

**Department of Defense**  
**US Army Corps of Engineers**  
**CONSOLIDATED BALANCE SHEET**  
**As of March 31, 2007 and 2006**

	<b>2007 Consolidated</b>	<b>2006 Consolidated</b>
<b>1. ASSETS (Note 2)</b>		
A. Intragovernmental:		
1. Fund Balance with Treasury (Note 3)		
a. Entity	\$ 9,819,376,544.81	\$ 7,359,880,520.12
b. Non-Entity Seized Iraqi Cash	0.00	0.00
c. Non-Entity-Other	68,012,011.31	59,397,399.03
2. Investments (Note 4)	3,815,902,520.45	3,386,524,792.23
3. Accounts Receivable (Note 5)	1,622,950,005.46	3,133,265,135.58
4. Other Assets (Note 6)	0.00	0.00
5. Total Intragovernmental Assets	<u>\$ 15,326,241,082.03</u>	<u>\$ 13,939,067,846.96</u>
B. Cash and Other Monetary Assets (Note 7)	\$ 741,340.90	\$ 1,231,401.74
C. Accounts Receivable, Net (Note 5)	1,702,202,791.29	1,790,005,402.13
D. Loans Receivable (Note 8)	0.00	0.00
E. Inventory and Related Property, Net (Note 9)	109,800,345.21	107,432,156.66
F. General Property, Plant and Equipment, Net (Note 10)	26,540,151,679.71	26,894,274,205.33
G. Investments (Note 4)	0.00	0.00
H. Other Assets (Note 6)	270,624.75	49,395,994.62
<b>2. TOTAL ASSETS</b>	<u><u>\$ 43,679,407,863.89</u></u>	<u><u>\$ 42,781,407,007.44</u></u>
<b>3. LIABILITIES (Note 11)</b>		
A. Intragovernmental:		
1. Accounts Payable (Note 12)	\$ 491,131,925.05	\$ 493,811,950.41
2. Debt (Note 13)	13,584,648.88	14,249,075.97
3. Other Liabilities (Note 15 & 16)	1,958,883,821.78	2,032,411,216.55
4. Total Intragovernmental Liabilities	<u>\$ 2,463,600,395.71</u>	<u>\$ 2,540,472,242.93</u>
B. Accounts Payable (Note 12)	\$ 298,304,199.59	\$ 299,120,968.47
C. Military Retirement and Other Federal Employment Benefits (Note 17)	250,574,958.53	0.00
D. Environmental and Disposal Liabilities (Note 14)	659,512,000.00	618,000,000.00
E. Loan Guarantee Liability (Note 8)	0.00	0.00
F. Other Liabilities (Note 15 & Note 16)	641,530,706.27	570,612,487.57
<b>4. TOTAL LIABILITIES</b>	<u><u>\$ 4,313,522,260.10</u></u>	<u><u>\$ 4,028,205,698.97</u></u>
<b>5. NET POSITION</b>		
A. Unexpended Appropriations - Earmarked Funds (Note 23)	\$ 0.00	\$ 0.00
B. Unexpended Appropriations - Other Funds	8,151,174,671.22	7,377,864,179.75
C. Cumulative Results of Operations - Earmarked Funds	5,780,619,668.30	5,157,991,108.78
D. Cumulative Results of Operations - Other Funds	25,434,091,264.27	26,217,346,019.94
<b>6. TOTAL NET POSITION</b>	<u><u>\$ 39,365,885,603.79</u></u>	<u><u>\$ 38,753,201,308.47</u></u>
<b>7. TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 43,679,407,863.89</u></u>	<u><u>\$ 42,781,407,007.44</u></u>

Department of Defense  
 US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF NET COST**  
 For the periods ended March 31, 2007 and 2006

	<b>2007 Consolidated</b>	<b>2006 Consolidated</b>
<b>1. Program Costs</b>		
A. Gross Costs	\$ 4,551,382,442.69	\$ 5,592,877,442.85
B. (Less: Earned Revenue)	(1,336,752,561.09)	(3,063,840,696.82)
C. Net Program Costs	<u>\$ 3,214,629,881.60</u>	<u>\$ 2,529,036,746.03</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>\$ 3,214,629,881.60</u></u>	<u><u>\$ 2,529,036,746.03</u></u>

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended March 31, 2007 and 2006

