Work-in-Process. Work-in-Process increased $2.1 million (10.3 percent). The net increase is mainly attributed to a net increase of $9.4 million at New Orleans and Vicksburg Districts for casting concrete mattresses and a decrease of $7.3 million at New Orleans District that was transferred to Available and Purchased for Resale.

Note Reference

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

Operating Materials and Supplies, Net

As of December 31	2006			2005	
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net	Valuation Method
1. OM&S Categories					
A. Held for Use	$ 116,635.66	$ 0.00	$ 116,635.66	$ 258,369.12	NRV
B. Held for Repair	0.00	0.00	0.00	0.00	NRV
C. Excess, Obsolete, and Unserviceable	0.00	0.00	0.00	0.00	NRV
D. Total	$ 116,635.66	$ 0.00	$ 116,635.66	$ 258,369.12	

Legend for Valuation Methods:

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

There are no restrictions on operating materials and supplies (OM&S). The valuation method is based on a net realizable value.

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

Fluctuations

Held for Use. Held for Use decreased $142 thousand (54.9 percent) due to the reduction of the metered mail account at Fort Worth District. There is now less need for metered mail and the account has not been replenished to its previous level.

Note Reference

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

Stockpile Materials, Net

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

Legend for Valuation Methods:

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

Note 10. General PP&E, Net

As of December 31	2006					2005
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
1. Major Asset Classes						
A. Land	N/A	N/A	$ 8,887,948,240.11	N/A	$ 8,887,948,240.11	$ 8,771,842,674.94
B. Buildings, Structures, and Facilities	S/L	20 Or 40	27,164,659,114.49	$ (12,723,002,752.04)	14,441,656,362.45	14,944,931,046.34
C. Leasehold Improvements	S/L	lease term	27,250,914.94	(14,793,798.37)	12,457,116.57	14,292,344.25
D. Software	S/L	2-5 Or 10	82,776,365.58	(48,332,499.82)	34,443,865.76	24,631,340.44
E. General Equipment	S/L	5 or 10	1,263,765,463.40	(628,907,611.64)	634,857,851.76	625,390,712.63
F. Military Equipment	S/L	Various	0.00	0.00	0.00	0.00
G. Assets Under Capital Lease	S/L	lease term	0.00	0.00	0.00	0.00
H. Construction-in-Progress	N/A	N/A	2,805,209,159.12	N/A	2,805,209,159.12	2,738,702,419.82
I. Other			30,550,798.33	(371.87)	30,550,426.46	139,100,706.93
J. Total General PP&E			$ 40,262,160,055.97	$ (13,415,037,033.74)	$ 26,847,123,022.23	$ 27,258,891,245.35

[1] Note 15 for additional information on Capital Leases

Legend for Valuation Methods:

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

General PP&E – Significant Amount of Assets

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

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

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

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

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

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

Heritage Assets

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

We have one (1) Major Collection, that being the collection of historical memorabilia, historic artifacts and records, managed by the Headquarters, U.S. Army Corps of Engineers Office of History.

Other than multipurpose heritage assets, heritage assets are not material to the mission of the U. S. Army Corps of Engineers. Disclosures pertinent to multipurpose heritage assets are contained in the financial statements.

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

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

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

Buildings and Structures include a range of historic resources from a covered bridge in Sacramento District to early farming structures in Savannah District. It also includes some non-traditional structures such as a snag boat that operated on the Mississippi River. A new building and associated historic district, Conchas Dam and Conchas Dam Historic District, New Mexico was added to USACE inventory in FY 2005.

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

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

Fluctuations

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

Line 1D – The increase of $9.8 million (40 percent) in net book value of software is due to the acquisition of P2 Project Management System for $15.7 million at Headquarters USACE (HQUSACE) and the normal depreciation expense of $5.9 million for software at Engineer Research and Development (ERDC) and HQUSACE.

Line 1I - Other: Other assets consist of assets awaiting disposal. The decrease of $108.5 million (78 percent) is due to the disposal of retired assets at various districts. The majority of disposals occurred at Vicksburg district for $91.8 million; Philadelphia district for $2.2 million; Louisville district for $3.3 million; and Savannah district for $3.5 million. The remainder $10 million is made up of smaller disposals throughout the USACE.

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

Assets Under Capital Lease

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

Note 11. Liabilities Not Covered by Budgetary Resources

As of December 31	2006	2005
1. Intragovernmental Liabilities		
A. Accounts Payable	$ 0.00	$ 0.00
B. Debt	14,085,214.11	14,804,066.20
C. Other	1,930,963,401.25	1,942,109,190.16
D. Total Intragovernmental Liabilities	$ 1,945,048,615.36	$ 1,956,913,256.36
2. Nonfederal Liabilities		
A. Accounts Payable	$ 0.00	$ 0.00
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	0.00	0.00
C. Environmental Liabilities	529,617,000.00	0.00
D. Loan Guarantee Liability	0.00	0.00
E. Other Liabilities	9,022,822.01	53,500,091.37
F. Total Nonfederal Liabilities	$ 538,639,822.01	$ 53,500,091.37
3. Total Liabilities Not Covered by Budgetary Resources	$ 2,483,688,437.37	$ 2,010,413,347.73
4. Total Liabilities Covered by Budgetary Resources	$ 1,589,381,722.62	$ 1,330,981,946.59
5. Total Liabilities	$ 4,073,070,159.99	$ 3,341,395,294.32

Definitions

Liabilities Not Covered by Budgetary Resources

Liabilities that are not considered covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass the following:

- New budget authority.
- Spending authority from offsetting collections (credited to an appropriation or fund account).
- Recoveries of unexpired budget authority through downward adjustments of prior-year obligations.
- Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior-year balances during the year.
- Borrowing authority or permanent indefinite appropriations, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by the Office of Management and Budget without further action by the Congress or without a contingency first having to be met.

