

**Department of Defense**  
**US Army Corps of Engineers**  
**CONSOLIDATED BALANCE SHEET**  
**As of June 30, 2006 and 2005**

	<b>2006 Consolidated</b>	<b>2005 Consolidated</b>
<b>1. ASSETS (Note 2)</b>		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	\$ 9,234,036,090.10	\$ 4,099,820,466.98
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	88,305,641.03	129,136,803.26
2. Investments (Note 4)	3,530,375,486.17	3,077,279,488.36
3. Accounts Receivable (Note 5)	3,303,905,300.25	849,315,776.27
4. Other Assets (Note 6)	0.00	0.00
5. Total Intragovernmental Assets	<u>\$ 16,156,622,517.55</u>	<u>\$ 8,155,552,534.87</u>
B. Cash and Other Monetary Assets (Note 7)	\$ 1,112,438.48	\$ 1,126,386.51
C. Accounts Receivable, Net (Note 5)	1,778,805,895.30	1,763,017,597.98
D. Loans Receivable (Note 8)	0.00	0.00
E. Inventory and Related Property, Net (Note 9)	113,088,720.98	108,544,102.29
F. General Property, Plant and Equipment, Net (Note 10)	26,706,979,665.20	26,911,593,648.25
G. Investments (Note 4)	0.00	0.00
H. Other Assets (Note 6)	401,666,583.47	0.00
<b>2. TOTAL ASSETS</b>	<u><u>\$ 45,158,275,820.98</u></u>	<u><u>\$ 36,939,834,269.90</u></u>
<b>3. LIABILITIES (Note 11)</b>		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 315,880,525.23	\$ 290,648,174.46
2. Debt (Note 13)	14,081,121.38	14,785,723.58
3. Other Liabilities (Note 15 & 16)	2,023,450,219.91	2,024,833,536.66
4. Total Intragovernmental Liabilities	<u>\$ 2,353,411,866.52</u>	<u>\$ 2,330,267,434.70</u>
B. Accounts Payable (Note 12)	\$ 324,755,571.92	\$ 276,202,254.33
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 17)	0.00	0.00
D. Environmental and Disposal Liabilities (Note 14)	618,433,510.00	0.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	696,943,244.58	618,024,782.00
<b>4. TOTAL LIABILITIES</b>	<u><u>\$ 3,993,544,193.02</u></u>	<u><u>\$ 3,224,494,471.03</u></u>
<b>5. NET POSITION</b>		
A. Unexpended Appropriations - Earmarked Funds (Note 23)	\$ 0.00	\$ 0.00
B. Unexpended Appropriations - Other Funds	9,323,693,155.11	2,460,721,658.06
C. Cumulative Results of Operations - Earmarked Funds	5,489,305,469.26	0.00
D. Cumulative Results of Operations - Other Funds	26,351,733,003.59	31,254,618,140.81
<b>6. TOTAL NET POSITION</b>	<u><u>\$ 41,164,731,627.96</u></u>	<u><u>\$ 33,715,339,798.87</u></u>
<b>7. TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 45,158,275,820.98</u></u>	<u><u>\$ 36,939,834,269.90</u></u>

Department of Defense  
 US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF NET COST**  
 For the periods ended June 30, 2006 and 2005

	<b>2006 Consolidated</b>	<b>2005 Consolidated</b>
<b>1. Program Costs</b>		
A. Gross Costs	\$ 8,163,703,988.00	\$ 7,172,459,576.25
B. (Less: Earned Revenue)	(4,102,834,596.33)	(1,950,061,957.77)
C. Net Program Costs	<u>\$ 4,060,869,391.67</u>	<u>\$ 5,222,397,618.48</u>
<b>2. Cost Not Assigned to Programs</b>	0.00	0.00
<b>3. (Less: Earned Revenue Not Attributable to Programs)</b>	0.00	0.00
<b>4. Net Cost of Operations</b>	<u><u>\$ 4,060,869,391.67</u></u>	<u><u>\$ 5,222,397,618.48</u></u>

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended June 30, 2006 and 2005

	2006 Consolidated	2005 Consolidated
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 30,806,396,602.98	\$ 32,276,298,348.60
<b>2. Prior Period Adjustments:</b>		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
<b>3. Beginning balances, as adjusted</b>	<u>30,806,396,602.98</u>	<u>32,276,298,348.60</u>
<b>4. Budgetary Financing Sources:</b>		
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	3,189,150,415.85	2,614,915,199.72
4.E. Nonexchange revenue		
4.E.1 Earmarked funds	1,351,493,992.12	0.00
4.E.2 All other funds	0.00	1,170,158,442.67
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 (+/-)	349,138,834.14	274,177,349.07
4.H. Other budgetary financing sources (+/-)		
4.H.1 Earmarked funds	0.00	0.00
4.H.2 All other funds	0.00	(36,961,554.55)
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property		
5.A.1 Earmarked funds	0.00	0.00
5.A.2 All other funds	11,609,836.02	385,009.85
5.B. Transfers-in/out without reimbursement (+/-)	220,408.86	(3,408,645.57)
5.C. Imputed financing from costs absorbed by others	193,897,774.55	180,884,751.80
5.D. Other (+/-)	0.00	566,857.70
<b>6. Total Financing Sources</b>		
6.A. Earmarked funds	1,462,450,581.04	0.00
6.B. All other funds	3,633,060,680.50	4,200,717,410.69
<b>7. Net Cost of Operations (+/-)</b>		
7.A. Earmarked funds	754,689,387.53	0.00
7.B. All other funds	3,306,180,004.14	5,222,397,618.48
<b>8. Net Change</b>		
8.A. Earmarked funds	707,761,193.51	0.00
8.B. All other funds	326,880,676.36	(1,021,680,207.79)
<b>9. Ending Balances</b>		
9.A. Earmarked funds	5,489,305,469.26	0.00
9.B. All other funds	26,351,733,003.59	31,254,618,140.81

Department of Defense  
US Army Corps of Engineers  
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
For the periods ended June 30, 2006 and 2005

	2006 Consolidated	2005 Consolidated
10. Total all funds	\$ <u>31,841,038,472.85</u>	\$ <u>31,254,618,140.81</u>

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended June 30, 2006 and 2005

	2006 Consolidated	2005 Consolidated
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<b>UNEXPENDED APPROPRIATIONS</b>		
<b>1. Beginning Balances</b>	\$ 1,005,843,072.74	\$ 396,361,969.29
<b>2. Prior Period Adjustments:</b>		
2.A. Changes in accounting principles (+/-)	0.00	0.00
2.B. Corrections of errors (+/-)	0.00	0.00
	<hr/>	<hr/>
<b>3. Beginning balances, as adjusted</b>	1,005,843,072.74	396,361,969.29
<b>4. Budgetary Financing Sources:</b>		
4.A. Appropriations received		
4.A.1 Earmarked funds	0.00	0.00
4.A.2 All other funds	11,558,288,128.22	4,693,386,587.15
4.B. Appropriations transferred-in/out (+/-)	2,542,370.00	23,803,800.00
4.C. Other adjustments (rescissions, etc) (+/-)	(53,830,000.00)	(37,915,498.66)
4.D. Appropriations used		
4.D.1 Earmarked Funds	0.00	0.00
4.D.2 All other Funds	(3,189,150,415.85)	(2,614,915,199.72)
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
<b>5. Other Financing Sources:</b>		
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
	<hr/>	<hr/>
<b>6. Total Financing Sources</b>		
6.A. Earmarked funds	0.00	0.00
6.B. All other funds	8,317,850,082.37	2,064,359,688.77
<b>7. Net Cost of Operations (+/-)</b>		
7.A. Earmarked funds	0.00	0.00
7.B. All other funds		
<b>8. Net Change</b>		
8.A. Earmarked funds	0.00	0.00
8.B. All other funds	8,317,850,082.37	2,064,359,688.77
<b>9. Ending Balances</b>		
9.A. Earmarked funds	0.00	0.00
9.B. All other funds	9,323,693,155.11	2,460,721,658.06

Department of Defense  
US Army Corps of Engineers  
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
For the periods ended June 30, 2006 and 2005

	2006 Consolidated	2005 Consolidated
10. Total all funds	\$ <u>9,323,693,155.11</u>	\$ <u>2,460,721,658.06</u>

Department of Defense  
US Army Corps of Engineers  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
For the periods ended June 30, 2006 and 2005

	<b>2006 Combined</b>	<b>2005 Combined</b>
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<b>BUDGETARY FINANCING ACCOUNTS</b>		
<b>BUDGETARY RESOURCES:</b>		
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	12,823,485,408.43	5,862,183,015.28
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	6,221,438,868.52	4,618,073,969.88
3.D.1.b. Change in receivables from Federal sources	2,414,750,016.18	147,485,828.75
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	12,486,505.01	(19,168,570.35)
3.D.2.b. Without advance from Federal sources	(913,827,857.93)	(148,895,080.87)
3.D.3. Anticipated for rest of year, without advances	3,181,152,401.57	1,554,559,816.66
3.D.4. Previously unavailable	0.00	0.00
3.D.5. Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	<hr/> 23,739,485,341.78	<hr/> 12,014,238,979.35
4. Nonexpenditure transfers, net, anticipated and actual	(7,679,897.75)	244,543,060.52
5. Temporarily not available pursuant to Public Law	(10,000,000.00)	(10,000,000.00)
6. Permanently not available	(54,336,065.82)	(38,208,377.70)
<b>7. Total Budgetary Resources</b>	<hr/> <hr/> \$ 28,670,654,193.86	<hr/> <hr/> \$ 13,903,854,218.09

Department of Defense  
US Army Corps of Engineers  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
For the periods ended June 30, 2006 and 2005

	2006 Combined	2005 Combined
<b>Status of Budgetary Resources:</b>		
8. Obligations incurred:		
8.A. Direct	\$ 5,131,536,804.46	\$ 4,233,262,198.85
8.B. Reimbursable	9,240,234,408.93	4,738,047,979.47
8.C. Subtotal	<u>14,371,771,213.39</u>	<u>8,971,310,178.32</u>
9. Unobligated balance:		
9.A. Apportioned	11,864,094,394.27	2,678,024,188.59
9.B. Exempt from apportionment	2,391,504,868.42	2,254,453,979.08
9.C. Subtotal	<u>14,255,599,262.69</u>	<u>4,932,478,167.67</u>
10. Unobligated balance not available	43,283,717.78	65,872.10
<b>11. Total status of budgetary resources</b>	<u><u>\$ 28,670,654,193.86</u></u>	<u><u>\$ 13,903,854,218.09</u></u>
<b>Change in Obligated Balance:</b>		
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	<u>\$ (5,449,985,294.23)</u>	<u>\$ (2,132,514,813.27)</u>
12.C. Total unpaid obligated balance	(1,504,611,416.70)	1,038,675,290.87
13. Obligations incurred net (+/-)	<u>\$ 14,371,771,213.39</u>	<u>\$ 8,971,310,178.32</u>
14. Less: Gross outlays	(12,678,677,621.42)	(8,622,383,141.27)
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 (+/-)	<u>0.00</u>	<u>0.00</u>
15.C. Total Unpaid obligated balance transferred, net	0.00	0.00
16. Less: Recoveries of prior year unpaid obligations, actual	<u>0.00</u>	<u>0.00</u>
17. Change in uncollected customer payments from Federal sources (+/-)	(1,500,922,158.25)	1,409,252.12
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	5,638,467,469.50	3,520,117,141.19
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	<u>(6,950,907,452.48)</u>	<u>(2,131,105,561.15)</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>(1,312,439,982.98)</u>	<u>1,389,011,580.04</u>
<b>Net Outlays</b>		
<b>19. Net Outlays:</b>		
19.A. Gross outlays	12,678,677,621.42	8,622,383,141.27
19.B. Less: Offsetting collections	(6,233,925,373.53)	(4,598,905,399.53)
19.C. Less: Distributed Offsetting receipts	<u>(1,400,054,567.12)</u>	<u>(1,244,052,081.99)</u>
<b>19.D. Net Outlays</b>	<u><u>\$ 5,044,697,680.77</u></u>	<u><u>\$ 2,779,425,659.75</u></u>