	2007 Earmarked Funds	2007 All Other Funds
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 5,380,664,882.68	\$ 26,266,400,760.62
<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>	5,380,664,882.68	26,266,400,760.62
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	2,078,139,135.48
4.C. Nonexchange revenue	955,098,909.60	(239,916.51)
4.D. Donations and forfeitures of cash and cash equivalents	0.00 0.00	0.00 0.00
4.E. Transfers-in/out without reimbursement	7,645,893.04	69,091,000.00
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	684,583.54
5.B. Transfers-in/out without reimbursement (+/-)	4,365,388.25	3,892,163.38
5.C. Imputed financing from costs absorbed by others	0.00	113,978,997.58
5.D. Other (+/-)	0.00	(450,380,983.49)
<b>6. Total Financing Sources</b>	967,110,190.89	1,815,164,979.98
<b>7. Net Cost of Operations (+/-)</b>	582,295,814.59	2,632,334,067.01
<b>8. Net Change</b>	384,814,376.30	(817,169,087.03)
<b>9. Cumulative Results of Operations</b>	5,765,479,258.98	25,449,231,673.59
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 7,443,696,016.98
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	7,443,696,016.98
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	2,820,952,336.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	(35,334,546.28)
13.D. Appropriations used	0.00	(2,078,139,135.48)
<b>14. Total Budgetary Financing Sources</b>	0.00	707,478,654.24
<b>15. Unexpended Appropriations</b>	0.00	8,151,174,671.22
<b>16. Net Position</b>	5,765,479,258.98	33,600,406,344.81

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended March 31, 2007 and 2006

	2007 Eliminations	2007 Consolidated
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 0.00	\$ 31,647,065,643.30
<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>	0.00	31,647,065,643.30
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	2,078,139,135.48
4.C. Nonexchange revenue	0.00	954,858,993.09
4.D. Donations and forfeitures of cash and cash equivalents	0.00 0.00	0.00 0.00
4.E. Transfers-in/out without reimbursement	0.00	76,736,893.04
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	684,583.54
5.B. Transfers-in/out without reimbursement (+/-)	0.00	8,257,551.63
5.C. Imputed financing from costs absorbed by others	0.00	113,978,997.58
5.D. Other (+/-)	0.00	(450,380,983.49)
<b>6. Total Financing Sources</b>	0.00	2,782,275,170.87
<b>7. Net Cost of Operations (+/-)</b>	0.00	3,214,629,881.60
<b>8. Net Change</b>	0.00	(432,354,710.73)
<b>9. Cumulative Results of Operations</b>	0.00	31,214,710,932.57
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 7,443,696,016.98
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	7,443,696,016.98
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	2,820,952,336.00
13.B. Appropriations transferred-in/out	0.00	0.00
13.C. Other adjustments (rescissions, etc)	0.00	(35,334,546.28)
13.D. Appropriations used	0.00	(2,078,139,135.48)
<b>14. Total Budgetary Financing Sources</b>	0.00	707,478,654.24
<b>15. Unexpended Appropriations</b>	0.00	8,151,174,671.22
<b>16. Net Position</b>	0.00	39,365,885,603.79

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended March 31, 2007 and 2006

	2006 Earmarked Funds	2006 All Other Funds
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 4,781,544,275.75	\$ 26,024,852,327.23
<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>	4,781,544,275.75	26,024,852,327.23
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	1,869,240,262.99
4.C. Nonexchange revenue	851,287,052.20	0.00
4.D. Donations and forfeitures of cash and cash equivalents	0.00 0.00	0.00 0.00
4.E. Transfers-in/out without reimbursement	4,412,460.34	232,122,242.00
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	6,134,327.03
5.B. Transfers-in/out without reimbursement (+/-)	(129,973,844.51)	130,221,973.74
5.C. Imputed financing from costs absorbed by others	0.00	134,532,797.98
5.D. Other (+/-)	0.00	0.00
<b>6. Total Financing Sources</b>	725,725,668.03	2,372,251,603.74
<b>7. Net Cost of Operations (+/-)</b>	496,456,226.05	2,032,580,519.98
<b>8. Net Change</b>	229,269,441.98	339,671,083.76
<b>9. Cumulative Results of Operations</b>	5,010,813,717.73	26,364,523,410.99
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 1,005,843,072.74
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	1,005,843,072.74
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	8,292,549,000.00
13.B. Appropriations transferred-in/out	0.00	2,542,370.00
13.C. Other adjustments (rescissions, etc)	0.00	(53,830,000.00)
13.D. Appropriations used	0.00	(1,869,240,262.99)
<b>14. Total Budgetary Financing Sources</b>	0.00	6,372,021,107.01
<b>15. Unexpended Appropriations</b>	0.00	7,377,864,179.75
<b>16. Net Position</b>	5,010,813,717.73	33,742,387,590.74