Other Information

Intragovernmental Liabilities – Other includes Workmen's Compensation liabilities under the Federal Employees Compensation Act (FECA) totaling $30.7 million, offsetting custodial liability to accounts receivable totaling $1.7 billion, and Judgment Fund liabilities-Contract Dispute Act (CDA) totaling $161.4 million. The custodial liability is for amounts that will be deposited in the General Fund of the Treasury when collected and are primarily related to water storage contracts.

The Actuarial Liability for FECA is not included. The Department of Labor is unable to furnish a figure for FECA actuarial liability specific to the United States Army Corps of Engineers (USACE) Civil Works.

Non-federal Liabilities – Other includes $9 million for contracts with continuation clauses.

Total Liabilities Covered by Budgetary Resources: Intragovernmental - Accounts Payable, $666.6 million; Debt, $344.2 thousand; and Other (Employer Contributions, FECA, Unearned Revenue-Advances, Deposit Fund, and Clearing Accounts), $17.7 million. Non-federal – Accounts Payable, $293.1 million; and Other (Contract Holdbacks, Unearned Revenue-Advances, Deposit Fund, and Clearing Accounts), $611.6 million.

Fluctuations

Non-federal Liabilities – Environmental Liabilities: The increase of $529.6 million (100 percent) is attributed to the recognition of future contingent liabilities for the Formerly Utilized Sites Remedial Action Program. The liability amounts were not known prior to the 4th Quarter, FY 2005.

Non-federal Liabilities – Other Liabilities: The decrease of $44.5 million (83 percent) is attributed to unfunded liabilities for contracts with continuation clauses. The amount for the unfunded liability is recorded in the general ledger when a receiving report is entered in the Corps of Engineers Financial Management System (CEFMS), but the obligation is not recorded at this time. When funds become available, the actual receiving report and obligation are entered in the CEFMS and the initial receiving report with no obligation is reversed. More contracts with continuation clauses were recorded in the 1st Quarter, FY 2005 than the 1st Quarter, FY 2006. The USACE implemented a policy change in FY 2005 requiring approval from Headquarters before awarding a contract with continuation clauses which resulted in a decrease in these contracts and related liability of $44.5 million.

Note Reference

For additional line item discussion, see:
Note 8, Direct Loans and/or Loan Guarantee Programs
Note 12, Accounts Payable

Note 13, Debt
Note 14, Environmental Restoration (Cleanup) Liabilities and Environmental Disposal Liabilities
Note 15, Other Liabilities
Note 16, Commitments and Contingencies
Note 17, Military Retirement Benefits and Other Employment-Related Actuarial Liabilities

Note 12. Accounts Payable

As of December 31	2006						2005	
	Accounts Payable		Interest, Penalties, and Administrative Fees		Total		Total	
1. Intragovernmental Payables	$	666,649,658.36	$	N/A	$	666,649,658.36	$	506,197,873.61
2. Nonfederal Payables (to the Public)		293,105,918.27		0.00		293,105,918.27		193,859,884.14
3. Total	$	959,755,576.63	$	0.00	$	959,755,576.63	$	700,057,757.75

Other Information

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

The United States Army Corps of Engineers (USACE) has no known delinquent accounts payable; therefore, no amount is reported for interest, penalties, and administrative fees. For the period ending December 31, 2005, the USACE paid $558.5 thousand in interest from Civil Works appropriations on payments subject to the Prompt Payment Act.

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

Fluctuations

Intragovernmental Payables: This amount increased $160.5 million (32 percent). The Inland Waterways Trust Fund payable and the Harbor Maintenance Trust Fund payable increased by $130.7 million and $63.8 million, respectively, for transfers of currently invested balances reported by the Bureau of Public Debt.

Non-federal Payables (to the Public): This amount increased $99.2 million (51 percent) mainly due to the establishment of public contracts for hurricane cleanup efforts in the USACE New Orleans, Vicksburg and Galveston Districts.

Note Reference:

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

Note 13. Debt

As of December 31	2006			2005	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
1. Agency Debt (Intragovernmental)					
A. Debt to the Treasury	$ 14,599,792.61	$ (170,333.90)	$ 14,429,458.71	$ (200,476.53)	$ 15,166,193.71
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00	0.00
C. Total Agency Debt	$ 14,599,792.61	$ (170,333.90)	$ 14,429,458.71	$ (200,476.53)	$ 15,166,193.71
2. Total Debt	$ 14,599,792.61	$ (170,333.90)	$ 14,429,458.71	$ (200,476.53)	$ 15,166,193.71

During fiscal years 1997, 1998, and 1999, the USACE executed three promissory notes totaling $75 million with the Department of the Treasury. Funds provided were used for capital improvements to the Washington Aqueduct. Arlington County, the city of Falls Church, Virginia, and the District of Columbia provide funding to repay the debt. The District of Columbia repaid the remaining portion of their debt in FY 2004. Cumulative actual drawdown of the funds has been made from the Department of the Treasury in the amount of $74.9 million. There are no drawdowns of funds from the Department of the Treasury for the 1st Quarter, FY 2006.

Accrued Interest Payable as of December 31, 2005	+	Principle Repayments FY06	=	Net Borrowings FY06
$4 thousand		$166 thousand		$170 thousand

Total cumulative principal repayments as of December 31, 2005, are $62 million.

The difference between the 1st Quarter, FY 2005 and 1st Quarter, FY 2006 ending balance represents FY 2006's principle repayment plus the accrued interest payable amount as of December 31, 2005.