Department of Defense  
 US Army Corps of Engineers  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
 For the periods ended June 30, 2006 and 2005

	<u>2006 Combined</u>	<u>2005 Combined</u>
<b>NONBUDGETARY FINANCING ACCOUNTS</b>		
<b>BUDGETARY RESOURCES</b>		
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	<u>0.00</u>	<u>0.00</u>
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
<b>7. Total Budgetary Resources</b>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>

**Department of Defense**  
**US Army Corps of Engineers**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
**For the periods ended June 30, 2006 and 2005**

	<b>2006 Combined</b>	<b>2005 Combined</b>
<b>Status of Budgetary Resources:</b>		
8. Obligations incurred:		
8.A. Direct	\$ 0.00	\$ 0.00
8.B. Reimbursable	0.00	0.00
8.C. Subtotal	<u>0.00</u>	<u>0.00</u>
9. Unobligated balance:		
9.A. Apportioned	0.00	0.00
9.B. Exempt from apportionment	0.00	0.00
9.C. Subtotal	<u>0.00</u>	<u>0.00</u>
10. Unobligated balance not available	0.00	0.00
<b>11. Total Status of Budgetary Resources</b>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>
<b>Change in Obligated Balance:</b>		
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	<u>\$ 0.00</u>	<u>\$ 0.00</u>
12.C. Total unpaid obligated balance	0.00	0.00
13. Obligations incurred net (+/-)	<u>\$ 0.00</u>	<u>\$ 0.00</u>
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 (+/-)	<u>0.00</u>	<u>0.00</u>
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 (-)	<u>0.00</u>	<u>0.00</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>0.00</u>	<u>0.00</u>
<b>Net Outlays</b>		
<b>19. Net Outlays:</b>		
19.A. Gross outlays	0.00	0.00
19.B. Less: Offsetting collections	0.00	0.00
19.C. Less: Distributed Offsetting receipts	<u>0.00</u>	<u>0.00</u>
<b>19.D. Net Outlays</b>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF FINANCING**  
For the periods ended June 30, 2006 and 2005

	<b>2006 Consolidated</b>	<b>2005 Consolidated</b>
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<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
1. Obligations incurred	\$ 14,371,771,213.39	\$ 8,971,310,178.32
2. Less: Spending authority from offsetting collections and recoveries (-)	(7,734,847,531.78)	(4,597,496,147.41)
3. Obligations net of offsetting collections and recoveries	6,636,923,681.61	4,373,814,030.91
4. Less: Offsetting receipts (-)	(1,400,054,567.12)	(1,244,052,081.99)
5. Net obligations	<hr/> 5,236,869,114.49	<hr/> 3,129,761,948.92
Other Resources		
6. Donations and forfeitures of property	11,609,836.02	385,009.85
7. Transfers in/out without reimbursement (+/-)	220,408.86	(3,408,645.57)
8. Imputed financing from costs absorbed by others	193,897,774.55	180,884,751.80
9. Other (+/-)	0.00	566,857.70
10. Net other resources used to finance activities	<hr/> 205,728,019.43	<hr/> 178,427,973.78
<b>11. Total resources used to finance activities</b>	<hr/> <b>\$ 5,442,597,133.92</b>	<hr/> <b>\$ 3,308,189,922.70</b>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>		
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
12a. Undelivered Orders (-)	(1,709,469,748.02)	(608,323,549.04)
12b. Unfilled Customer Orders	(901,341,352.92)	(168,063,651.22)
13. Resources that fund expenses recognized in prior periods	(19,162,910.59)	(36,162,299.16)
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	1,400,054,327.12	1,244,052,081.99
15. Resources that finance the acquisition of assets	(3,516,121.24)	(5,155,948.31)
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 (+/-)	(11,830,244.88)	3,023,635.72
<b>17. Total resources used to finance items not part of the net cost of operations</b>	<hr/> <b>\$ (1,255,266,050.53)</b>	<hr/> <b>\$ 419,370,269.98</b>
<b>18. Total resources used to finance the net cost of operations</b>	<hr/> <b>\$ 4,187,331,083.39</b>	<hr/> <b>\$ 3,727,560,192.68</b>

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF FINANCING**  
For the periods ended June 30, 2006 and 2005

	<u>2006 Consolidated</u>	<u>2005 Consolidated</u>
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
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 (-)	(1,099,439.22)	0.00
23. Other (+/-)	91,470,416.14	901,253.80
24. Total components of Net Cost of Operations that will require or generate resources in future periods	<u>90,370,976.92</u>	<u>901,253.80</u>
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	454,797,698.56	1,010,430,361.12
26. Revaluation of assets or liabilities (+/-)	(325,964,286.52)	888,160,933.44
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	643,623.65	1,336,669.66
27c. Operating Material & Supplies Used	0.00	0.00
27d. Other	(346,309,704.33)	(405,991,792.22)
28. Total components of Net Cost of Operations that will not require or generate resources	<u>(216,832,668.64)</u>	<u>1,493,936,172.00</u>
<b>29. Total components of net cost of operations that will not require or generate resources in the current period</b>	<u>\$ (126,461,691.72)</u>	<u>\$ 1,494,837,425.80</u>
<b>30. Net Cost of Operations</b>	<u><u>\$ 4,060,869,391.67</u></u>	<u><u>\$ 5,222,397,618.48</u></u>

<b>Note 1.</b>	<b>Significant Accounting Policies</b>
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**1.A. Basis of Presentation**

These financial statements have been prepared to report the financial position and results of operations of the US Army Corps of Engineers (USACE) Civil Works, as required by the “Chief Financial Officers Act of 1990,” expanded by the “Government Management Reform Act of 1994,” and other appropriate legislation. The financial statements have been prepared from the books and records of USACE in accordance with the “Department of Defense Financial Management Regulation (DoDFMR),” the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, and to the extent possible generally accepted accounting principles (GAAP). The accompanying financial statements account for all resources for which USACE is responsible. The USACE Civil Works does not have classified assets, programs, or operations.

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

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

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

**1.B. Mission of the Reporting Entity**

The primary missions of 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).

**1.C. Appropriations and Funds**

The USACE Civil Works Program receives its appropriations and funds as general, revolving funds, trust, special, and deposit funds. The USACE uses these appropriations and funds to execute their missions and report on resource usage.

The USACE Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. Program funding also comes from nonfederal 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.

General funds are used for financial transactions funded by congressional appropriations, including personnel, operations and maintenance, research and development, procurement, and construction accounts.

Revolving funds receive their initial funding through an appropriation or a transfer of resources from existing appropriations or funds and use those capital resources to finance the initial startup. The revolving fund provides goods and services on a reimbursable basis. Reimbursable receipts fund ongoing operations and generally are available in their entirety for use without further congressional action.

Trust funds contain receipts and expenditures 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 fund accounts are used to process government receipts reserved for a specific purpose.

Deposit funds are used to record amounts held temporarily until ownership is determined. The USACE is acting as an agent or a custodian for funds awaiting distribution.

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

In 1997, 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.

The asset accounts used to prepare the principal financial statements are categorized as entity/nonentity. 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. Nonentity 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	Investigations
96 3121	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 Formerly Utilized Sites Remedial Action Program  
96 3132 Office of Assistant Secretary of the Army, Civil Works (fiscal year)  
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  
96 5493 Fund for Non-Federal Use of Disposal Facilities (fiscal year)

Trust Funds

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

Transfer Funds

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

Nonentity:

Deposit Funds

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

### Clearing Accounts

96F3875 Budget Clearing Account (suspense)  
96F3880 Unavailable Check Cancellations and Overpayments (suspense)  
96F3885 Undistributed Intragovernmental 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.D. Basis of Accounting**

The USACE's financial transactions are generally recorded on an accrual accounting basis and a budgetary basis as is required by 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 USACE's business, including civil, military, revolving funds, and reimbursable activity. The general ledger chart of accounts in CEFMS is substantially compliant with the US Government Standard General Ledger (USSGL). In addition, USACE identifies program costs based upon the major appropriation groups provided by Congress. Current processes and systems capture and report accumulated costs for major programs based upon the performance measures as



required by the Government and Performance and Results Act. CEFMS includes a cost reporting methodology that balances the need for cost information required by the SFFAS No. 4, “Managerial Cost Accounting Concepts and Standards for the Federal Government,” with the need to keep the financial statements from being overly voluminous.

#### **1.E. Revenues and Other Financing Sources**

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

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

#### **1.F. Recognition of Expenses**

For financial reporting purposes, DoD policy requires the recognition of operating expenses in the period incurred. The USACE’s financial system collects and records financial information on the full accrual accounting basis, accrual adjustments are made for major items such as payroll expenses, accounts payable, environmental liabilities, and unbilled revenue. The USACE’s expenditures for capital and other long-term assets are recognized as operating expenses based on depreciation. In the case of Operating Materials and Supplies (OM&S), operating expenses are recognized when consumed.

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

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 OPM. The USACE recognizes an imputed expense for the portion of civilian employee pensions and other retirement benefits funded by OPM in the Statement of Net Cost and recognize corresponding imputed revenue from the civilian employee pensions and other retirement benefits in the Statement of Changes in Net Position.

### **1.G. Accounting for Intragovernmental Activities**

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

The Department of the Treasury, Financial Management Service (FMS), is responsible for eliminating transactions between DoD and other federal agencies. The Treasury Financial Manual, Part 2 – Chapter 4700, “Agency Reporting Requirements for the Financial Report of the United States Government” and the Treasury’s “Federal Intragovernmental Transactions Accounting Policy Guide,” provide guidance for reporting and reconciling intragovernmental balances. While USACE is unable to fully reconcile intragovernmental transactions with all federal partners, USACE is able to reconcile balances pertaining 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 Office of Personnel Management (OPM). The USACE implemented policies and procedures related to reconciling intragovernmental assets, liabilities, revenues, and expenses for nonfiduciary transactions. The USACE is unable to reconcile with entities whose financial systems are not designed to capture pertinent information to fully reconcile intragovernmental transactions. The DoD’s proportionate share of public debt and related expenses of the federal government are not included. The federal government does not apportion debt and its related costs to federal agencies. The DoD’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 appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the Department of the Treasury does not allocate such interest costs to the benefiting agencies.

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

### **1.H. Transactions with Foreign Governments and International Organizations**

Not applicable.

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

The USACE’s monetary financial resources are maintained in US Treasury accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), the Military Services, the USACE Finance Center (UFC) and the Department of State’s financial service centers process the majority of USACE’s cash collections,

disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports that provide information to the Department of the Treasury on check issues, electronic fund transfers, interagency transfers, and deposits.

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

#### **1.J. Foreign Currency**

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

The majority of cash and foreign currency is classified as nonentity and, therefore, is restricted. Amounts reported consist primarily of cash and foreign currency held by Disbursing Officers to carry out their paying, collecting, and foreign currency accommodation exchange missions.

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. Accounts Receivable**

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

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

#### **1.L. Direct Loans and Loan Guarantees**

Not applicable.

### **1.M. Inventories and Related Property**

The USACE's 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. CEFMS maintains historical cost data necessary to comply with SFFAS No. 3, "Accounting for Inventory and Related Property." Additionally, CEFMS produces financial transactions using the USSGL, as required by the Federal Financial Management Improvement Act of 1996 (P.L. 104-208).

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

Inventory available and purchased for resale includes consumable spare and repair parts and repairable items owned and managed by USACE. Work in process balances include costs related to the production or servicing of items, including direct material, direct labor, applied overhead and other direct costs. Work in process also includes the value of finished products or completed services pending the submission of bills to the customer. The work in process designation may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of material ordered but not delivered. Material disclosures are provided at Note 9.

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

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

Amounts reported reflect the value of investments in the South Dakota Terrestrial Wildlife Habitat Restoration, Inland Waterways, and Harbor Maintenance Trust Fund accounts, which are managed by the Department of the Treasury. Material disclosures are provided at Note 4.