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
For the periods ended March 31, 2007 and 2006

	2006 Eliminations	2006 Consolidated
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>1. Beginning Balances</b>	\$ 0.00	\$ 30,806,396,602.98
<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>	0.00	30,806,396,602.98
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (rescissions, etc.)	0.00	0.00
4.B. Appropriations used	0.00	1,869,240,262.99
4.C. Nonexchange revenue	0.00	851,287,052.20
4.D. Donations and forfeitures of cash	0.00	0.00
and cash equivalents	0.00	0.00
4.E. Transfers-in/out without reimbursement	0.00	236,534,702.34
4.F. Other budgetary financing sources	0.00	0.00
<b>5. Other Financing Sources:</b>		
5.A. Donations and forfeitures of property	0.00	6,134,327.03
5.B. Transfers-in/out without reimbursement (+/-)	0.00	248,129.23
5.C. Imputed financing from costs absorbed by others	0.00	134,532,797.98
5.D. Other (+/-)	0.00	0.00
<b>6. Total Financing Sources</b>	0.00	3,097,977,271.77
<b>7. Net Cost of Operations (+/-)</b>	0.00	2,529,036,746.03
<b>8. Net Change</b>	0.00	568,940,525.74
<b>9. Cumulative Results of Operations</b>	0.00	31,375,337,128.72
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>10. Beginning Balances</b>	\$ 0.00	\$ 1,005,843,072.74
<b>11. Prior Period Adjustments:</b>		
11.A. Changes in accounting principles	0.00	0.00
11.B. Corrections of errors	0.00	0.00
<b>12. Beginning balances, as adjusted</b>	0.00	1,005,843,072.74
<b>13. Budgetary Financing Sources:</b>		
13.A. Appropriations received	0.00	8,292,549,000.00
13.B. Appropriations transferred-in/out	0.00	2,542,370.00
13.C. Other adjustments (rescissions, etc)	0.00	(53,830,000.00)
13.D. Appropriations used	0.00	(1,869,240,262.99)
<b>14. Total Budgetary Financing Sources</b>	0.00	6,372,021,107.01
<b>15. Unexpended Appropriations</b>	0.00	7,377,864,179.75
<b>16. Net Position</b>	0.00	38,753,201,308.47

Department of Defense  
US Army Corps of Engineers  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
For the periods ended March 31, 2007 and 2006

	2007 Combined	2006 Combined
<b>BUDGETARY FINANCING ACCOUNTS</b>		
<b>BUDGETARY RESOURCES:</b>		
1. Unobligated balance, brought forward, October 1	\$ 9,368,272,346.77	\$ 5,003,184,815.65
2. Recoveries of prior year unpaid obligations	0.00	0.00
3. Budget authority		
3.A. Appropriation	3,877,047,628.84	9,315,933,872.10
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	5,154,533,051.45	3,889,826,115.39
3.D.1.b. Change in receivables from Federal sources	(1,047,351,866.76)	2,098,903,693.50
3.D.2 Change in unfilled customer orders		
3.D.2.a. Advance received	(5,616,186.56)	11,132,879.80
3.D.2.b. Without advance from Federal sources	(456,748,650.85)	(353,909,190.26)
3.D.3. Anticipated for rest of year, without advances	3,743,011,869.27	3,232,822,563.66
3.D.4. Previously unavailable	0.00	0.00
3.D.5. Expenditure transfers from trust funds	0.00	0.00
3.E. Subtotal	11,264,875,845.39	18,194,709,934.19
4. Nonexpenditure transfers, net, anticipated and actual	79,091,000.00	(7,679,897.75)
5. Temporarily not available pursuant to Public Law	(10,000,000.00)	(10,000,000.00)
6. Permanently not available	(331,343.51)	(54,172,195.54)
<b>7. Total Budgetary Resources</b>	<b>\$ 20,701,907,848.65</b>	<b>\$ 23,126,042,656.55</b>

Department of Defense  
US Army Corps of Engineers  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
For the periods ended March 31, 2007 and 2006