Note Reference

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

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

Note 14. Environmental Liabilities and Disposal Liabilities

As of December 31	2006			2005
	Current Liability	Noncurrent Liability	Total	Total
1. Environmental Liabilities--Nonfederal				
A. Accrued Environmental Restoration (DERP funded) Costs:				
1. Active Installations--Environmental Restoration (ER)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2. Active Installations--ER for Closed Ranges	0.00	0.00	0.00	0.00
3. Formerly Used Defense Sites (FUDS)--ER	0.00	0.00	0.00	0.00
4. FUDS--ER for Transferred Ranges	0.00	0.00	0.00	0.00
B. Other Accrued Environmental Costs (Non-DERP funds)				
1. Active Installations--Environmental Corrective Action	0.00	0.00	0.00	0.00
2. Active Installations--Environmental Closure Requirements	0.00	0.00	0.00	0.00
3. Active Installations--Environ. Response at Active Ranges	0.00	0.00	0.00	0.00
4. Other	0.00	529,617,000.00	529,617,000.00	0.00
C. Base Realignment and Closure (BRAC)				
1. BRAC Installations--Environmental Restoration (ER)	0.00	0.00	0.00	0.00
2. BRAC Installations--ER for Transferring Ranges	0.00	0.00	0.00	0.00
3. BRAC Installations--Environmental Corrective Action	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00
D. Environmental Disposal for Weapons Systems Programs				
1. Nuclear Powered Aircraft Carriers	0.00	0.00	0.00	0.00
2. Nuclear Powered Submarines	0.00	0.00	0.00	0.00
3. Other Nuclear Powered Ships	0.00	0.00	0.00	0.00
4. Other National Defense Weapons Systems	0.00	0.00	0.00	0.00
5. Chemical Weapons Disposal Program	0.00	0.00	0.00	0.00
6. Other	0.00	0.00	0.00	0.00
2. Total Environmental Liabilities	$ 0.00	$ 529,617,000.00	$ 529,617,000.00	$ 0.00

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

Future liabilities for the FUSRAP Program are $529.6 million, where studies and final Records of Decision documenting the cleanup requirements have been completed at the following sites: St. Louis Downtown Site Accessible Soils, St. Louis Airport Site, Latty Avenue Site, St. Louis Airport Vicinity Properties Site, Maywood Site Soils, Middlesex Sampling Plant Soils, Shpack Landfill Site, W. R. Grace Building 23 Site, Luckey Site, and the Linde Air Products Site.

The USACE recognizes future liabilities related to this program but the liability amounts are currently unknown.

The project sites are: St. Louis Downtown Site Inaccessible Soils, Iowa Army Ammunition Plant FUSRAP Site, Colonie Site, Maywood Site Groundwater, Middlesex Sampling Plant Site Groundwater, Combustion Engineering Site, DuPont Chambers Works Site, W. R. Grace Radioactive Waste Disposal Area Site, Seaway Industrial Park Site, Niagara Falls Storage Site, Shallow Land Disposal Area Site, Former Harshaw Chemical Company Site, Guterl Specialty Steel Site, and Painesville Site.

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

Fluctuations

Line 1B4. Other Accrued Environmental Costs (Non-DERP funds) increased by $529.6 million (100 percent) because the amount of future contingent liabilities for the Formerly Utilized Sites Remedial Action Program was unknown until 4th quarter, FY 2005, when a study was completed.

Note 15. Other Liabilities

As of December 31	2006 Current Liability	2006 Noncurrent Liability	2006 Total	2005 Total
1. Intragovernmental				
A. Advances from Others	$ 9,838,090.96	$ 0.00	$ 9,838,090.96	$ 10,301,713.33
B. Deposit Funds and Suspense Account Liabilities	592,135.73	0.00	592,135.73	637,255.96
C. Disbursing Officer Cash	473,297.88	0.00	473,297.88	406,765.29
D. Judgment Fund Liabilities	161,395,240.45	0.00	161,395,240.45	154,515,554.31
E. FECA Reimbursement to the Department of Labor	0.00	30,674,388.41	30,674,388.41	47,544,011.06
F. Other Liabilities	118,383,881.71	1,627,279,720.22	1,745,663,601.93	1,777,104,721.74
G. Total Intragovernmental Other Liabilities	$ 290,682,646.73	$ 1,657,954,108.63	$ 1,948,636,755.36	$ 1,990,510,021.69
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	$ 371,663,720.96	$ 0.00	$ 371,663,720.96	$ 336,318,372.92
B. Advances from Others	121,221,467.44	0.00	121,221,467.44	136,449,695.15
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	4,305,416.80	0.00	4,305,416.80	8,902,697.27
E. Temporary Early Retirement Authority	0.00	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities				
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	0.00	0.00	0.00
(4) Other	0.00	0.00	0.00	0.00
G. Accrued Unfunded Annual Leave	0.00	0.00	0.00	0.00
H. Capital Lease Liability	0.00	0.00	0.00	0.00
I. Other Liabilities	123,440,764.09	0.00	123,440,764.09	153,990,555.83
J. Total Nonfederal Other Liabilities	$ 620,631,369.29	$ 0.00	$ 620,631,369.29	$ 635,661,321.17
3. Total Other Liabilities	$ 911,314,016.02	$ 1,657,954,108.63	$ 2,569,268,124.65	$ 2,626,171,342.86

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

Line 1.D. The Corps of Engineers Civil Works Directorate has recognized 35 unfunded liabilities arising from Judgment Fund Contract Disputes Act settlements in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, Accounting for Treasury Judgment Fund Transactions. Claims totaling $71.4 million date back to FY 1992 through FY 2001. Claims totaling $32.3 million were incurred from FY 1995 through FY 1997. The remaining claims for $57.7 million were incurred during FY 2000 and thereafter. The USACE cannot fund the Judgment Fund Contract Disputes Act claims since it is funded by projects and funding does not include an allowance for this type of claim. Therefore, the USACE's sought a supplemental appropriation in FY 2000 which was not approved. The USACE request for funds in the FY 2006 Civil Works budget was also not approved. The USACE is looking at other alternatives to get this issue resolved.

Line 1.E. Federal Employees' Workman's Compensation costs reflect cost incurred for income lost and medical costs for federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The costs are paid as authorized in the Federal Employees' Compensation Act (FECA) by the Department of Labor. The USACE reimburses the Department of Labor for the costs. The USACE records a liability until the reimbursement to the Department of Labor is accomplished. Fiscal year 2007 and beyond costs of $30.7 million are reflected as a noncurrent liability.