### **1.O. General Property, Plant and Equipment**

The USACE Civil Works General Property, Plant, and Equipment (PP&E) is capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years and the acquisition cost exceeds \$25.0 thousand. One exception is all buildings and structures related to hydropower projects are capitalized regardless of

cost. During FY 2003, USACE increased its buildings and structures capitalization threshold from \$0 to \$25.0 thousand for all Civil Works appropriations with the exception of Revolving fund and hydropower related assets. Beginning in FY 2004, all Civil Works buildings and structures under \$25.0 thousand are expensed except for hydropower related assets. All Civil Works buildings and structures capitalized under \$25.0 thousand (excluding Revolving fund and hydropower assets) were expensed in FY 2004 and removed from CEFMS.

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

The DoD is developing new policies and a contractor reporting process that will provide appropriate General PP&E information for future financial statement reporting purposes. Accordingly, USACE reports only government property in the possession of contractors that is maintained in USACE property systems. The DoD has issued property accountability and reporting requirements that require USACE Components to maintain, in their property systems, information on all property furnished to contractors. This action and other DoD proposed actions are structured to capture and report the information necessary for compliance with Federal accounting standards. Material disclosures are provided at Note 10.

#### **1.P. Advances and Prepayments**

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

#### **1.Q. Leases**

Lease payments for the rental of equipment and operating facilities are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease), USACE records the applicable asset and liability if the value equals or exceeds the current capitalization threshold. The capitalization threshold for Civil Works assets is \$25.0 thousand. The USACE records the amounts as the lesser of the present value of the rental and other lease payments during the lease term (excluding portions representing executory costs paid to the lessor) or the asset's fair market value. The discount rate for the present value calculation is either the lessor's implicit interest rate or the governmental's incremental borrowing rate at the inception of the lease. The USACE, as the lessee, receives the use and possession of leased property, for example real estate or equipment, from a lessor in exchange for a payment of funds. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are charged to expense over the lease term as it becomes payable.

### **1.R. 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, USACE provides financing payments. One type of financing payment that USACE makes for real property is based upon a percentage of completion. In accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities," such payments are treated as construction in process and are reported on the General PP&E line on the Balance Sheet and at Note 10.

### **1.S. Contingencies and Other Liabilities**

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

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

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

### **1.T. Accrued Leave**

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

### **1.U. Net Position**

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

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

**1.V. Treaties for Use of Foreign Bases**

Not applicable.

**1.W. Comparative Data**

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

**1.X. Unexpended Obligations**

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

**1.Y. Undistributed Disbursements and Collections**

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

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

<b>Note 2.</b>	<b>Nonentity Assets</b>
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As of June 30	2006	2005
<b>1. Intragovernmental Assets</b>		
A. Fund Balance with Treasury	\$ 88,305,641.03	\$ 129,136,803.26
B. Accounts Receivable	0.00	0.00
C. Total Intragovernmental Assets	\$ 88,305,641.03	\$ 129,136,803.26
<b>2. Nonfederal Assets</b>		
A. Cash and Other Monetary Assets	\$ 1,112,438.48	\$ 1,126,386.51
B. Accounts Receivable	1,757,608,054.29	1,721,625,258.03
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 1,758,720,492.77	\$ 1,722,751,644.54
<b>3. Total Nonentity Assets</b>	\$ 1,847,026,133.80	\$ 1,851,888,447.80
<b>4. Total Entity Assets</b>	\$ 43,311,249,687.18	\$ 35,087,945,822.10
<b>5. Total Assets</b>	\$ 45,158,275,820.98	\$ 36,939,834,269.90

**Other Information**

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

Intragovernmental nonentity fund balance with treasury consists of amounts collected into deposit and suspense accounts.

Cash and Other Monetary Assets is comprised of \$4.4 thousand in change funds for recreation cashiers, \$542.4 thousand in disbursing officer's cash, and \$565.6 thousand in foreign currency, as listed at Note 7.

Nonentity nonfederal accounts receivable represents all current and noncurrent receivables due from nonfederal sources. This includes \$859.5 million in long-term receivables due from state and local municipalities for water storage contracts; \$31.2 million in current receivables due from state and local municipalities for water storage; \$869.1 million in accrued interest receivable; \$508.2 thousand in penalties, fines, and administrative fees receivable; \$1.2 million in long-term receivables for hydraulic mining; and \$1.3 million for other miscellaneous receivables. An additional \$475.4 thousand represents the amount due from the leasing of land acquired for flood control purposes. Nonentity accounts receivables are recorded in unavailable receipt accounts, and funds will be returned to the Department of the Treasury when collected. The allowance for doubtful accounts totals \$5.8 million for nonentity nonfederal accounts receivables.



## **Note Reference**

For additional line item discussion, see:

Note 3, Funds Balance with Treasury

Note 4, Investments

Note 5, Accounts Receivable

Note 7, Cash and Other Monetary Assets

Note 9, Inventory and Related Property

Note 10, General PP&E, Net

<b>Note 3.</b>	<b>Fund Balance with Treasury</b>
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As of June 30	2006	2005
<b>1. Fund Balances</b>		
A. Appropriated Funds	\$ 7,557,996,467.60	\$ 2,791,051,330.47
B. Revolving Funds	1,015,796,077.98	800,212,467.67
C. Trust Funds	90,653,255.25	78,586,205.07
D. Special Funds	48,521,951.34	5,813,390.21
E. Other Fund Types	609,373,978.96	553,293,876.82
F. Total Fund Balances	<u>\$ 9,322,341,731.13</u>	<u>\$ 4,228,957,270.24</u>
<b>2. Fund Balances Per Treasury Versus Agency</b>		
A. Fund Balance per Treasury	\$ 9,234,292,923.41	\$ 4,153,174,730.00
B. Fund Balance per USACE	9,322,341,731.13	4,228,957,270.24
<b>3. Reconciling Amount</b>	<u>\$ (88,048,807.72)</u>	<u>\$ (75,782,540.24)</u>

### Fluctuations

Total Fund Balances increased by \$5.1 billion (120%). The US Army Corps of Engineers (USACE) Civil Works Program receives Federal funding through the annual Energy and Water Development Appropriations Act. The USACE received additional funding during September 2005, January 2006, and June 2006 for a total of \$5.4 billion, for Flood Control and Coastal Emergencies due to the unprecedented hurricane season in 2005.

### Reconciling Amount

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

### Other Information

Appropriated Funds includes net disbursements for undistributed Intragovernmental Payment and Collection (IPAC) transactions of (\$577.2) thousand. These were distributed to the appropriate funds during July 2006.

Other Fund Types (nonentity) consist of deposit accounts totaling \$8.1 million and receipt accounts totaling \$80.2 million, which are not available to finance USACE activities. Other Fund Types (entity) consists of borrowing authority totaling \$4.1 thousand, contributed funds totaling \$502.7 million and the suspense account established to finance Washington Aqueduct operations totaling \$18.4 million.

**Note Reference**

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

See Note 2 for Entity/Nonentity Accounts.

<b>Status of Fund Balance with Treasury</b>
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As of June 30	2006	2005
<b>1. Unobligated Balance</b>		
A. Available	\$ 10,690,608,476.50	\$ 3,377,918,351.01
B. Unavailable	3,242,844,980.08	65,872.10
<b>2. Obligated Balance not yet Disbursed</b>	\$ 5,638,467,469.50	\$ 752,276,222.44
<b>3. Nonbudgetary FBWT</b>	\$ 111,274,706.54	\$ 0.00
<b>4. NonFBWT Budgetary Accounts</b>	\$ (10,360,853,901.49)	\$ 0.00
<b>5. Total</b>	\$ 9,322,341,731.13	\$ 4,130,260,445.55

**Fluctuations**

The Unobligated Balance Available increased \$7.3 billion (216%). The USACE Civil Works Program receives Federal funding through the annual Energy and Water Development Appropriations Act. The USACE received additional funding during September 2005, January 2006 and June 2006 for a total of \$5.4 billion, for Flood Control and Coastal Emergencies due to an unprecedented hurricane season during 2005. There was also an increase of \$1.9 billion for reimbursable orders in conjunction with the hurricane relief efforts at the USACE New Orleans and Mobile Districts.

The Unobligated Balance Unavailable increased \$3.2 billion. The increase is due to footnote format changes during 2<sup>nd</sup> Quarter, FY 2006. The associated accounts were previously reported as Obligated Balance not yet Disbursed.

The Obligated Balance not yet Disbursed increased \$4.9 billion (650%). 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 \$2.1 billion have been incurred for hurricane efforts, but not yet disbursed. The USACE is the Federal Emergency Management Agency's emergency support function for engineering. There was also a \$2.8 billion increase resulting from footnote format changes during 4<sup>th</sup> Quarter, FY 2005 and 2<sup>nd</sup> Quarter, FY 2006. The associated accounts were previously reported as Unobligated Balance Available or Unobligated Balance Unavailable.

The Nonbudgetary Fund Balance with Treasury (FBWT) increased \$111.3 million (100%). The increase is a result of footnote format changes that added this line in 4<sup>th</sup> Quarter, FY 2005.

The NonFBWT Budgetary Accounts increased \$10.4 billion (100%). The increase is a result of footnote format changes that added this line in 4<sup>th</sup> Quarter, FY 2005.

## **Differences**

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

## **Definitions**

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

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

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

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

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

## **Restricted Unobligated Unavailable Balances**

The USACE is the lead agency for reporting the financial data for the Inland Waterways Trust Fund, Harbor Maintenance Trust Fund, and the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund. The Department of the Treasury, Bureau of Public Debt (BPD) maintains the investments and the investment accounting records and invests the trust fund receipts. The BPD transfers funds to the individual trust funds as funds are needed. The total restricted unobligated unavailable balance for trust funds is \$3.2 billion.

<b>Disclosures Related to Suspense/Budget Clearing Accounts</b>
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As of June 30	2004	2005	2006	(Decrease)/ Increase from FY 2005 - 2006
<b>Account</b>				
F3845 – Personal Property Proceeds	\$ 0.00	\$ 0.00	\$ 0.00	0.00
F3875 – Disbursing Officer Suspense	975,275.83	1,155,980.06	674,660.43	(481,319.63)
F3880 – Lost or Cancelled Treasury Checks	0.00	0.00	(167,642.96)	(167,642.96)
F3882 – Uniformed Services Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
F3885 – Interfund/IPAC Suspense	(22,325,132.62)	(1,357,498.99)	(577,221.42)	780,277.57
F3886 – Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ (21,349,856.79)</b>	<b>\$ (201,518.93)</b>	<b>\$ (70,203.95)</b>	<b>131,314.98</b>

### Fluctuations

The Total Disclosures Related to Suspense/Budget Clearing Accounts increased by \$131.3 thousand (66%). The increase of \$780.3 thousand in account F3885 is due to Intragovernmental Payment and Collection (IPAC) transactions being posted to the proper appropriation during 2<sup>nd</sup> quarter, FY 2006 for account F3885. USACE implemented automation to identify the obligation number in the Corps of Engineers Financial Management System (CEFMS) related to IPAC transactions. This automation replaced previous manual processes for posting IPAC transactions. The decrease in F3875 was due to the disposition of a \$580.0 thousand collection from the Department of the Navy for Craney Island dredge disposal area usage at Norfolk District. The collection was temporarily placed in suspense awaiting establishment of an advance account in CEFMS. The transfer from the suspense account to the advance account occurred in July 2005.

### Abnormalities

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

### Other Information

The F3885 suspense clearing account represents the primary source of the overall negative balance. Account F3885, that includes the Interfund/IPAC suspense, reported a negative balance of (\$577.2) thousand. Account F3875 reported a positive balance of \$674.7 thousand that represents the Disbursing Officer's suspense. These two suspense accounts temporarily hold collections or disbursements until they can be assigned or identified to a valid appropriation.

The F3880 suspense account reported a negative balance of (\$167.6) thousand. This amount represents the balance of Treasury checks that (1) have either been lost by the payee and need to be reissued, (2) have never been cashed by the payee, or (3) have been cancelled by the Department of the Treasury and need to be transferred to the original appropriation.