	<b>2007 Combined</b>	<b>2006 Combined</b>
<b>Status of Budgetary Resources:</b>		
8. Obligations incurred:		
8.A. Direct	\$ 2,959,568,713.40	\$ 3,513,021,039.77
8.B. Reimbursable	4,100,765,741.84	6,712,328,253.29
8.C. Subtotal	<u>7,060,334,455.24</u>	<u>10,225,349,293.06</u>
9. Unobligated balance:		
9.A. Apportioned	11,081,135,917.27	8,838,553,635.11
9.B. Exempt from apportionment	2,509,231,128.83	4,062,081,446.81
9.C. Subtotal	<u>13,590,367,046.10</u>	<u>12,900,635,081.92</u>
10. Unobligated balance not available	51,206,347.31	58,281.57
<b>11. Total status of budgetary resources</b>	<u><u>\$ 20,701,907,848.65</u></u>	<u><u>\$ 23,126,042,656.55</u></u>
<b>Change in Obligated Balance:</b>		
12. Obligated balance, net		
12.A. Unpaid obligations, brought forward, October 1	5,478,110,211.50	3,945,373,877.53
12.B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	<u>\$ (6,421,137,770.82)</u>	<u>\$ (5,449,985,294.23)</u>
12.C. Total unpaid obligated balance	(943,027,559.32)	(1,504,611,416.70)
13. Obligations incurred net (+/-)	<u>\$ 7,060,334,455.24</u>	<u>\$ 10,225,349,293.06</u>
14. Less: Gross outlays	(7,009,102,207.04)	(8,569,816,632.49)
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 (+/-)	1,504,100,517.61	(1,744,994,503.24)
18. Obligated balance, net, end of period		
18.A. Unpaid obligations	5,529,342,459.70	5,600,906,538.10
18.B. Less: Uncollected customer payments (+/-) from Federal sources (-)	<u>(4,917,037,253.21)</u>	<u>(7,194,979,797.47)</u>
18.C. Total, unpaid obligated balance, net, end of period	<u>612,305,206.49</u>	<u>(1,594,073,259.37)</u>
<b>Net Outlays</b>		
<b>19. Net Outlays:</b>		
19.A. Gross outlays	7,009,102,207.04	8,569,816,632.49
19.B. Less: Offsetting collections	(5,148,916,864.89)	(3,900,958,995.19)
19.C. Less: Distributed Offsetting receipts	<u>(251,983,002.66)</u>	<u>(895,898,928.56)</u>
<b>19.D. Net Outlays</b>	<u><u>\$ 1,608,202,339.49</u></u>	<u><u>\$ 3,772,958,708.74</u></u>

Department of Defense  
 US Army Corps of Engineers  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
 For the periods ended March 31, 2007 and 2006

	<u>2007 Combined</u>	<u>2006 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  
**CONSOLIDATED STATEMENT OF FINANCING**  
For the periods ended March 31, 2007 and 2006

	<b>2007 Consolidated</b>	<b>2006 Consolidated</b>
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<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
1. Obligations incurred	\$ 7,060,334,455.24	\$ 10,225,349,293.06
2. Less: Spending authority from offsetting collections and recoveries (-)	(3,644,816,347.28)	(5,645,953,498.43)
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3. Obligations net of offsetting collections and recoveries	3,415,518,107.96	4,579,395,794.63
4. Less: Offsetting receipts (-)	(251,983,002.66)	(895,898,928.56)
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5. Net obligations	3,163,535,105.30	3,683,496,866.07
Other Resources		
6. Donations and forfeitures of property	684,583.54	6,134,327.03
7. Transfers in/out without reimbursement (+/-)	8,257,551.63	248,129.23
8. Imputed financing from costs absorbed by others	113,978,997.58	134,532,797.98
9. Other (+/-)	(450,380,983.49)	0.00
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10. Net other resources used to finance activities	(327,459,850.74)	140,915,254.24
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<b>11. Total resources used to finance activities</b>	<b>\$ 2,836,075,254.56</b>	<b>\$ 3,824,412,120.31</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 (-)	(229,790,338.72)	(1,788,869,069.37)
12b. Unfilled Customer Orders	(462,364,837.41)	(342,776,310.46)
13. Resources that fund expenses recognized in prior periods	(4,272,567.81)	(31,910,853.11)
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	251,983,002.66	895,898,928.56
15. Resources that finance the acquisition of assets	(4,379,316.51)	(1,576,177.53)
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 (+/-)	441,438,848.32	(6,382,456.26)
	<hr/>	<hr/>
<b>17. Total resources used to finance items not part of the net cost of operations</b>	<b>\$ (17,385,209.47)</b>	<b>\$ (1,285,615,938.17)</b>
	<hr/>	<hr/>
<b>18. Total resources used to finance the net cost of operations</b>	<b>\$ 2,818,690,045.09</b>	<b>\$ 2,538,796,182.14</b>
	<hr/>	<hr/>