Other Liabilities

Intragovernmental

Line 1.F. Intragovernmental other liabilities (current) includes $6.8 million for employer contributions and payroll taxes and $111.6 million to offset interest and accounts receivables which, when collected, will be returned to Treasury. Intragovernmental other liabilities (noncurrent) represent future revenue of $1.6 billion from long-term water storage contracts and $1.3 million from hydraulic mining contracts. The USACE records a custodial liability for receivables from water storage and hydraulic mining contracts. The receipts are deposited to the general fund of Treasury when collected.

Non-federal

Line 2.I. Non-federal other liabilities include $114.4 million in contract holdbacks on construction-in-progress payments and $9 million for unfunded liabilities for contracts with continuation clauses. The continuation clause allows contractors to continue work without funds being obligated. The amount of the unfunded payable is recorded in the general ledger when a receiving report is entered in the Corps of Engineers Financial Management System (CEFMS), but no obligation is recorded at this time. When funds become available, the actual receiving report and obligation are entered in CEFMS and the initial receiving report with no obligation is reversed.

<u>Intragovernmental Reconciliations for Fiduciary Transactions</u>

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

Fluctuations

Line 1.C. Disbursing Officer Cash increased by $66.5 thousand (16 percent) due to an increase in employee travel advances.

Line 1.E. Federal Employee Contribution Act (FECA) Reimbursement to the Department of Labor decreased by $16.9 million (35 percent) due to a decrease in the current portion of the liability. In FY 2005 the current portion of the liability of $17.4 million was not paid until the second quarter of the year. In FY 2006 the current portion of the liability was paid before the end of the first quarter.

Line 2.A. Accrued Funded Payroll and Benefit increased by $35.3 million (11 percent). This year the accrual was based on one additional work day compared to the same period last year. In addition there was an increase in payroll and incentive pay related to recovery efforts for hurricanes Rita and Katrina. There was also an increase in the accrual in the Persian Gulf Region for the war in Iraq.

Line 2.B. Non-federal Advances from Others decreased by $15.2 million (11 percent) due to completion of work on projects related to the advances and, in some cases, the return of funds to the customer generally due to a change in the original project plans. Significant reductions in advances occurred in the Kansas City, Sacramento and Honolulu Districts as work was completed on projects.

Line 2.D. Deposit Funds and Suspense Accounts decreased by $4.6 million (52 percent) due to a reduction in unposted intergovernmental payment and collection transactions in FY 2006.

Line 2.I. Other Non-federal liabilities decreased by $30.5 million (20 percent) due to three factors. There was a decrease of $44.5 million in the liability recorded for contracts with continuation clauses. The USACE implemented a policy change requiring approval from Headquarters before awarding a contract with continuation clauses which resulted in a decrease in these contracts and related liability. There was also an increase of $51.7 million in contract holdbacks in the Flood Control and Coastal Emergencies appropriation for recovery work related to hurricanes Katrina and Rita. Contingent liabilities also decreased by $39.6 million. The USACE previously reported an insurance reserve account as a contingent liability. The reserve account is now reported as equity.

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

Capital Lease Liability

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

Note 16. Commitments and Contingencies

Disclosures Related to Commitments and Contingencies:

Proprietary contingencies are commonly referred to as contingent liabilities. The USACE has 16 cases pending litigation, 7 claims pending in contract claims and appeals, and 12 tort claims in which the relief requested is $1.1 billion or more. The USACE Legal Counsel is of the opinion that it is "remote" that the outcome of the litigation will result in a loss.

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

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

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

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

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

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

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

Intragovernmental Costs and Exchange Revenue As of December 31		2006		2005
1. Intragovernmental Costs	$	213,392,930.02	$	198,416,074.27
2. Public Costs		2,362,515,528.77		2,977,800,471.50
3. Total Costs	$	2,575,908,458.79	$	3,176,216,545.77
4. Intragovernmental Earned Revenue	$	(1,484,896,609.13)	$	(849,048,564.06)
5. Public Earned Revenue		(116,387,153.90)		(64,331,792.50)
6. Total Earned Revenue	$	(1,601,283,763.03)	$	(913,380,356.56)
7. Net Cost of Operations	$	974,624,695.76	$	2,262,836,189.21

Consolidated Statement of Net Cost

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

The amounts presented in the SoNC are based on obligations, disbursements, and accruals. The United States Army Corps of Engineers (USACE) records transactions on an accrual basis as required by generally accepted accounting principles.

Fluctuations

Public Costs: This amount decreased $615 million (21 percent). Due to a policy change, Public Costs reported for the 1st Quarter, FY 2005 included adjustments to transfer all non-federal cost share construction in progress projects to expense. Also, USACE districts within the Mississippi Valley Division responsible for river bank stabilization projects transferred revetment assets originally recorded in capitalized asset accounts to expense. Additionally, the estimated useful life assigned to various assets was reevaluated and calculated to reflect the correct depreciation amount using the straight line method. These events caused the public cost in 1st Quarter, FY 2005 to be greater than the public cost in 1st Quarter, FY 2006.

Intragovernmental Earned Revenue: This amount increased $635.8 million (75 percent) due to reimbursable work performed for the Federal Emergency Management Agency (FEMA) on the hurricane relief effort in Louisiana, Mississippi and Texas.

Public Earned Revenue: This amount increased $52.1 million (81 percent). The increase is due to programming changes made in the Corps of Engineers Financial Management System (CEFMS) general ledger correlations for the Revolving Fund. Public revenue was understated in the 1st Quarter, FY 2005 because prior to the reprogramming, the CEFMS transaction updates did not properly update all relevant revenue general ledger accounts. The programming changes were effective 1st Quarter, FY 2006.