**Disclosures Related to Problem Disbursements and In-Transit Disbursements**

As of June 30	2004	2005	2006	(Decrease)/ Increase from FY 2005 to 2006
<b>1. Total Problem Disbursements, Absolute Value</b>				
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
<b>2. Total In-transit Disbursements, Net</b> \$	0.00 \$	0.00 \$	0.00 \$	0.00

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



**Note 4. Investments and Related Interest**

As of June 30	2006				
	Par Value / Cost	Amortization Method	Unamortized (Premium) / Discount	Investments, Net	Market Value Disclosure
<b>1. Intragovernmental Securities</b>					
A. Nonmarketable, Market-Based	\$ 3,427,901,674.69	Level Yield Calculation	\$ 53,172,558.99	\$ 3,481,074,233.68	\$ 3,407,727,531.47
B. Accrued Interest	49,301,252.49			49,301,252.49	49,301,252.49
C. Total Intragovernmental Securities	<u>\$ 3,477,202,927.18</u>		<u>\$ 53,172,558.99</u>	<u>\$ 3,530,375,486.17</u>	<u>\$ 3,457,028,783.96</u>
<b>2. Other Investments</b>					
A. Total Investments	<u>\$ 0.00</u>		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>N/A</u>

As of June 30	2005				
	Par Value / Cost	Amortization Method	Unamortized (Premium) / Discount	Investments, Net	Market Value Disclosure
<b>3. Intragovernmental Securities</b>					
A. Nonmarketable, Market-Based	\$ 2,948,501,045.53	Level Yield Calculation	\$ 83,968,860.55	\$ 3,032,469,906.08	\$ 3,013,699,542.24
B. Accrued Interest	44,809,582.28			44,809,582.28	44,809,582.28
C. Total Intragovernmental Securities	<u>\$ 2,993,310,627.81</u>		<u>\$ 83,968,860.55</u>	<u>\$ 3,077,279,488.36</u>	<u>\$ 3,058,509,124.52</u>
<b>4. Other Investments</b>					
A. Total Investments	<u>\$ 0.00</u>		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>N/A</u>

**Fluctuations**

Total Intragovernmental Securities: The overall increase of \$453.1 million (15%) in intragovernmental securities, investments and interest is due to several factors. Harbor Maintenance Trust Fund reported an increase in investments of \$510.4 million in 3<sup>rd</sup> Quarter, FY 2006 since 3<sup>rd</sup> Quarter, FY 2005. This is due to an increase in volume for taxes collected daily on imports and foreign trade from increased traffic in the harbors. South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund reported a \$13.1 million increase in investments in 3<sup>rd</sup> Quarter, FY 2006. The increase is due to the Department of the Treasury investing the tax revenue collected in notes and bonds instead of one-day certificates. There was a higher yield on the note and bond investments. Inland Waterways Trust Fund reported a decrease in investments of \$70.4 million in 3<sup>rd</sup> Quarter, FY 2006. The decrease is caused by expenditure authority transferred by the Department of the Treasury to the Inland Waterways Trust Fund expenditure account. The funds are transferred from invested balances to cover expenditures. As funds are withdrawn, investment accounts decrease.

Tax revenues are from imports, exports, domestics, excise, foreign trade and passengers. The tax revenues are collected daily by the Department of the Treasury for the US Army Corp of Engineers (USACE) Trust Funds. These revenues are recorded on a cash basis and are strictly a point-of-service collection. The tax revenues are invested by the Department of the Treasury and are reported on the Bureau of Public Debt (BPD) financial statements for Harbor Maintenance and Inland Waterways Trust Funds.

### **Other Information**

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

Total investments include \$407 million in one-day certificates and \$3.1 billion in bonds and notes. The breakdown of total investments among the trust funds is as follows: \$3.1 billion in the Harbor Maintenance Trust Fund, \$293 million in the Inland Waterways Trust Fund, and \$87.6 million in the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund.

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 June 30, 2006.

### **Note Reference**

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

<b>Note 5.</b>	<b>Accounts Receivable</b>
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As of June 30	2006			2005
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
<b>1. Intragovernmental Receivables</b>	\$ 3,303,905,300.25	N/A	\$ 3,303,905,300.25	\$ 849,315,776.27
<b>2. Nonfederal Receivables (From the Public)</b>	\$ 1,784,561,360.87	\$ (5,755,465.57)	\$ 1,778,805,895.30	\$ 1,763,017,597.98
<b>3. Total Accounts Receivable</b>	\$ 5,088,466,661.12	\$ (5,755,465.57)	\$ 5,082,711,195.55	\$ 2,612,333,374.25

**Fluctuations**

The increase of \$2.5 billion (289%) in intragovernmental receivables is primarily attributed to the increase in reimbursable work with the Department of Homeland Security. The majority of these receivables are due from the Federal Emergency Management Agency (FEMA) for support of hurricane relief efforts in the New Orleans, Vicksburg and Galveston Districts.

The \$849.3 million in open receivables in 3rd Quarter, FY 2005 included receivables from FEMA in support of the four hurricanes that struck Florida in the fall of 2004. At 4<sup>th</sup> Quarter, FY 2005, several of those receivables had been collected and the balance was reduced to \$613.9 million. The balance outstanding at yearend was collected in 1<sup>st</sup> Qtr, FY 2006 and 2<sup>nd</sup> Qtr, FY 2006. The US Army Corps of Engineers (USACE) has new receivables of \$3.3 billion in FY 2006. These new receivables are predominantly from FEMA and are associated with disaster relief efforts for Hurricanes Katrina and Rita at New Orleans, Vicksburg, and Galveston Districts.

**Other Information**

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

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

The USACE was able to reconcile its accounts receivable balances with the accounts payable balances of other Department of Defense trading partners that have systems which capture pertinent information. No material differences were identified. The USACE is unable to reconcile with other intragovernmental trading partners whose financial systems are not designed to capture pertinent information to fully reconcile intragovernmental transactions.

The amount of public receivables on the Treasury Report on Receivables Due from the Public (TROR) differs from the balance of public receivables reported on the balance sheet. The TROR does not include the allowance for estimated uncollectibles.

## Aged Accounts Receivable

As of June 30	2006		2005	
	Intragovernmental	Nonfederal	Intragovernmental	Nonfederal
CATEGORY				
<b>Nondelinquent</b>				
Current	\$ 1,362,259,034.63	\$ 73,149,904.53	\$ 808,397,292.88	\$ 86,852,518.12
Noncurrent	0.00	1,623,716,848.89	0.00	1,594,330,744.80
<b>Delinquent</b>				
1 to 30 days	\$ 219,017,850.72	\$ 2,448,421.93	\$ 30,849,674.39	\$ 4,760,384.31
31 to 60 days	383,120,337.45	51,049.91	18,864,435.35	1,016,885.03
61 to 90 days	13,220.00	330,272.58	82,385.00	1,074,760.71
91 to 180 days	1,036,281,859.81	1,804,357.42	83,633,173.36	1,361,838.04
181 days to 1 year	425,699,056.87	14,129,429.99	8,834,103.25	16,225,061.99
Greater than 1 year and less than or equal to 2 years	2,533,171.38	16,850,701.19	4,667,708.77	19,923,789.59
Greater than 2 years and less than or equal to 6 years	3,928,967.35	44,166,788.00	2,838,306.95	30,084,505.99
Greater than 6 years and less than or equal to 10 years	15,338.42	7,913,586.43	123,623.17	11,717,131.60
Greater than 10 years	0.00	0.00	4,502.25	0.00
<b>Subtotal</b>	<b>\$ 3,432,868,836.63</b>	<b>\$ 1,784,561,360.87</b>	<b>\$ 958,295,205.37</b>	<b>\$ 1,767,347,620.18</b>
Less Supported Undistributed Collections	0.00	0.00	0.00	0.00
Less Eliminations	(128,963,536.38)	0.00	(108,979,429.10)	0.00
Less Other	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 3,303,905,300.25</b>	<b>\$ 1,784,561,360.87</b>	<b>\$ 849,315,776.27</b>	<b>\$ 1,767,347,620.18</b>

### Delinquent Intragovernmental Receivables

The total intragovernmental accounts receivables delinquent is \$2.1 billion. Of the \$2.1 billion delinquent, \$2.0 billion is due from FEMA, mostly resulting from the receivables associated with Hurricanes Katrina and Rita. The Coast Guard and the Environmental Protection Agency have delinquent receivables totaling \$12.3 million, of which \$8.7 million is related to the Oil Pollution Act. The USACE continues to evaluate and improve the effectiveness of the intragovernmental payment and collections process and implement improvements to these processes. The USACE is aggressively pursuing collection action for delinquent Intragovernmental accounts receivable.

### Delinquent Nonfederal Receivables (From the Public)

The amount of delinquent nonfederal receivables is \$87.7 million. Delinquent receivables with the public include \$70.4 million in accrued interest on receivables associated with the current portion due on long-term water storage contracts. Of the total delinquent receivables, \$54.8 million is owed by the Commonwealth of Puerto Rico on a 50 year contract for the Cerrillos Dam water storage. Additionally, \$17.3 million is owed by the Oklahoma Water Resources Board for water storage space. The USACE is aggressively pursuing collection action for delinquent nonfederal accounts receivable.

<b>Note 6.</b>	<b>Other Assets</b>
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As of June 30	2006	2005
<b>1. Intragovernmental Other Assets</b>		
A. Advances and Prepayments	\$ 0.00	\$ 0.00
B. Total Intragovernmental Other Assets	\$ 0.00	\$ 0.00
<b>2. Nonfederal Other Assets</b>		
A. Outstanding Contract Financing Payments	\$ 0.00	\$ 0.00
B. Other Assets (With the Public)	401,666,583.47	0.00
C. Total Nonfederal Other Assets	\$ 401,666,583.47	\$ 0.00
<b>3. Total Other Assets</b>	<b>\$ 401,666,583.47</b>	<b>\$ 0.00</b>

### Fluctuations

Other Assets (With the Public) increased \$401.7 million (100%). The increase is attributable to reporting the costs associated with fish and wildlife mitigation studies as intangible assets when related to the power marketing agencies. The studies are conducted in the Portland and Walla Walla Districts. Based on comments from the Department of Defense, Office of the Inspector General, the US Army Corps of Engineers (USACE) should be consistent with the methodology used by the Bonneville Power Administration (BPA) to account for costs involving fish mitigation studies, since the Federal Columbia River Power System combines the accounts of BPA and USACE. In accordance with Statement of Financial Accounting Standard 71, "Accounting for the Effects of Certain Types of Regulation," BPA is granted the authority to capitalize and amortize all or part of the incurred cost that would otherwise be charged to expense. The USACE has implemented this policy and records the costs in US Standard General Ledger 1990 – other assets. This accounting method became effective 2<sup>nd</sup> Quarter, FY 2006.

### Other Information

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

<b>Note 7.</b>	<b>Cash and Other Monetary Assets</b>
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As of June 30	2006	2005
<b>1. Cash</b>	\$ 546,833.17	\$ 546,597.76
<b>2. Foreign Currency</b>	565,605.31	579,788.75
<b>3. Total Cash, Foreign Currency, &amp; Other Monetary Assets</b>	<u>\$ 1,112,438.48</u>	<u>\$ 1,126,386.51</u>

**Definitions**

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

Foreign Currency – The total US dollar equivalent of purchased foreign currencies held in foreign currency fund accounts. Nonpurchased foreign currency is limited to the Treasury Index 97X7000 fund account (formerly called FT accounts).

**Other Information**

Cash consists of \$542.4 thousand in Disbursing Officer's Cash and \$4.4 thousand in change funds for recreation cashiers. There are no restrictions on cash or foreign currency. There are no significant effects from changes in the foreign currency exchange rate.

The USACE translates foreign currency to US 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 US 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.