Department of Defense  
US Army Corps of Engineers  
**CONSOLIDATED STATEMENT OF FINANCING**  
For the periods ended March 31, 2007 and 2006

	<u>2007 Consolidated</u>	<u>2006 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	6,197,000.00	0.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	0.00	0.00
22. Increase in exchange revenue receivable from the public (-)	(1,039,077.88)	(751,514.62)
23. Other (+/-)	39,177,513.85	88,823,000.00
24. Total components of Net Cost of Operations that will require or generate resources in future periods	<u>44,335,435.97</u>	<u>88,071,485.38</u>
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	233,372,996.93	245,922,695.14
26. Revaluation of assets or liabilities (+/-)	450,476,359.50	(119,161,537.78)
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	0.00	0.00
27b. Cost of Goods Sold	1,595,145.80	417,958.84
27c. Operating Material & Supplies Used	113,283.48	0.00
27d. Other	(333,953,385.17)	(225,010,037.69)
28. Total components of Net Cost of Operations that will not require or generate resources	<u>351,604,400.54</u>	<u>(97,830,921.49)</u>
<b>29. Total components of net cost of operations that will not require or generate resources in the current period</b>	<u>\$ 395,939,836.51</u>	<u>\$ (9,759,436.11)</u>
<b>30. Net Cost of Operations</b>	<u><u>\$ 3,214,629,881.60</u></u>	<u><u>\$ 2,529,036,746.03</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 U.S. 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 Civil Works resources for which USACE is responsible. The USACE Civil Works does not have classified assets, programs, or operations.

The USACE’s financial statements are prepared from the consolidation of general ledger financial data reported from the Corps of Engineers Financial Management System (CEFMS) to the Corps of Engineers Enterprise Management Information System (CEEMIS). The financial statements are presented on the accrual basis of accounting as required by the Statement of Federal Financial Accounting Standards (SFFAS).

**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.

**1.C. Appropriations and Funds**

The USACE Civil Works Program receives federal funding through annual Energy and Water Development Appropriations Act. 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.

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.

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 them from general revenues.

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 record government receipts reserved for a specific purpose.

Deposit funds are used to record amounts held temporarily until paid to the appropriate government or public entity. The USACE is acting as an agent or a custodian for funds awaiting distribution.

The USACE is a party to allocation transfers with other federal agencies as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity. Exceptions to this general rule will apply to specific funds for which OMB has directed that all activity will be reported in the financial statements of the child to the transfer. Exceptions include all Treasury-Managed Trust Funds, Executive Office of the President, and all other funds specifically designated by OMB.

The USACE is a party to allocation transfers as the child for the following funds meeting the OMB exception, and all related activity is thus included in the USACE financial statements: South Dakota Terrestrial Wildlife Habitat Restoration, Inland Waterways, and Harbor Maintenance trust funds.

In 1997, USACE received borrowing authority from the U.S. 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.

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

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

**1.D. Basis of Accounting**

The USACE's financial transactions are recorded on an accrual accounting basis as 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 in accordance with the U.S. Treasury Financial Manual.

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. The general ledger chart of accounts in CEFMS is compliant with the U.S. Government Standard General Ledger (USSGL).

In addition, the Department of Defense (DoD) identifies program costs based upon the major appropriation groups provided by the 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.

### **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. Expenses, such as civilian earned leave, are financed in the period when earned. An exception is sick leave, which is expensed as taken. Accrual adjustments are made for environmental liabilities. 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.

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

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

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

The U.S. 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 U.S. 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

U.S. Treasury and the Federal Financing Bank, Federal Employees' Compensation Act transactions with the Department of Labor (DOL), and benefit program transactions with 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 to 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 U.S. Treasury does not allocate such interest costs to the benefiting agencies.

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

The USACE Civil Works Program does not have transactions with foreign governments and/or international organizations.

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

The USACE's monetary financial resources are maintained in U.S. Treasury accounts. The disbursing offices of the USACE Finance Center (UFC), the Defense Finance and Accounting Service (DFAS) 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 U.S. Treasury on check issues, electronic fund transfers, interagency transfers, and deposits.

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

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

Cash is the total of cash resources under the control of 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 U.S. 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 adjustments to the original obligation amount at the time of payment. The USACE does not separately identify currency fluctuations.