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

As of December 31	2006		2005	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance				
A. Changes in Accounting Standards	$ 0.00	$ 0.00	$ 0.00	$ 0.00
B. Errors and Omissions in Prior Year Accounting Reports	0.00	0.00	0.00	0.00
C. Total Prior Period Adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2. Imputed Financing				
A. Civilian CSRS/FERS Retirement	$ 21,623,835.96	$ 0.00	$ 22,696,771.65	$ 0.00
B. Civilian Health	34,441,316.00	0.00	33,208,452.50	0.00
C. Civilian Life Insurance	91,396.10	0.00	90,151.05	0.00
D. Judgment Fund	1,261,860.91	0.00	1,947,026.40	0.00
E. IntraEntity	0.00	0.00	0.00	0.00
F. Total Imputed Financing	$ 57,418,408.97	$ 0.00	$ 57,942,401.60	$ 0.00

Other Disclosures

Taxes and Other Nonexchange Revenue include $314.1 million in tax collections and $27 million in interest income deposited into the trust fund accounts. Excise taxes totaling $18 million have been deposited into the Inland Waterways Trust Fund. Taxes totaling $296 million have been collected and deposited into the Harbor Maintenance Trust Fund. These taxes are derived from:

Tax on Domestics	$ 16.4 million
Tax on Foreign Trade	$ 44.4 million
Tax on Imports	$232.4 million
Tax on Passengers	$ 2.9 million

Transfers-in include: $10 million transferred into the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund; $42.7 million in budget authority transferred into the Coastal Wetlands Restoration Trust Fund from the Aquatic Resources Trust Fund. However, the funds have not been received and recorded by the U. S. Army Corps of Engineers (USACE) as of December 31, 2005. The Department of the Treasury transferred $674 million in budget authority to the Harbor Maintenance Trust Fund along with $128.2 million to the

Inland Waterways Trust Fund. However, $92 million, in budget authority for Inland Waterways, was not loaded into Corps of Engineers Financial Management System (CEFMS) due to timing issues. The budget authority was received on December 30, 2005.

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

Fluctuations

Footnotes:

Line 2.D. Imputed Financing – Judgment Fund: Judgment Fund claims paid by the Department of the Treasury decreased by $685 thousand (35 percent) for the 1st Quarter FY 2006.

Statement of Changes in Net Position

Cumulative Results of Operations:

Line 4.E.1. Budgetary Financing Sources – Nonexchange revenue – Earmarked funds: The $428.4 million (100 percent) increase in Budgetary Financing Sources – Nonexchange revenue – Earmarked funds is due to a new requirement, by the Federal Accounting Standards Advisory Board (FASAB), to record Earmarked Funds separately from all other funds on the Statement of Changes in Net Position as outlined in the Statement of Federal Financial Accounting Standards (SFFAS) 27, "Identifying and Reporting Earmarked Funds".

Line 4.E.2. Budgetary Financing Sources – Nonexchange revenue – All other funds: The $373 million (100 percent) decrease in Budgetary Financing Sources – Nonexchange revenue – All other funds is due to the requirement, by the FASAB, to record Earmarked Funds separately from all other funds on the Statement of Changes in Net Position as outlined in the Statement of Federal Financial Accounting Standards (SFFAS) 27, "Identifying and Reporting Earmarked Funds".

There is an overall increase in total Nonexchange revenue of $50 million reported by Trust Funds. This is due to the fluctuation in taxes for Harbor Maintenance and Inland Waterways Trust Funds and interest for Harbor Maintenance, Inland Waterways, and South Dakota Trust Funds. The USACE is the lead agency for reporting Inland Waterways, Harbor Maintenance, and South Dakota Trust Funds. Interest on investments (cash) increased by a total of $9.4 million, for all three trust funds. Tax revenue collected from Harbor Maintenance and Inland Waterways Trust Funds increased by $41 million. South Dakota Trust Funds does not have tax revenue.

Line 4.G. Budgetary Financing Sources – Transfers-in/out without reimbursement: There is an overall increase of $104.2 million (87 percent) in transfers-in/out without reimbursement. The increase is due to several factors. Transfer Funds has a net increase of $115 million. This increase is a result of the USACE recording budget authority receivables, from the

Department of Energy and the Department of Transportation in FY 2006, in the Transfer Fund Account. In FY 2005 it was not recorded as such. Trust Funds have a net decrease of $16.3 million. This is due to the Harbor Maintenance Trust Fund transferring $16.3 million to the Saint Lawrence Seaway Development Corporation. In FY 2005, the transfer was not reflected on the Department of Treasury's Bureau of Public Debt financial statements in time for the inclusion during 1st Quarter FY 2005 reporting period.

Line 4.H.2. Budgetary Financing Sources – Other budgetary financing sources – All other funds: The decrease of $35 million (100 percent) in other budgetary financing sources is due to a change in reporting procedures for General, Revolving, and Transfer Funds. General and Revolving Funds now record United States Standard General Ledgers (USSGL) 7190 and 7290 which updates the Statement of Financing instead of the Change in Net Position. Also, Transfer Funds no longer update USSGL 3100.

Line 5.A.2. Other Financing Sources – Donations and forfeitures of property – All other funds: General Funds decreased $101.4 thousand (91 percent) in donations and forfeitures of property. The decrease is due to a reduction in the amount of donated assets.

Line 5.B. Other Financing Sources – Transfers-in/out without reimbursement: Transfers-in/out without reimbursement decreased $12 thousand (100 percent). This is due to the fact that there has been no transfers-out to other government agencies occurring this fiscal year. During the 1st Quarter FY 2005, the USACE Portland District transferred $12 thousand to the U. S. Department of Interior, Bureau of Indian Affairs.

Unexpended Appropriations:

Lines 1., 2.B., & 3. Beginning Balances and Prior period adjustments: The overall $610 million (154 percent) increase in the beginning balance is due to the USACE operating under a Continuing Resolution Authority (CRA) during the 1st Quarter FY 2005.

Line 4.A.2. Budgetary Financing Sources – Appropriations received – All other funds: The $3.5 billion (190 percent) increase in Appropriations Received – All other funds is due to General Funds and the Formerly Utilized Sites Remedial Action Program (FUSRAP) receiving funding during the 1st Quarter FY 2006. General Funds has an increase of $3.4 billion and FUSRAP has an increase of $102 million. During the 1st Quarter FY 2005 the USACE was operating under a CRA.