**Note Reference**

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

<b>Note 8.</b>	<b>Direct Loan and/or Loan Guarantee Programs</b>
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As of June 30

**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 June 30	2006	2005
<b>Loan Programs</b>		
<b>1. Military Housing Privatization Initiative</b>		
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
<b>2. Total Loans Receivable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>



<b>Total Amount of Direct Loans Disbursed</b>
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As of June 30	2006	2005
<b>Direct Loan Programs</b>		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
<b>2. Total</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

## Subsidy Expense for Post FY 1991 Direct Loan

As of June 30

2006	Interest Differential	Defaults	Fees	Other	Total
<b>1. New Direct Loans Disbursed:</b> Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2005	Interest Differential	Defaults	Fees	Other	Total
<b>2. New Direct Loans Disbursed:</b> Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>3. Direct Loan Modifications and Reestimates:</b> Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2005	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>4. Direct Loan Modifications and Reestimates:</b> Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
		2006	2005		
<b>5. Total Direct Loan Subsidy Expense:</b> Military Housing Privatization Initiative	\$ 0.00	\$ 0.00	\$ 0.00		

## Subsidy Rate for Direct Loans

As of June 30	Interest Differential	Defaults	Fees and other Collections	Other	Total
<b>Direct Loan Programs</b>					
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 June 30	2006	2005
<b>1. Beginning Balance of the Subsidy Cost Allowance</b>	\$ 0.00	\$ 0.00
<b>2. Add: Subsidy Expense for Direct Loans Disbursed during the Reporting Years by Component</b>		
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
<b>E. Total of the above Subsidy Expense Components</b>	\$ 0.00	\$ 0.00
<b>3. Adjustments</b>		
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
<b>G. Total of the above Adjustment Components</b>	\$ 0.00	\$ 0.00
<b>4. Ending Balance of the Subsidy Cost Allowance before Re-estimates</b>	\$ 0.00	\$ 0.00
<b>5. Add or Subtract Subsidy Re-estimates by Component</b>		
A. Interest Rate Re-estimate	\$ 0.00	\$ 0.00
B. Technical/Default Reestimate	0.00	0.00
<b>C. Total of the above Reestimate Components</b>	\$ 0.00	\$ 0.00
<b>6. Ending Balance of the Subsidy Cost Allowance</b>	\$ 0.00	\$ 0.00

**Defaulted Guaranteed Loans from Post FY 1991 Guarantees**

As of June 30	2006		2005	
<b>Loan Guarantee Program(s)</b>				
<b>1. Military Housing Privatization Initiative</b>				
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
<b>2. Armament Retooling &amp; Manufacturing Support Initiative</b>				
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
<b>3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable</b>				
	\$	0.00	\$	0.00

## Guaranteed Loans Outstanding

As of June 30	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
<b>Guaranteed Loans Outstanding</b>		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
<b>3. Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>2006</b>		
<b>New Guaranteed Loans Disbursed</b>		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
<b>3. Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>2005</b>		
<b>New Guaranteed Loans Disbursed</b>		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	\$ 0.00	\$ 0.00
<b>3. Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

**Liabilities for Post FY 1991 Loan Guarantees, Present Value**

As of June 30	2006	2005
<b>Loan Guarantee Program(s)</b>		
1. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
2. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
<b>3. Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

## Subsidy Expense for Post FY 1991 Loan Guarantees

As of June 30

2006	Interest Differential	Defaults	Fees	Other	Total
<b>1. New Loan Guarantees Disbursed:</b>					
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
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2005	Interest Differential	Defaults	Fees	Other	Total
<b>2. New Loan Guarantees Disbursed:</b>					
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
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2006	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>3. Modifications and Reestimates:</b>					
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
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2005	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>4. Modifications and Reestimates:</b>					
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
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2006	2005				
<b>5. Total Loan Guarantee:</b>					
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00			
Armament Retooling & Manufacturing Support Initiative	0.00	0.00			
<b>Total</b>	\$ 0.00	\$ 0.00			



## Subsidy Rates for Loan Guarantees

As of June 30	Interest Supplements	Defaults	Fees and other Collections	Other	Total
<b>Loan Guarantee Programs:</b>					
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%

<b>Schedule for Reconciling Loan Guarantee Liability Balances for Post FY 1991 Loan Guarantees</b>
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As of June 30	2006	2005
<b>1. Beginning Balance of the Loan Guarantee Liability</b>	\$ 0.00	\$ 0.00
<b>2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component</b>		
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
<b>E. Total of the above Subsidy Expense Components</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>3. Adjustments</b>		
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
<b>H. Total of the above Adjustments</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>4. Ending Balance of the Loan Guarantee Liability before Reestimates</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>5. Add or Subtract Subsidy Reestimates by Component</b>		
A. Interest Rate Reestimate	0.00	0.00
B. Technical/default Reestimate	0.00	0.00
<b>C. Total of the above Reestimate Components</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>6. Ending Balance of the Loan Guarantee Liability</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

US Army Corps of Engineers

**Administrative Expenses**

<b>Note 9.</b>	<b>Inventory and Related Property</b>
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As of June 30	2006	2005
1. Inventory, Net	\$ 112,997,593.93	\$ 108,344,296.54
2. Operating Materials & Supplies, Net	91,127.05	199,805.75
3. Stockpile Materials, Net	0.00	0.00
<b>4. Total</b>	<b>\$ 113,088,720.98</b>	<b>\$ 108,544,102.29</b>

## Inventory, Net

As of June 30	2006			2005	Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
<b>1. Inventory Categories</b>					
A. Available and Purchased for Resale	\$ 94,220,804.01	\$ (39,640.12)	94,181,163.89	\$ 87,871,132.56	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	18,816,430.04	0.00	18,816,430.04	20,473,163.98	MAC
<b>F. Total</b>	<b>\$ 113,037,234.05</b>	<b>\$ (39,640.12)</b>	<b>112,997,593.93</b>	<b>\$ 108,344,296.54</b>	

### 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

### Restrictions of Inventory Use, Sale, or Disposition

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

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

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

### Other Information

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

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

The inventory valuation method is based on a moving weighted average based on actual cost divided by quantity. A perpetual record of inventory is maintained to allow for recomputation of

the average unit cost as new receipts are recorded. There is no change from the prior year's accounting method.

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

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

**Note Reference**

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

## Operating Materials and Supplies, Net

As of June 30	2006			2005		Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net		
<b>1. OM&amp;S Categories</b>						
A. Held for Use	\$ 91,127.05	\$ 0.00	\$ 91,127.05	\$ 199,805.75		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
<b>D. Total</b>	<b>\$ 91,127.05</b>	<b>\$ 0.00</b>	<b>\$ 91,127.05</b>	<b>\$ 199,805.75</b>		

### Legend for Valuation Methods:

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

### General Composition of Operating Materials and Supplies

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

### Other Information

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

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

### Note Reference

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

## Stockpile Materials, Net

As of June 30	2006			2005	
	Stockpile Materials Amount	Allowance for Gains (Losses)	Stockpile Materials, Net	Stockpile Materials, Net	Valuation Method
<b>1. Stockpile Materials Categories</b>					
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	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	

**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 June 30	2006					2005	
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value	
<b>1. Major Asset Classes</b>							
A. Land	N/A	N/A	\$ 8,928,622,583.57	N/A	\$ 8,928,622,583.57	\$ 8,792,035,878.70	
B. Buildings, Structures, and Facilities	S/L	20 Or 40	27,238,226,401.08	\$ (12,968,557,286.96)	14,269,669,114.12	14,622,584,779.40	
C. Leasehold Improvements	S/L	lease term	27,241,982.74	(16,091,973.47)	11,150,009.27	13,201,543.49	
D. Software	S/L	2-5 Or 10	82,748,601.42	(54,387,543.22)	28,361,058.20	39,371,590.94	
E. General Equipment	S/L	5 or 10	1,306,788,933.62	(646,531,514.03)	660,257,419.59	607,964,339.88	
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	2,774,811,620.45	N/A	2,774,811,620.45	2,791,830,344.07	
I. Other			34,108,439.65	(579.65)	34,107,860.00	44,605,171.77	
J. Total General PP&E			<u>\$ 40,392,548,562.53</u>	<u>\$ (13,685,568,897.33)</u>	<u>\$ 26,706,979,665.20</u>	<u>\$ 26,911,593,648.25</u>	

<sup>1</sup> 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 hydropower 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 during 4<sup>th</sup> Quarter, FY 1999, that these costs were improperly classified in accordance with the Statement of Federal Financial Accounting Standards, No. 6, "Accounting for Property, Plant and Equipment (PP&E)," as they were part of the initial acquisition cost of the land and should have been classified as such. We have also made a reversing entry for current year amortization in our statements to properly reflect the effect of the transfer into land where accumulated depreciation is inappropriate. Supporting documentation for approximately \$17.3 billion of the \$26.7 billion recorded in the PP&E line is being supported by alternate methods as agreed upon by the Inspector General, Department of Defense (DoD) and the US Army Corps of Engineers (USACE) in a June 9, 2004, Memorandum of Agreement.

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

The USACE currently operates and maintains 75 hydroelectric power plants, generating about 24% 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, 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 USACE, with a useful life of two or more years and cost of \$25.0 thousand or more to be capitalized as leasehold improvements.

In USACE's FY 2006 construction-in-progress (CIP) account, \$151.0 million of the \$2.8 billion (5%) is attributable to a dormant project formally known as the "Elk Creek Lake Project" located at USACE Portland District. The project, which was authorized by the 1962 Flood Control Act, was originally authorized to perform the purpose of flood control. In 1971, construction began on the project but after completing only 33% of its design height, the project was shut down due to a court-ordered injunction. Additional analysis under the National Environmental Policy Act 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, USACE will continue to carry the construction costs of the "Elk Creek Lake Project" in the CIP account until a final decision is made concerning the outcome of the project.

Due to the severity of hurricanes Katrina and Rita, USACE conducted a 100% review of all real and personal property assets within the affected areas. As a result of this review, USACE found that three real property assets with a net book value of \$153.1 thousand were destroyed and retired. Five personal property assets and 66 real property assets were damaged with an estimated repair cost of over \$16.4 million. All repairs are either currently on-going or scheduled during FY 2006. In addition, two real property assets with a net book value of over \$9.5 million are still under investigation to determine the extent of the damages and the estimated cost of repairs.

The USACE has no restrictions on the use or convertibility of General PP&E.

There were no changes to accounting standards that required adjustment.

Asset donations include \$11.3 million in land tracts donated in prior years in the Kansas City and Ft. Worth Districts. The USACE adjusted the value of the land tracts to the fair market value of the land at the time of the donation. These assets were previously recorded at zero or nominal value.

### **Heritage Assets and Stewardship Land**

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

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

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

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

Heritage assets on display are assumed to be in adequate condition for display purposes, consistent with their origins, unless otherwise noted. Reported heritage assets are free of material conditions that are counter to safeguarding, adequately protecting, and properly managing those assets; they have not materially degraded while under the care of USACE. The existence of most of the uncategorized heritage assets is informally known to be adequate for display purposes, however, the condition of many uncategorized 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 the state of Washington, 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 nontraditional structures such as a snag boat that operated on the Mississippi River.

The USACE currently does not have any land classified as stewardship land.

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

#### **Note Reference**

See Note Disclosure 1.O. - Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Accounting for General PP&E.

## Assets Under Capital Lease

As of June 30	2006	2005
<b>1. Entity as Lessee, Assets Under Capital Lease</b>		
A. Land and Buildings	\$ 0.00	\$ 0.00
B. Equipment	0.00	0.00
C. Accumulated Amortization	0.00	0.00
	\$ 0.00	\$ 0.00
D. Total Capital Leases	\$ 0.00	\$ 0.00

<b>Note 11.</b>	<b>Liabilities Not Covered by Budgetary Resources</b>
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As of June 30	2006	2005
<b>1. Intragovernmental Liabilities</b>		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	13,745,341.65	14,432,825.53
C. Other	2,006,328,411.54	1,993,318,470.11
<b>D. Total Intragovernmental Liabilities</b>	<b>\$ 2,020,073,753.19</b>	<b>\$ 2,007,751,295.64</b>
<b>2. Nonfederal Liabilities</b>		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	0.00	0.00
C. Environmental Liabilities	618,433,510.00	0.00
D. Other Liabilities	13,002,390.61	20,626,839.82
<b>E. Total Nonfederal Liabilities</b>	<b>\$ 631,435,900.61</b>	<b>\$ 20,626,839.82</b>
<b>3. Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 2,651,509,653.80</b>	<b>\$ 2,028,378,135.46</b>
<b>4. Total Liabilities Covered by Budgetary Resources</b>	<b>\$ 1,342,034,539.22</b>	<b>\$ 1,196,116,335.57</b>
<b>5. Total Liabilities</b>	<b>\$ 3,993,544,193.02</b>	<b>\$ 3,224,494,471.03</b>

### Fluctuations

Total Liabilities Not Covered by Budgetary Resources increased \$623.1 million (31%) mainly due to the increase in environmental liabilities. The increase of \$618.4 million in environmental liabilities is attributed to the recognition of liabilities for the Formerly Utilized Sites Remedial Action Program. 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 Properties 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 Soils, Linde Air Products Site Soils, Painesville, and Ashland Site. The liability amounts were determined and recorded in 4<sup>th</sup> Quarter, FY 2005.