#### **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. The USACE bases the allowance for uncollectible accounts receivable due from the public on established percentages per aged category of the cumulative balance of delinquent public receivables. The calculation and financial transaction updates are performed automatically in CEFMS. 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 in accordance with dispute resolution procedures defined in the Intragovernmental Business Rules published in the Treasury Financial Manual at <http://www.fms.treas.gov/trm/vol1/07-03.pdf>.

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

The USACE does not operate a direct loan and/or loan guarantee program.

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

The USACE inventories are valued 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 OM&S. The OM&S are valued at net realizable value. The USACE uses 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.

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

## **1.N. Investments**

The USACE reports investments in U.S. 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 U.S. Treasury.

## **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 \$25,000. One exception is all buildings and structures related to hydropower projects which are capitalized regardless of cost. Prior to FY 2004, USACE capitalized all buildings and structures regardless of cost. In FY 2003, USACE increased the threshold (effective FY 2004) for buildings and structures to \$25,000 for all Civil Works appropriations with the exception of Revolving Fund and hydropower related assets, and expensed all applicable previously acquired assets not meeting the new \$25,000 threshold.

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, federal accounting standards require that it 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 new 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.

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

It is DoD policy to record payments in advance of the receipt of goods and services as advances or prepayments and report the advances as an asset on the Balance Sheet, and to recognize the expenses and/or proper asset classification 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 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 government'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 in the related note.

Other assets include those assets, such as travel advances, that are not reported elsewhere on USACE's Balance Sheet.

### **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 earned leave, except sick leave, that has been accrued and not used as of the Balance Sheet date. Sick leave is expensed as taken. 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 of operations also include donations and transfers in and out of assets without reimbursement.

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

The USACE Civil Works Program does not have treaties for use of foreign bases.

#### **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, but no less than \$100 thousand, 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 Collection**

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 U.S. Treasury. These amounts should agree with the undistributed amounts reported on the departmental accounting reports. In-transit payments are those payments that have been made to other agencies or entities that have not been recorded in their accounting records. These payments are applied to the entities' outstanding accounts payable balance. In-transit collections are those collections from other agencies or entities that

have not been recorded in the accounting records. These collections are applied to the entities' accounts receivable balance.

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 transactions. These transactions are all federal. The USACE Civil Works Program does not have in-transit payments or collections.

### **1.Z. Accounts Payable and Liabilities Not Covered by Budgetary Resources**

Accounts payable are the amounts owed by USACE for goods and services received from other entities, progress in contract performance made by other entities, and rents due to other entities.

Liabilities not covered by budgetary resources are those liabilities that are not covered by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date.

<b>Note 2.</b>	<b>Nonentity Assets</b>
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As of March 31	2007	2006
<b>1. Intragovernmental Assets</b>		
A. Fund Balance with Treasury	\$ 68,012,011.31	\$ 59,397,399.03
B. Accounts Receivable	2,072.00	972.00
C. Total Intragovernmental Assets	\$ 68,014,083.31	\$ 59,398,371.03
<b>2. Nonfederal Assets</b>		
A. Cash and Other Monetary Assets	\$ 741,340.90	\$ 1,231,401.74
B. Accounts Receivable	1,680,355,366.39	1,764,957,769.60
C. Other Assets	0.00	0.00
D. Total Nonfederal Assets	\$ 1,681,096,707.29	\$ 1,766,189,171.34
<b>3. Total Nonentity Assets</b>	\$ 1,749,110,790.60	\$ 1,825,587,542.37
<b>4. Total Entity Assets</b>	\$ 41,930,297,073.29	\$ 40,955,819,465.07
<b>5. Total Assets</b>	\$ 43,679,407,863.89	\$ 42,781,407,007.44

**Other Information**

Asset accounts are categorized either as entity or nonentity. Entity accounts consist of resources that the agency has authority to use, or where 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, and are not available for use in operations.

Intragovernmental nonentity accounts receivable consist of \$1.1 thousand for an outstanding receivable with the National Oceanic and Atmospheric Administration within the Department of Commerce for the moorage of a research vessel. Additionally, \$1.0 thousand is for an outstanding receivable with the Federal Bureau of Investigation within the Department of Justice for the use of an antenna. Nonentity accounts receivables are recorded in unavailable receipt accounts and funds will be returned to the U.S. Treasury when collected.

Cash and Other Monetary Assets are the Disbursing Officer's Accountability, which is comprised of \$4.3 thousand in change funds for recreation cashiers, \$98.6 thousand in disbursing officer's cash, and \$638.4 thousand in foreign currency.