Line 4.B. Budgetary Financing Sources – Appropriations transferred-in/out: Appropriations transferred-in/out has a net increase of $500 thousand (100 percent). This is due to the transfer of funds from the General Fund to the Saint Lawrence Seaway Development Corporation. There were no transfers during the 1st Quarter of FY 2005.

Line 4.C. Budgetary Financing Sources – Other adjustments (rescissions, etc): General Funds decreased $274 thousand (100 percent) in Budgetary Financing Sources - Other adjustments due to rescissions. There were no rescissions during the 1st Quarter FY 2006.

Note Reference

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

Note 20. Disclosures Related to the Statement of Budgetary Resources

As of December 31	2006	2005
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 3,793,227,335.84	$ 2,072,604,484.78
2. Available Borrowing and Contract Authority at the End of the Period	0.00	0.00

Other Information:

Intraentity Transactions

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

Apportionment Categories

The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A in the SBR includes: $1.4 billion for direct; $7 million for direct obligations exempt from apportionment; $3.8 billion for reimbursable obligations; and $48 thousand for reimbursable obligations exempt from apportionment. The U.S. Army Corps of Engineers (USACE) has no apportionments under Category B.

Undelivered Orders

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

Borrowing Authority

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

Fluctuations

Note 20, Line 1 – The vast majority of the $1.7 billion (83 percent) variance is due to undelivered orders in General Funds, of which $1.5 billion is in the Flood Control and Coastal Emergencies appropriation. This appropriation is for work related to hurricane relief and cleanup efforts.

SBR Fluctuations

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

Budget authority - The majority of the increase of $3.7 billion (144 percent) is due to General Funds receiving $3.4 billion more in appropriated funds in FY 2006 than FY 2005. There was also an increase of $192 million in the Department of the Treasury's receipts unavailable for obligation in FY 2006. The USACE records the Department of the Treasury's portion of funds in the Defense Departmental Reporting System (DDRS). There was also an increase of $101 million to the USACE Pollution Control & Abatement appropriation.

Spending authority from offsetting collections - The overall increase of $5.8 billion in spending authority from offsetting collections is due to increased activity in General Funds for hurricane relief efforts in Louisiana, Mississippi and Texas and activity in Revolving Fund for operations in the Gulf Region Division in Iraq.

Nonexpenditure transfers - The increase of $157.8 million (227 percent) is due to a change in recording budget authority receivable in Transfer Funds. In FY 2006, the USACE is recording the budget authority receivable from the Department of Energy (DOE) and the Department of Transportation (DOT) as budget authority received. In FY 2005, it was not recorded as such.

Permanently not available - The decrease of $29 thousand (15 percent) is due to repayment of debt in Borrowing Authority.

Obligations incurred - The increase of $297 million (25 percent) in direct obligations incurred is due to increased activity in Louisiana, Mississippi and Texas for hurricane relief efforts in General Funds. In regard to the increase of $1.7 billion (81 percent) in reimbursable obligations incurred, $1.4 billion occurred in General Funds and $288 million occurred in the Revolving Fund, due to activity in the Gulf Region Division in Iraq.

Unobligated balance - The increase of apportioned unobligated balance of $5.9 billion (250 percent) is an increase in General Funds. The increase of $1.4 billion (33 percent) in unobligated balance exempt from apportionment is primarily made up of an increase of $1 billion in General Funds and $148 million in Transfer Funds.

Unobligated balance not available - The decrease of $8 thousand (12 percent) is the result of the return of expired funds to the Agency for International Development.

Obligated balance, net brought forward - The overall variance of $2.5 billion (244 percent) is due to increased activity in General Funds in FY2005 for hurricane relief efforts.

The increase of $2 billion (62 percent) of obligations incurred; the increase of $1 billion (33 percent) of gross outlays; the variance of $570 million (66 percent) change in uncollected customer payments from Federal sources; and the variance of $2.1 billion (599 percent) of total unpaid obligated balance, net, end of period is again due to increased activity in General Funds for hurricane relief efforts, and Revolving Fund for operations in the Gulf Region Division in Iraq.

Note 21. Disclosures Related to the Statement of Financing

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

Resources Used to Finance Activities:

Obligations incurred: Obligations incurred increased by $2 billion (62 percent). The increase is due primarily to an increase in obligations in the Flood Control and Coastal Emergencies appropriation for hurricanes in the Louisiana, Mississippi and Texas Gulf Coast in 2005.

Less: Spending authority from offsetting collections: This amount increased by $1.1 billion (56 percent) due primarily to an increase in offsetting collections of $660.9 million in the Flood Control and Coastal Emergencies appropriation. Again, this increase is related to recovery work for hurricane damages in 2005. There was also an increase of $376.3 million in offsetting collections in the Revolving Fund due to programming and general ledger correlation changes at the end of FY 2005.

Less: Offsetting receipts: This amount increased by $53.1 million (13 percent) due to an increase in interest income and tax collections in the Harbor Maintenance Trust Fund.

Other Resources

Donations and forfeitures of property: Donations and forfeitures of property decreased by $101 thousand (91 percent) due to a reduction in the amount of asset donations.

Transfers in/out without reimbursement: Net transfers in and out decreased by $11.5 thousand (100 percent) due to no asset transfers to or from other Federal entities occurring this year.

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

Undelivered Orders: The change in undelivered orders increased by $901.5 million (194 percent) due to an increase in undelivered orders in the Flood Control and Coastal Emergencies appropriation associated with recovery work for hurricane damages to the Louisiana, Mississippi, and Texas Gulf Coast in 2005.

Unfilled Customer Orders: The change in unfilled customer orders increased by $34.9 million (16 percent) due to an increase in unfilled customer orders in the Construction General appropriation for work on a variety of programs.