### Other Information

Intragovernmental Liabilities – Other includes workmen’s compensation liabilities under the Federal Employees Compensation Act (FECA) totaling \$42.0 million, offsetting custodial liability to accounts receivable totaling \$1.8 billion, and judgment fund liabilities-Contract Dispute Act (CDA) totaling \$164.0 million. The FECA liability will not be funded until FY 2007. The custodial liability is for amounts that will be deposited in the general fund of the Department of the Treasury when collected and are primarily related to water storage contracts. The US Army Corps of Engineers (USACE) is seeking supplemental funding for CDA liability.

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

Nonfederal Liabilities – Other includes \$13.0 million for contracts with continuation clauses.

**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

<b>Note 12.</b>	<b>Accounts Payable</b>
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As of June 30	2006			2005
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 315,880,525.23	\$ N/A	\$ 315,880,525.23	\$ 290,648,174.46
2. Nonfederal Payables (to the Public)	324,755,571.92	0.00	324,755,571.92	276,202,254.33
<b>3. Total</b>	<b>\$ 640,636,097.15</b>	<b>\$ 0.00</b>	<b>\$ 640,636,097.15</b>	<b>\$ 566,850,428.79</b>

**Fluctuations**

Nonfederal Payables (to the Public) increased \$48.6 million (18%). The increase is attributed to accounts payable related to the hurricane debris cleanup efforts in the US Army Corps of Engineers (USACE) New Orleans, Vicksburg and Galveston Districts. The increase in nonfederal payables for hurricane cleanup efforts was initially reported in 1<sup>st</sup> Quarter, FY 2006 and continued through 3<sup>rd</sup> Quarter, FY 2006.

**Other Information**

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

The USACE has no known delinquent accounts payable; therefore, no amount is reported for interest, penalties, and administrative fees. For the period ending June 30, 2006, USACE paid \$999.0 thousand in interest from Civil Works appropriations on payments subject to the Prompt Payment Act.

The USACE was able to reconcile its accounts payable balance with the accounts receivable balances of other Department of Defense trading partners that have systems which capture pertinent information. No material reconciling differences were identified. The USACE is unable to reconcile with other intragovernmental trading partners whose financial systems are not designed to capture pertinent information to fully reconcile Intragovernmental transactions.

**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.

<b>Note 13.</b>	<b>Debt</b>
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As of June 30	2006			2005	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
<b>1. Agency Debt (Intragovernmental)</b>					
A. Debt to the Treasury	\$ 14,599,792.61	\$ (518,671.23)	\$ 14,081,121.38	\$ (580,946.66)	\$ 14,785,723.58
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	\$ (518,671.23)	\$ 14,081,121.38	\$ (580,946.66)	\$ 14,785,723.58
<b>2. Total Debt</b>	<b>\$ 14,599,792.61</b>	<b>\$ (518,671.23)</b>	<b>\$ 14,081,121.38</b>	<b>\$ (580,946.66)</b>	<b>\$ 14,785,723.58</b>

**Other Information**

During fiscal years 1997, 1998, and 1999, the US Army Corp of Engineers (USACE) executed three promissory notes totaling \$75.0 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 2<sup>nd</sup> Quarter, FY 2004. Actual cumulative drawdown of the funds has been made from the Department of the Treasury in the amount of \$74.9 million. There were no drawdowns of funds from the Department of the Treasury for 3<sup>rd</sup> Quarter, FY 2006. During FY 2006, principal repayments total \$506.0 thousand and accrued interest payable is \$12.6 thousand.

Treasury Drawdown	Cumulative Principal Repayments	FY 2006 Interest Accrual	Total Debt
\$74.9 million	- \$61.1 million	+ \$335.8 thousand	= \$14.1 million

**Note Reference**

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

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



<b>Note 14.</b>	<b>Environmental Liabilities and Disposal Liabilities</b>
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As of June 30	2006			2005
	Current Liability	Noncurrent Liability	Total	Total
<b>1. Environmental Liabilities--</b>				
<b>Nonfederal</b>				
A. Accrued Environmental Restoration Liabilities				
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2. Active Installations—Military Munitions Response Program (MMRP)	0.00	0.00	0.00	0.00
3. Formerly Used Defense Sites—IRP and BD/DR	0.00	0.00	0.00	0.00
4. Formerly Used Defense Sites--MMRP	0.00	0.00	0.00	0.00
B. Other Accrued Environmental Liabilities—Active Installations				
1. Environmental Corrective Action	0.00	0.00	0.00	0.00
2. Environmental Closure Requirements	0.00	0.00	0.00	0.00
3. Environmental Response at Operational Ranges	0.00	0.00	0.00	0.00
4. Other	0.00	618,433,510.00	618,433,510.00	0.00
C. Base Realignment and Closure (BRAC)				
1. Installation Restoration Program	0.00	0.00	0.00	0.00
2. Military Munitions Response Program	0.00	0.00	0.00	0.00
3. Environmental Corrective Action / Closure Requirements	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00
D. Environmental Disposal for Weapons Systems Programs				
1. Nuclear Powered Aircraft Carriers	0.00	0.00	0.00	0.00
2. Nuclear Powered Submarines	0.00	0.00	0.00	0.00
3. Other Nuclear Powered Ships	0.00	0.00	0.00	0.00
4. Other National Defense Weapons Systems	0.00	0.00	0.00	0.00
5. Chemical Weapons Disposal Program	0.00	0.00	0.00	0.00
6. Other	0.00	0.00	0.00	0.00
<b>2. Total Environmental Liabilities</b>	<b>\$ 0.00</b>	<b>\$ 618,433,510.00</b>	<b>\$ 618,433,510.00</b>	<b>\$ 0.00</b>

Others Category Disclosure Comparative Table		
(Amounts in thousands)	(Current FY)	(Prior FY)
<b>Other Accrued Environmental Costs - Other</b>		
The environmental liability in line 1.B. 4 is reported for the Formerly Used Sites Remedial Action Program, which was established to respond to radiological contamination from early US atomic energy and weapons program. See Other Disclosures.	\$618,433,510.00	\$0.00
<b>Total</b>	<b>618,433,510.00</b>	<b>0.00</b>

## **Fluctuations**

Other Accrued Environmental Liabilities (Other) increased by \$618.4 million (100%) due to the completion of studies for the Formerly Utilized Sites Remedial Action Program (FUSRAP). The noncurrent environmental liability was unknown until 4<sup>th</sup> Quarter, FY 2005.

## **Other Information**

The USACE is responsible for the FUSRAP, which was established to respond to radiological contamination from early US Atomic Energy and Weapons Program. This program is funded through a Civil Works appropriation. The amount of the liability is determined after studies have been completed and final Records of Decision documenting the cleanup requirements are prepared. The amount of the liability recorded as Other Accrued Environmental Liabilities. The remaining categories of environmental liabilities do not apply to the USACE Civil Works program.

The USACE recognizes noncurrent environmental liabilities for the FUSRAP at the following project sites: St. Louis Downtown Site Accessible Soils, St. Louis Airport Site, Latty Avenue Properties 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 Soils, Linde Air Products Site Soils, Painesville, and Ashland Site.

Environmental liabilities related to FUSRAP are currently unknown for the following project sites: St. Louis Downtown Site Inaccessible Soils, Iowa Army Ammunition Plant FUSRAP Site, Colonie Interim Storage Site, Maywood Site Groundwater, Middlesex Sampling Plant Site Groundwater, Combustion Engineering Site, DuPont Chambers Works Site, W. R. Grace Radioactive Waste Disposal Area Site, Sylvania-Corning Plant Site, Linde Air Products Site Groundwater, Luckey Site Groundwater, Seaway Industrial Park Site, Shallow Land Disposal Area Site, Former Harshaw Chemical Company Site, Guterl Specialty Steel Site, and Niagara Falls Interim Storage Site.

The USACE continues to assess 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 the assessment of assets, USACE is conducting a review of potential liabilities, including environmental liabilities, which may have occurred due the hurricanes. Upon completion of the review, USACE will properly record all known liabilities.

Environmental liabilities not related to FUSRAP are currently unknown for the following project sites: Sonoma Firing Range and Sonoma Underground Storage Tanks Monitoring Wells in Sonoma, California; Black Rock Lock and Mount Morris Dam in New York; Bradford Island Landfill and North Pacific Division Materials Laboratory in Oregon; Saint Georges Bridge in Pennsylvania; and John H. Kerr Dam and Reservoir in Virginia.

## Environmental Disclosures

As of June 30	2006	2005
A. Amount of operating and capital expenditures used to remediate legacy waste. Legacy wastes are the remediation efforts covered by IRP, MMRP, and BD/DR regardless of funding source.	0.00	0.00
B. The unrecognized portion of the estimated total cleanup costs associated with general property, plant, and equipment.	0.00	0.00
C. The estimated cleanup costs associated with general property, plant, and equipment placed into service during each fiscal year.	0.00	0.00
D. Changes in total cleanup costs due to changes in laws, regulations, and/or technology.	0.00	0.00
E. Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods.	0.00	0.00

### Applicable laws and regulations for cleanup requirements

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

### Method for assigning estimated total cleanup cost to current operating periods

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

### Types of environmental liabilities and disposal liabilities identified

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

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

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

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

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

<b>Note 15.</b>	<b>Other Liabilities</b>
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As of June 30	2006			2005
	Current Liability	Noncurrent Liability	Total	Total
<b>1. Intragovernmental</b>				
A. Advances from Others	\$ 8,962,518.11	\$ 0.00	\$ 8,962,518.11	\$ 11,234,610.98
B. Deposit Funds and Suspense Account Liabilities	691,695.30	0.00	691,695.30	583,673.75
C. Disbursing Officer Cash	542,398.17	0.00	542,398.17	542,712.76
D. Judgment Fund Liabilities	164,049,146.59	0.00	164,049,146.59	152,665,321.95
E. FECA Reimbursement to the Department of Labor	20,522,179.46	21,468,785.20	41,990,964.66	41,873,621.20
F. Other Liabilities	133,757,573.11	1,673,455,923.97	1,807,213,497.08	1,817,933,596.02
<b>G. Total Intragovernmental Other Liabilities</b>	<b>\$ 328,525,510.74</b>	<b>\$ 1,694,924,709.17</b>	<b>\$ 2,023,450,219.91</b>	<b>\$ 2,024,833,536.66</b>
<b>2. Nonfederal</b>				
A. Accrued Funded Payroll and Benefits	\$ 404,067,405.01	\$ 0.00	\$ 404,067,405.01	\$ 382,099,206.99
B. Advances from Others	122,805,843.95	0.00	122,805,843.95	121,925,387.00
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	9,043,024.09	0.00	9,043,024.09	11,071,122.65
E. Temporary Early Retirement Authority	0.00	0.00	0.00	0.00
F. Nonenvironmental Disposal Liabilities				
(1) Military Equipment (Nonnuclear)	0.00	0.00	0.00	0.00
(2) Excess/Obsolete Structures	0.00	0.00	0.00	0.00
(3) Conventional Munitions Disposal	0.00	0.00	0.00	0.00
G. Accrued Unfunded Annual Leave	0.00	0.00	0.00	0.00
H. Capital Lease Liability	0.00	0.00	0.00	0.00
I. Other Liabilities	161,026,971.53	0.00	161,026,971.53	102,929,065.36
<b>J. Total Nonfederal Other Liabilities</b>	<b>\$ 696,943,244.58</b>	<b>\$ 0.00</b>	<b>\$ 696,943,244.58</b>	<b>\$ 618,024,782.00</b>
<b>3. Total Other Liabilities</b>	<b>\$ 1,025,468,755.32</b>	<b>\$ 1,694,924,709.17</b>	<b>\$ 2,720,393,464.49</b>	<b>\$ 2,642,858,318.66</b>

**Fluctuations**

Total Nonfederal Other Liabilities increased by \$78.9 million (13%). There was an increase of \$91.8 million in contract holdbacks primarily in the Flood Control and Coastal Emergencies appropriation for recovery work related to Hurricanes Katrina and Rita in New Orleans, Vicksburg and Galveston Districts. The increase occurred primarily in the 1<sup>st</sup> Quarter, FY 2006 but has continued through 3<sup>rd</sup> Quarter, FY 2006.