Nonentity nonfederal accounts receivable represents all current and noncurrent receivables due from nonfederal sources. This includes \$834.4 million in noncurrent receivables due from state and local municipalities for long-term water storage contracts; \$30.3 million in current receivables due from state and local municipalities for water storage; \$814.8 million in accrued interest receivable; \$535.3 thousand in penalties, fines, and administrative fees receivable; \$1.1 million in long-term receivables for hydraulic

mining; and \$1.4 million for other miscellaneous receivables. An additional \$3.9 million 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 U.S. Treasury when collected. The allowance for doubtful accounts totals \$6.1 million for nonentity nonfederal accounts receivables.

<b>Note 3.</b>	<b>Fund Balance with Treasury</b>
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As of March 31	2007	2006
<b>1. Fund Balances</b>		
A. Appropriated Funds	\$ 8,137,545,056.26	\$ 5,891,509,738.05
B. Revolving Funds	971,192,764.23	897,910,971.19
C. Trust Funds	149,109,805.03	84,137,341.49
D. Special Funds	10,853,352.03	5,392,140.23
E. Other Fund Types	618,687,578.57	540,327,728.19
F. Total Fund Balances	\$ 9,887,388,556.12	\$ 7,419,277,919.15
<b>2. Fund Balances Per Treasury Versus Agency</b>		
A. Fund Balance per Treasury	\$ 6,930,112,527.71	\$ 7,340,112,312.48
B. Fund Balance per USACE	9,887,388,556.12	7,419,277,919.15
<b>3. Reconciling Amount</b>		
	\$ (2,957,276,028.41)	\$ (79,165,606.67)

**Fluctuations**

Total Fund Balances increased by \$2.5 billion (33%). The USACE receives federal funding through the annual Energy and Water Development Appropriations Act. The USACE received additional funding of \$2.0 billion during 2<sup>nd</sup> Quarter, FY 2006 and \$3.0 billion during 3<sup>rd</sup> Quarter, FY 2006, for Flood Control and Coastal Emergencies due to the unprecedented hurricane season in the Gulf of Mexico during 2005. Additional funds for New Orleans, Vicksburg, and Galveston districts were for hurricane relief efforts, to include debris clean-up and removal, and purchases of ice, water, and tarps for coverage of damaged roofs. By 2<sup>nd</sup> Quarter, FY 2007, \$2.3 billion of the additional funding was disbursed.

**Reconciling Amount**

The Reconciling Amount for Fund Balance per USACE includes Continuing Resolution Authority (CRA). The USACE receives federal funding through the annual Energy and Water Development Appropriations Act. As of 2<sup>nd</sup> Quarter FY 2007, this appropriations act was not passed by the Congress. Fund Balance per USACE also includes cash reported by the U.S. 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. These were distributed to the appropriate funds during April 2007.

Other Fund Types (nonentity) consist of deposit accounts which are not available to finance USACE activities. Other Fund Types (entity) consists of borrowing authority, contributed funds and the suspense account established to finance Washington Aqueduct operations.

<b>Status of Fund Balance with Treasury</b>
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As of March 31	2007	2006
<b>1. Unobligated Balance</b>		
A. Available	\$ 10,562,781,272.57	\$ 10,777,743,581.92
B. Unavailable	2,392,872,402.30	1,440,544,766.30
<b>2. Obligated Balance not yet Disbursed</b>	\$ 5,529,342,459.70	\$ 5,600,906,538.10
<b>3. Nonbudgetary FBWT</b>	\$ 67,425,900.69	\$ 88,956,390.82
<b>4. NonFBWT Budgetary Accounts</b>	\$ (8,665,033,479.14)	\$ (10,488,873,357.99)
<b>5. Total</b>	<u>\$ 9,887,388,556.12</u>	<u>\$ 7,419,277,919.15</u>

### Fluctuations

Total Status of Fund Balance with Treasury increased \$2.5 billion (33%). The increase is attributed to the collection of \$1.4 billion in outstanding receivables and the completion of approximately \$822 million in customer orders with the Federal Emergency Management Agency (FEMA) during 1<sup>st</sup> Quarter, FY 2007 and 2<sup>nd</sup> Quarter, FY 2007. The outstanding receivables and customer orders were at USACE New Orleans, Vicksburg, and Galveston districts and were for relief efforts, to include debris clean-up and removal, and purchases of ice, water, and tarps for coverage of damaged roofs, related to the unprecedented hurricane season in the Gulf of Mexico during 2005.