Resources that fund expenses recognized in prior periods: Resources that fund expenses recognized in prior period decreased by $20.9 million (154 percent) and is mostly attributed to the decrease in future funded expense for contracts with continuation clauses. This amount decreased by $17 million. The U.S. Army Corps of Engineers (USACE) implemented a policy change last fiscal year requiring approval from Headquarters before awarding contracts with continuation clauses which resulted in a decrease in these contracts and related liabilities. The change also reflects the payment of judgment fund claims in FY 2006 for $1.3 million and a change in the amount of future funded expenses related to employer contributions to employee benefit programs of $2.6 million. The decrease in future funded expenses resulted in abnormal balances in these general ledger accounts.

Budgetary offsetting collections and receipts that do not affect net cost of operations: This amount increased by $53.1 million (13 percent) due to an increase in interest income and tax collections in the Harbor Maintenance Trust Fund.

Resources that finance the acquisition of assets: Resources that finance the acquisition of assets decreased by $139.8 million (100 percent) due to a change in the methodology by the USACE to record current year purchases of capitalized assets to comply with the Office of Management and Budget Circular A-136, *Form and Content* and Treasury's *Cost Capitalization Offset*, policy and procedures. The major change this fiscal year is to exclude costs associated with construction-in-process (CIP) accounts as current year purchases of capitalized assets. These costs are now recognized as part of the Cost Capitalization Offset account.

Other resources or adjustments to net obligated resources that do not affect net cost of operations – Other: This amount decreased by $90 thousand (90 percent) due to a decrease in the amount of asset donations of $102 thousand and asset transfers-out of $11.5 thousand. There have been no asset transfers to or from other Federal entities this fiscal year.

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

Components Requiring or Generating Resources in Future Period:

Increase in exchange revenue receivable from the public: The exchange revenue receivable from the public decreased by $78.9 thousand (100 percent) due to programming changes in the Revolving Fund in FY 2005.

Other: Other components requiring resources in future periods decreased by $4.4 million (100 percent). There were no increases to future funded expenses in the 1st Quarter FY 2006. In the 1st Quarter, FY 2005, the USACE recorded a new judgment fund claim for $1.2 million and an increase in the unfunded liability associated with contracts with continuation clauses of $3.1 million.

Components not Requiring or Generating Resources:

Depreciation and amortization: Depreciation expense decreased by $486.8 million (79 percent). The USACE made significant adjustments to depreciation expense in FY 2005 to change the estimated useful life of real property assets, to correct the placed-in-service dates for some assets and to adjust for errors in depreciation for Additions and Betterments.

Revaluation of assets or liabilities: Losses on the disposition of assets and capital investments decreased by $751.3 million (107 percent) due to several factors. The USACE made large adjustments in FY 2005 to write-off river bank stabilization projects and revetments that were improperly capitalized.   The USACE also recognized losses in FY 2005 for land, buildings and other structures that were leased for non-monetary or nominal amounts to non-Federal entities for public parks, recreation areas and fish and wildlife management areas. The USACE treated the leases as "operating leases" and maintained the assets on its financial and property records. Because the lease periods equaled or exceeded the useful lives of the assets, the assets were considered donations and written-off in FY 2005.

Other – Costs of Goods Sold: Costs of goods sold decreased by $253.2 thousand (100 percent). This is due to the reversal of a prior year fixed asset sale of $290.5 thousand that was recorded for the wrong amount. This reversal also created an abnormal balance.

Other: Other components not requiring or generating resources decreased by $200.8 million (100 percent) due to two factors. There was a change of $100.2 million to the Cost Capitalization Offset account in FY 2006. The USACE implemented the programming changes to use the Cost Capitalization Offset account at the end of FY 2005. There was also a decrease of $95.9 million for other expenses not requiring budgetary resources. This was due primarily to the reversal of a prior year entry recorded to write-off non-federal cost share programs. The expense has since been recorded in the Corps of Engineers Financial Management System (CEFMS) as an operating expense or to the Cost Capitalization Offset account. The reversal of the prior year entry created an abnormal balance.

Note 22.	Disclosures Related to the Statement of Custodial Activity

Note 23. Earmarked Funds

BALANCE SHEET As of December 31	MRF	MERHCF	Other Earmarked Funds	Total Earmarked Funds
ASSETS				
Fund balance with Treasury	$ 0.00	$ 0.00	$ 553,654,214.32	$ 553,654,214.32
Investments	0.00	0.00	3,278,375,630.70	3,278,375,630.70
Accounts and Interest Receivable	0.00	0.00	984,799,273.39	984,799,273.39
Other Assets	0.00	0.00	716,975,725.03	716,975,725.03
Total Assets	$ 0.00	$ 0.00	$ 5,533,804,843.44	$ 5,533,804,843.44
LIABILITIES and NET POSITION				
Military Retirement Benefits and Other Employment Related Actuarial Liabilities	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Other Liabilities	0.00	0.00	675,693,959.06	675,693,959.06
Unexpended Appropriations	0.00	0.00	0.00	0.00
Cumulative Results of Operations	0.00	0.00	4,993,831,391.75	4,993,831,391.75
Total Liabilities and Net Position	$ 0.00	$ 0.00	$ 5,669,525,350.81	$ 5,669,525,350.81

STATEMENT OF NET COST As of December 31				
Program Costs	$ 0.00	$ 0.00	$ 223,466,309.04	$ 223,466,309.04
Less Earned Revenue	0.00	0.00	0.00	0.00
Net Program Costs	$ 0.00	$ 0.00	$ 223,466,309.04	$ 223,466,309.04
Less Earned Revenues Not Attributable to Programs	0.00	0.00	0.00	0.00
Net Cost of Operations	$ 0.00	$ 0.00	$ 223,466,309.04	$ 223,466,309.04