## **Composition of Other Liabilities**

Intragovernmental other liabilities (current) includes \$6.9 million for employer contributions and payroll taxes payable and \$126.8 million to offset interest and accounts receivable which, when collected, will be returned to the Department of the Treasury. Intragovernmental other liabilities (noncurrent) represent future revenue of \$1.7 billion from long-term water storage contracts and \$1.2 million from hydraulic mining contracts. The USACE records a custodial liability for receivables from water storage and hydraulic mining contracts. The receipts are deposited to the general fund of the Department of the Treasury when collected.

Nonfederal Other Liabilities includes \$148.0 million in contract holdbacks on construction-in-progress payments and \$13.0 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 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.

## **Other Information**

The USACE was able to reconcile the major fiduciary balances with the Office of Personnel Management and the Department of Labor. There were no material variances.

The USACE is continuing 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.

The USACE Civil Works Directorate has recognized 35 unfunded liabilities arising from Judgment Fund Contract Disputes Act (CDA) settlements in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions." The USACE cannot fund the CDA claims since it is funded by projects and funding does not include an allowance for this type of claim. The USACE sought supplemental appropriations for payment of CDA claims in FY 2000 and FY 2006 which were not approved. If USACE does not receive funds in the FY 2007 budget, USACE is prepared to request approval from the Civil Works Directorate and Counsel to proceed with a request to seek forgiveness of Civil Works CDA claims.

## **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 June 30	2006				2005	
	Asset Category					
	Land and Buildings	Equipment	Other	Total	Total	
<b>1. Future Payments Due</b>						
A. 2006	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. 2007	0.00	0.00	0.00	0.00	0.00	0.00
C. 2008	0.00	0.00	0.00	0.00	0.00	0.00
D. 2009	0.00	0.00	0.00	0.00	0.00	0.00
E. 2010	0.00	0.00	0.00	0.00	0.00	0.00
F. 2011	0.00	0.00	0.00	0.00	0.00	0.00
G. After 5 Years	0.00	0.00	0.00	0.00	0.00	0.00
H. Total Future Lease Payments Due	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
I. Less: Imputed Interest Executory Costs	0.00	0.00	0.00	0.00	0.00	0.00
J. Net Capital Lease Liability	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>2. Capital Lease Liabilities Covered by Budgetary Resources</b>				\$ 0.00	\$ 0.00	\$ 0.00
<b>3. Capital Lease Liabilities Not Covered by Budgetary Resources</b>				\$ 0.00	\$ 0.00	\$ 0.00

<b>Note 16.</b>	<b>Commitments and Contingencies</b>
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**Disclosures Related to Commitments and Contingencies:**

The US Army Corps of Engineers (USACE) is a party in various administrative proceedings and legal actions, with claims including environmental damage claims, equal opportunity matters, and contractual bid protests. The USACE has accrued contingent liabilities for legal actions where the USACE's Office of the General Counsel considers an adverse decision probable and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The USACE records Judgment Fund liabilities in Note 15, "Other Liabilities" and Note 12 "Accounts Payable."

Proprietary contingencies are commonly referred to as contingent liabilities. The USACE has 356 cases pending in civil litigation, contract claims, and tort claims. The aggregate relief requested for these cases is \$1.2 billion.

Of these cases, only 33 cases meet the \$7.2 million liability threshold for reporting. There are 18 cases pending civil litigation with \$741.5 million in relief requested, 7 claims pending in contract claims and appeals with \$101.6 million in relief requested, and 8 tort claims with \$183.0 million in relief requested. The total relief requested for the 33 claims that meet the \$7.2 million liability threshold is \$1.0 billion.

The USACE Legal Counsel considers it "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 the early US Atomic Energy and Weapons Program. The FUSRAP program is funded through a Civil Works appropriation. The USACE recognizes 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. Environmental liabilities not related to FUSRAP are currently unknown for the following project sites: Sonoma Firing Range and Sonoma Underground Storage Tanks Monitoring Wells in Sonoma, California; Black Rock Lock and Mount Morris Dam in New York; Bradford Island Landfill and North Pacific Division Materials Laboratory in Oregon; Saint Georges Bridge in Pennsylvania; and John H. Kerr Dam and Reservoir in Virginia.



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**

For additional line item discussion, see:

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

Note 12 – Accounts Payable

Note 15 – Other Liabilities

**Note 17.**

**Military Retirement Benefits and Other Employment Related Actuarial Liabilities**

As of June 30	2006				2005
	Actuarial Present Value of Projected Plan Benefits	Assume Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Actuarial Liability	Unfunded Actuarial Liability
<b>1. Pension and Health Benefits</b>					
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
<b>2. Other</b>					
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
<b>3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities:</b>	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities:

<b>Note 18.</b>	<b>General Disclosures Related to the Statement of Net Cost</b>
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Intragovernmental Costs and Exchange Revenue		
As of June 30	2006	2005

As of June 30	2006	2005
1. Intragovernmental Costs	\$ 930,484,406.95	\$ 1,034,957,644.56
2. Public Costs	7,233,219,581.05	6,137,501,931.69
<b>3. Total Costs</b>	<b>\$ 8,163,703,988.00</b>	<b>\$ 7,172,459,576.25</b>
4. Intragovernmental Earned Revenue	\$ (3,841,209,059.40)	\$ (1,663,486,998.11)
5. Public Earned Revenue	(261,625,536.93)	(286,574,959.66)
<b>6. Total Earned Revenue</b>	<b>\$ (4,102,834,596.33)</b>	<b>\$ (1,950,061,957.77)</b>
<b>7. Net Cost of Operations</b>	<b>\$ 4,060,869,391.67</b>	<b>\$ 5,222,397,618.48</b>

### Fluctuations

Total Costs increased \$991.2 million (14%). The increase in costs is the result of programming changes implemented during 1<sup>st</sup> Quarter, FY 2006, in the Corps of Engineers Financial Management System (CEFMS) that corrected general ledger correlations for the revolving fund. These programming changes provided further break out for the cost and revenue associated with employee labor costs that functionalize through the revolving fund. The remaining increase is primarily attributed to support of the hurricane cleanup efforts in the US Army Corps of Engineers (USACE) New Orleans, Vicksburg, and Galveston Districts in 1<sup>st</sup> quarter, FY 2006 and continued thru 3<sup>rd</sup> quarter, FY 2006.

Total Earned Revenue increased \$2.2 billion (110%) due to reimbursable work performed for the Federal Emergency Management Agency (FEMA) on the hurricane relief efforts in New Orleans, Vicksburg, and Galveston Districts. The increase in revenue for hurricane relief efforts in these Districts was first reported 1<sup>st</sup> Quarter, FY 2006 due to hurricane Katrina and continued thru 3<sup>rd</sup> quarter, FY 2006.

### Other Information

Intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government. Public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity.

The USACE was able to reconcile its intragovernmental costs and revenue balances with other Department of Defense trading partners that have systems which capture pertinent information. No material reconciling differences were identified. The USACE is unable to reconcile with other intragovernmental trading

partners whose financial systems are not designed to capture pertinent information to fully reconcile intragovernmental transactions.

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

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

There were no costs associated with acquiring, constructing, improving, reconstructing or renovating heritage assets or acquiring stewardship land.

<b>Note 19.</b>	<b>Disclosures Related to the Statement of Changes in Net Position</b>
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As of June 30	2006		2005	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance</b>				
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
<b>C. Total Prior Period Adjustments</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>2. Imputed Financing</b>				
A. Civilian CSRS/FERS Retirement	\$ 67,946,489.28	\$ 0.00	\$ 71,465,928.13	\$ 0.00
B. Civilian Health	103,656,024.00	0.00	100,418,144.15	0.00
C. Civilian Life Insurance	292,315.12	0.00	288,538.53	0.00
D. Judgment Fund	22,002,946.15	0.00	8,712,140.99	0.00
E. IntraEntity	0.00	0.00	0.00	0.00
<b>F. Total Imputed Financing</b>	<b>\$ 193,897,774.55</b>	<b>\$ 0.00</b>	<b>\$ 180,884,751.80</b>	<b>\$ 0.00</b>

### Other Information

Appropriations Received on the Statement of Budgetary Resources (SBR) do not agree with Appropriations Received on the Statement of Changes in Net Position (SCNP) due to differences between proprietary and budgetary accounting concepts and reporting requirements.

Appropriated Trust and Special Fund receipts in the amount of \$1.3 billion are included in Appropriations Received on the SBR. These funds do not update the proprietary appropriations received amount reported on the SCNP. These are reported as proprietary transfers-in.

### Note Reference

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

<b>Note 20.</b>	<b>Disclosures Related to the Statement of Budgetary Resources</b>
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As of June 30	2006	2005
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 4,110,123,465.30	\$ 2,181,574,926.98
2. Available Borrowing and Contract Authority at the End of the Period	0.00	0.00

**Other Information**

Apportionment Categories. The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A in the Statement of Budgetary Resources (SBR) includes: \$5.1 billion for direct; \$25.8 million for direct obligations exempt from apportionment; \$9.2 billion for reimbursable obligations; and \$88.0 thousand for reimbursable obligations exempt from apportionment. The US Army Corps of Engineers (USACE) has no apportionments under Category B. Undelivered orders presented in the SBR include undelivered orders-unpaid for both direct and reimbursable funds.

Intraentity transactions have not been eliminated because the statements are presented as combined and combining.

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. Loan repayments are made on a quarterly basis, as required.

No material adjustments were made to budgetary resources available at the beginning of the year.

Permanent Indefinite Appropriations. The USACE receives budget authority from trust funds established by the Department of the Treasury for Coastal Wetlands, Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration in order to maintain USACE's mission areas of water resources and environment. Special funds receive receipts from hydraulic mining in California; leases of land acquired for flood control, navigation, and allied purposes; and licenses under the Federal Power Act for improvements of navigable water including maintenance and operation of dams.

There are no legal arrangements that affect the use of unobligated balances of budget authority.

Capital Infusion. The USACE received additional appropriations of \$2.3 billion during 2<sup>nd</sup> Quarter, FY 2006, and \$3.1 billion during 3<sup>rd</sup> Quarter, FY 2006, in the Flood Control and Coastal Emergencies account for hurricane relief efforts.

There are no material differences between the information required by the Statement of Budgetary Resources and amounts described as “actual” in the Budget of the United States Government.

Change in Reporting Procedure. Per Office of Management and Budget Circular A-136, the parent agency should report the budgetary activity for allocation transfers. The child, USACE, shall report the activity relating to the allocation in all of its financial statements, except the SBR. Prior to 2<sup>nd</sup> Quarter, FY 2006, USACE reported an SBR in its financial statements for transfer funds. Beginning 2<sup>nd</sup> Quarter, FY 2006, adjustments are made to zero out the balances in the budgetary accounts imported from USACE’s trial balances, except for the amount needed in allocation transfers to close out the beginning balance of total actual resources collected at FY 2006 yearend. Residual activity appears on the SBR derived from beginning balances in undelivered orders, delivered orders-unpaid, and allocations to be transferred. The Inland Waterways and Harbor Maintenance Trust Funds are not included in this change in reporting procedure because USACE is the lead agency for reporting and includes the parent budgetary activity in its financial statements, including the SBR.