STATEMENT OF CHANGES IN NET POSITION As of December 31				
Net Position Beginning of the Period	$ 0.00	$ 0.00	$ 4,781,544,275.75	$ 4,781,544,275.75
Net Cost of Operations	0.00	0.00	223,466,309.04	223,466,309.04
Other Nonexchange Revenue	0.00	0.00	435,753,425.04	435,753,425.04
Change in Net Position	$ 0.00	$ 0.00	$ 212,287,116.00	$ 212,287,116.00
Net Position End of Period	$ 0.00	$ 0.00	$ 4,993,831,391.75	$ 4,993,831,391.75

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

USACE Earmarked Funds are Comprised of the Following:

Special Recreation Use Fees, 16 United States Code (USC) 4061-6a note. The U. S. Army Corps of Engineers (USACE) is granted the authority to charge and collect fair and equitable Special Recreation Use Fees at campgrounds located at lakes or reservoirs that are under the jurisdiction of the USACE. Types of allowable fees include, but are not limited to, daily use fees, admission fees, recreational fees, annual pass fees, and other permit type fees. This fund is classified as a special fund and uses both receipt and expenditure accounts. There has been no change to legislation during the reporting period to change the purpose of the fund.

Hydraulic Mining in California, Debris, 33 USC 683. Those operating hydraulic mines through which debris flows in part or in whole to a body restrained by a dam or other work erected by the California Debris Commission shall pay a tax as determined by the Commission, paid annually on a date fixed by the Commission. Taxes imposed under this code are collected and then expended under the supervision of the USACE and the direction of the Department of the Army. Funds are then used for repayment of funds advanced by the Federal Government or other agency for construction, restraining works, settling reservoirs, and for maintenance. This fund is classified as a special fund and uses both receipt and expenditure accounts. There has been no change to legislation during the reporting period to change the purpose of the fund.

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

Maintenance and Operation of Dams and Other Improvements of Navigable Waters, 16 USC 803(f), 810. As stated in the USC, "all proceeds from any Indian reservation shall be placed to the credit of the Indians of such reservation." However, the code goes on to say that, "all other charges arising from licenses" except those charges established by the Commission for purpose of administrative reimbursement shall be paid to the Treasury from which specific allocations will be made. From the specific allocations, 50 per centum of charges from 'all other licenses' is reserved and appropriated as a special fund in the Treasury to be expended under the direction of the Secretary of the Army in the maintenance, operation/improvement of dams and other navigation structures that are owned by the United States or in construction, maintenance, or operation of headwater or other improvements of navigable waters of the United States. This fund is classified as a special fund and uses both receipt and expenditure accounts. There has been no change to legislation during the reporting period to change the purpose of the fund.

Fund for Non-Federal Use of Disposal Facilities (for dredged material) was established by 33 USC 36, 2326a. The law provides that the Secretary of the Army (Secretary) may permit the use of any dredged material disposal facility under the jurisdiction of, or managed by, the Secretary by a non-Federal interest if the Secretary determines that such use will not reduce the availability of the facility for project purposes. The Secretary may impose fees to recover capital, operation and maintenance costs associated with such use. Any monies received through collection of fees under this law shall be available to the Secretary, and shall be used by the Secretary, for the operation and maintenance of the disposal facility from which the fees were collected. This fund is classified as a special fund and uses both receipt and expenditure accounts. There has been no change to legislation during the reporting period to change the purpose of the fund.

South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund was established by Public Law 106-53, 113 Stat. 388. Yearly transfers are made from the General Fund of the Department of the Treasury to the Trust Fund for investment purposes. Investment activity is managed by Department of the Treasury, Bureau of Public Debt (BPD). The BPD purchases and redeems nonmarketable market-based securities issued by the Department of the Treasury, PBD. Investments include one-day certificates, bonds and notes. When the fund reaches the aggregate amount of $108 million, withdrawals may be made by the USACE for payment to the State of South Dakota. The state shall use the payments to fund the annually scheduled work for wildlife habitat restoration. There has been no change to legislation during the reporting period to change the purpose of the fund.

Coastal Wetlands Restoration Trust Fund, 104 Stat. 4778; 4788. Also reference the Coastal Wetlands Planning, Protection and Restoration Act, 16 USC 3951-3956. This Act grants panel authority to the USACE, along with the Environmental Protection Agency, and the Fish and Wildlife Service to work with the State of Louisiana to develop, review, evaluate, and approve a plan that is proposed to achieve a goal of "no net loss of wetlands" in coastal Louisiana. The USACE is also responsible for allocating funds among the named Task Force members. Federal contributions are established at 75 percent of project costs or 85 percent if the State has an approved Coastal Wetlands Conservation Plan. There has been no change to legislation during the reporting period to change the purpose of the fund.

Rivers and Harbors Contributed and Advance Funds, 33 USC 60, 701h, 702f, 703. The collective USCs establish funding to construct, improve, and maintain levees, water outlets, flood control, debris removal, rectification and enlargement of river channels, etc. in the course of flood control and river/harbor maintenance Whenever any state or political subdivision thereof shall offer to advance funds for a flood control project duly adopted and authorized by law, the Secretary of the Army may in his discretion, receive such funds and expend the same in the immediate prosecution of such work. This fund is classified as a trust fund and uses both receipt and expenditure accounts. There has been no change to legislation during the reporting period to change the purpose of the fund.

Inland Waterways Trust Fund, was established by Public Law 95-502, 33 USC 1081, 1802. The law made the Inland Waterways Trust Fund available for USACE expenditures for navigation, construction, and rehabilitation projects on inland waterways. The investment activity is managed by Department of the Treasury, BPD. There has been no change to legislation during the reporting period to change the purpose of the fund.

Harbor Maintenance Trust Fund, 100 Stat. 4269-4270. Also reference 26 USC 9505. The USACE Civil Works mission is funded by the Energy and Water Developments Appropriations Act. The Water Resources Development Act of 1986 was implemented to cover a portion of USACE operations and maintenance costs for deep draft navigation. There has been no change to legislation during the reporting period to change the purpose of the fund.

Note 24. Other Disclosures

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

2. During FY 2006, the USACE has received $9.2 million in direct appropriations from the Power Marketing Administration.