<b>Note 21.</b>	<b>Disclosures Related to the Statement of Financing</b>
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**Abnormal Balances**

The Revaluation of assets or liabilities line has a negative balance because of an abnormal balance reported in the other losses account. This account has an abnormal balance of \$272.8 million. This is due to the reversal of \$255.6 million in construction in progress costs that were written off in FY 2004 for fish mitigation studies. A decision was made in FY 2006 to reverse the prior year loss and record the costs of the fish mitigation studies as an “other asset.” The US Army Corps of Engineers (USACE) reversed \$49.4 million of the prior year loss in the 2<sup>nd</sup> Quarter, FY 2006. The remaining costs of \$206.2 million were reversed in the 3<sup>rd</sup> Quarter, FY 2006. The abnormal balance amount also includes \$17.1 million to place an asset in service that was previously written off in FY 2004. The asset was transferred to the leaseholder in error. The correcting entry was made in the 1<sup>st</sup> Quarter, FY 2006.

The Revaluation of assets or liabilities line also includes an abnormal balance in the gains on the disposition of assets – other account. This account has an abnormal balance of \$16.9 thousand due to the reversal of a prior year bill for \$290.5 thousand for the sale of an asset. The reversing entry occurred in the 2<sup>nd</sup> Quarter, FY 2006.

**Other Information**

Budgetary data is in agreement with proprietary expenses and capitalized assets.

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

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

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

Obligations Incurred

Less: Spending Authority from Offsetting Collections and Recoveries

Obligations Net of Offsetting Collections and Recoveries

Less: Offsetting Receipts

Net Obligations

Undelivered Orders

Unfilled Customer Orders



**Composition of Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations: Other**

This includes asset donations of \$11.3 million in land tracts donated in prior years in the Kansas City and Ft. Worth Districts. The USACE adjusted the value of the land tracts to the fair market value of the land at the time of the donation. These assets were previously recorded at zero or nominal value.

**Composition of Components Requiring or Generating Resources in Future Period: Other**

This includes \$88.6 million for future funded expenses recognized in FY 2006 for the unfunded environmental liabilities for the Formerly Utilized Sites Remedial Action Program.

**Composition of Components not Requiring or Generating Resources: Other**

This includes cost capitalization offset expense of \$(457.4) million and other expenses not requiring budgetary resources of \$111.0 million. The cost capitalization offset account provides a mechanism to offset all direct costs in the expense accounts when those costs are subsequently capitalized into an in-process account. Other expenses not requiring budgetary resources includes current year expenses in the allocation transfer appropriations. Per OMB Circular A-136, the parent agency should report the budgetary activity for allocation transfers. The child, USACE, reports the activity related to the allocation in all of its financial statements except the Statement of Budgetary Resources (SBR). Therefore, current year expenses are reported as not requiring budgetary resources.

**Allocation Transfers**

The USACE recorded other expenses not requiring budgetary resources of \$130.4 million to reconcile budgetary activity with current period expenses for allocation transfers. The USACE received funds in FY 2006 from the following agencies for the listed transfer appropriations:

Department of Agriculture transferred funds to State and Private Forestry, Forest Service (96 12X1105) to assist in the treatment of disease in trees due to insect infestation at Rays Town Lake, Pennsylvania and Colsbrook Dam, Colorado.

Department of Transportation transferred funds to Federal Aid Highways (96 69X8083) for public bridge inventory and inspection in support of the Federal Lands Highway Program for FY 2005.

Department of Energy transferred funds to the Bonneville Power Administration (96 89X4045) for the maintenance of hydroelectric plants that USACE operates.

Department of Interior transferred funds to the Bureau of Land Management (BLM) Permit Processing Improvement Fund (96 14X5573) to expedite the review of jurisdictional and permit actions in the BLM pilot project offices located in Colorado, New Mexico, Utah, Wyoming, and Montana.

### **Liabilities Not Covered by Budgetary Resources**

Liabilities not covered by budgetary resources total \$2.7 billion and the amount reported as components requiring or generating resources in future periods on the Statement of Financing totals \$72.3 million. The difference of \$2.6 billion is due to the following:

Debt of \$13.7 million payable to Department of the Treasury for Borrowing Authority is unfunded. Arlington County, the city of Falls Church, Virginia, and the District of Columbia provide funding to repay the debt.

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

Workmen's Compensation liabilities under the Federal Employees Compensation Act (FECA) for \$42.0 million are unfunded. The current year expense of \$39 million associated with this liability reflects a decrease of \$4.8 million compared to the prior year expense of \$43.8 million. The difference between the unfunded FECA liability and the future funded expense is \$3.0 million and is due to a change in reporting the FECA expense in FY 2005 for USACE military funded projects. Prior to FY 2005 the FECA expense and liability for USACE military funded projects were reported on the Army General Fund financial statements. In FY 2005 USACE reported the expense.

Unfunded Judgment Fund liabilities for Contract Dispute Act (CDA) claims total \$164.0 million. Future funded expense of \$162.6 million for all claims paid prior to FY 2006 was recognized in prior years. Future funded expense of \$1.5 million was recorded in FY 2006 to reflect the payment by USACE of \$1.2 million for a prior year CDA claim and to recognize additional judgment fund liabilities for \$2.7 million incurred in FY 2006.

Unfunded environmental liabilities total \$618.4 million. The USACE recorded the future funded expense for \$529.6 million in FY 2005 and recognized an additional expense of \$88.4 million in the 2<sup>nd</sup> Quarter, FY 2006 and an additional \$400 thousand in the 3<sup>rd</sup> Quarter, FY 2006.

Other nonfederal unfunded liabilities for \$13.0 million are for contracts with continuation clauses. The decrease of \$13.1 million for the liability for contracts with continuation clauses matches the decrease in the future funded expense during FY 2006.

<b>Note 22.</b>	<b>Disclosures Related to the Statement of Custodial Activity</b>
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<b>Note 23.</b>	<b>Earmarked Funds</b>
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<b>BALANCE SHEET</b>				
As of June 30	MRF	MERHCF	Other Earmarked Funds	Total Earmarked Funds

**ASSETS**

Fund balance with

Treasury	\$	0.00	\$	0.00	\$	678,143,084.50	\$	678,143,084.50
Investments		0.00		0.00		3,530,375,486.17		3,530,375,486.17
Accounts and Interest Receivable		0.00		0.00		655,957,488.88		655,957,488.88
Other Assets		0.00		0.00		770,400,522.71		770,400,522.71
Total Assets	\$	0.00	\$	0.00	\$	5,634,876,582.26	\$	5,634,876,582.26

**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		295,788,217.18		295,788,217.18
Unexpended Appropriations		0.00		0.00		0.00		0.00
Cumulative Results of Operations		0.00		0.00		5,339,088,365.08		5,339,088,365.08
Total Liabilities and Net Position	\$	0.00	\$	0.00	\$	5,634,876,582.26	\$	5,634,876,582.26

**STATEMENT OF NET COST**

As of June 30

Program Costs	\$	0.00	\$	0.00	\$	774,853,459.06	\$	774,853,459.06
Less Earned Revenue		0.00		0.00		(220,578.04)		(220,578.04)
Net Program Costs	\$	0.00	\$	0.00	\$	774,632,881.02	\$	774,632,881.02
Less Earned Revenues Not Attributable to Programs		0.00		0.00		0.00		0.00
Net Cost of Operations	\$	0.00	\$	0.00	\$	774,632,881.02	\$	774,632,881.02

**STATEMENT OF CHANGES IN NET POSITION**

As of June 30

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		774,632,881.02		774,632,881.02
Other Nonexchange Revenue		0.00		0.00		1,332,176,970.35		1,332,176,970.35
Change in Net Position	\$	0.00	\$	0.00	\$	557,544,089.33	\$	557,544,089.33
Net Position End of Period	\$	0.00	\$	0.00	\$	5,339,088,365.08	\$	5,339,088,365.08

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. There is also a requirement to account for and report on the receipt, use and retention of revenues and other financing sources that distinguish earmarked funds from general revenues.

### **USACE Earmarked Funds**

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

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

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

Maintenance and Operation of Dams and Other Improvements of Navigable Waters, Title 16 USC 803(f), 810, states that whenever a reservoir or other improvement is constructed by the US, the Commission shall assess charges against any licensee directly benefited, and any amount so assessed shall be paid into the Department of the Treasury. The USC further states that all charges arising from other licenses, except those charges established by the Commission for purpose of administrative reimbursement, shall be paid to the Department of the Treasury from which specific allocations will be made. From the specific allocations, 50% of charges from all other licenses is

reserved and appropriated as a special fund in the Department of the Treasury. This special fund is to be expended under the direction of the Secretary of the Army for the maintenance and operation of dams and other navigation structures that are owned by the US or for construction, maintenance, or operation of headwater or other improvements of navigable waters of the US. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. The revenue is received from the public. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Fund for Nonfederal Use of Disposal Facilities (for dredged material) was established by Title 33 USC 2326. This title provides that the Secretary of the Army (Secretary) may permit the use of any dredged material disposal facility under the jurisdiction of, or managed by, the Secretary by a nonfederal interest if the Secretary determines that such use will not reduce the availability of the facility for project purposes. The Secretary may impose fees to recover capital, operation and maintenance costs associated with such use. Any monies received through collection of fees under this law shall be available to the Secretary, and shall be used by the Secretary, for the operation and maintenance of the disposal facility from which the fees were collected. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There was a transfer of \$259.0 thousand from the Nonfederal Use of Disposal Facilities account to USACE general funds for maintenance of the disposal facilities.

South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund was established by Public Law 106-53, Sec. 603. Yearly transfers are made from the general fund of the Department of the Treasury to the trust fund for investment purposes. Investment activity is managed by the Department of the Treasury, Bureau of Public Debt (BPD). The BPD purchases and redeems nonmarketable market-based securities issued by the Department of the Treasury, PBD. Investments include one-day certificates, bonds, and notes. When the fund reaches the aggregate amount of \$108.0 million, withdrawals may be made by USACE for payment to the state of South Dakota. The state shall use the payments to fund the annually scheduled work for wildlife habitat restoration. This fund is classified as a trust fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Coastal Wetlands Restoration Trust Fund is authorized by Title 16 USC 3951-3956. This act grants parallel authority to 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% of project costs or 85% if the state has an approved Coastal Wetlands Conservation Plan. This fund is classified as a trust fund expenditure account and receives funding transfers from the Aquatic Resources Trust Fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were no eliminations between this fund and other funds within USACE.

Rivers and Harbors Contributed and Advance Funds, authorized by Title 33 USC 701h, 702f, and 703, establishes funding to construct, improve, and maintain levees, water outlets, flood control, debris removal, rectification and enlargement of river channels, etc., in the course of flood control

and river/harbor maintenance. Whenever any state or political subdivision thereof shall offer to advance funds for a flood control project duly adopted and authorized by law, the Secretary of the Army may in his discretion, receive such funds and expend the same in the immediate prosecution of such work. This fund is classified as a trust fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund. There has been no change to legislation during the reporting period to change the purpose of the fund. There were \$7.3 million in transfers of buildings and other structures from the Rivers and Harbors Contributed and Advance Funds account to USACE general funds.

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

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

<b>Note 24.</b>	<b>Other Disclosures</b>
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As of June 30	2006			
	Asset Category			
	Land and Buildings	Equipment	Other	Total

**1. ENTITY AS LESSEE-****Operating Leases**

## Future Payments Due

Fiscal Year

2006	\$	0.00	\$	0.00	\$	0.00	\$	0.00
2007		0.00		0.00		0.00		0.00
2008		0.00		0.00		0.00		0.00
2009		0.00		0.00		0.00		0.00
2010		0.00		0.00		0.00		0.00
2011		0.00		0.00		0.00		0.00
After 5 Years		0.00		0.00		0.00		0.00

**Total Future Lease  
Payments Due**

\$	0.00	\$	0.00	\$	0.00	\$	0.00
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**Other Information**

During FY 2006, the US Army Corps of Engineers (USACE) received \$45.8 million in direct appropriations from the Department of Energy, Power Marketing Administration, for operation and maintenance activities at hydroelectric power plants operated by USACE at the Portland, Seattle and Walla Walla Districts.