### 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 Fund Balance with Treasury (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**

Unobligated Balance is segregated to show Available and Unavailable amounts in the note schedule. Certain unobligated balances may be restricted to future use and are not apportioned for current use. The USACE is the lead agency for reporting the financial data for the Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration trust funds. These trust funds remain invested and restricted for use until transferred to meet current expenditure requirements. The U.S. Treasury, Bureau of Public Debt (BPD) maintains the investments and the investment accounting records and invests the trust fund receipts.

Nonbudgetary FBWT is comprised of unavailable receipt, suspense and clearing accounts.

NonFBWT Budgetary Accounts are comprised of investments, borrowing authority, accounts receivable, and unfilled customer orders without an advance.

<b>Disclosures Related to Suspense/Budget Clearing Accounts</b>
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As of March 31	2005	2006	2007	(Decrease)/ Increase from FY 2006 - 2007
<b>Account</b>				
F3845 – Personal Property Proceeds	\$ 0.00	\$ 0.00	\$ 0.00	0.00
F3875 – Disbursing Officer Suspense	582,205.81	550,825.27	630,384.23	79,558.96
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	(28,374,436.24)	(4,030,629.79)	(1,048,851.89)	2,981,777.90
F3886 – Thrift Savings Plan Suspense	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ (27,792,230.43)</b>	<b>\$ (3,479,804.52)</b>	<b>\$ (586,110.62)</b>	<b>2,893,693.90</b>

**Fluctuations**

The Total Disclosures Related to Suspense/Budget Clearing Accounts changed by \$2.9 million (83%). This was a result of unrecorded Intragovernmental Payment and Collection (IPAC) net disbursements for multiple USACE districts as of 2<sup>nd</sup> Quarter, FY 2006 that were recorded in 3<sup>rd</sup> Quarter, FY 2006.

**Abnormalities**

The Lost or Cancelled Treasury Checks has an abnormal balance of (\$168) thousand due to an invalid chargeback received from the U.S. Treasury during May 2006. The USACE requested reversal of this chargeback in June 2006.

The Interfund/IPAC Suspense has an abnormal balance of (\$1.0) million due to unrecorded IPAC net disbursements for multiple USACE districts. These transactions were recorded in April 2007.

**Other Information**

The F3875 suspense clearing account represents the Disbursing Officer's suspense. Suspense clearing account F3885, represents the Interfund/IPAC suspense. These two suspense accounts temporarily hold collections or disbursements until they can be assigned or identified to a valid appropriation.

The F3880 suspense clearing account 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 U.S. Treasury and need to be transferred to the original appropriation.

The USACE Civil Works Program does not have the following suspense clearing accounts: F3845 - Personal Property Processed, F3882 - Uniformed Services Thrift Savings Plan Suspense, or F3886 - Thrift Savings Plan Suspense.

## Disclosures Related to Problem Disbursements

As of March 31	2005	2006	2007	(Decrease)/ Increase from FY 2006 to 2007
<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
C. In-Transit Disbursements	0.00	0.00	0.00	0.00
<b>Total</b>	\$ 0.00	\$ 0.00	\$ 0.00	0.00

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

<b>Note 4.</b>	<b>Investments and Related Interest</b>
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As of March 31	2007				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
<b>1. Intragovernmental Securities</b>					
<b>A. Nonmarketable, Market-Based</b>					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	3,831,049,228.12	Level Yield Calculation	(38,040,893.31)	3,793,008,334.81	3,780,141,087.43
4. Other Funds	0.00		0.00	0.00	0.00
5. Total Nonmarketable, Market-Based	3,831,049,228.12		(38,040,893.31)	3,793,008,334.81	3,780,141,087.43
<b>B. Accrued Interest</b>	22,894,185.64			22,894,185.64	22,894,185.64
<b>C. Total Intragovernmental Securities</b>	\$ 3,853,943,413.76		\$ (38,040,893.31)	\$ 3,815,902,520.45	\$ 3,803,035,273.07
<b>2. Other Investments</b>					
<b>A. Total Other Investments</b>	\$ 0.00		\$ 0.00	\$ 0.00	N/A
<b>3. Intragovernmental Securities</b>					
<b>A. Nonmarketable, Market-Based</b>					
1. Military Retirement Fund	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
2. Medicare Eligible Retiree Health Care Fund	0.00		0.00	0.00	0.00
3. US Army Corps of Engineers	3,434,057,013.80	Level Yield Calculation	(65,008,110.63)	3,369,048,903.17	3,306,256,464.07
4. Other Funds	0.00		0.00	0.00	0.00
5. Total Nonmarketable, Market-Based	3,434,057,013.80		(65,008,110.63)	3,369,048,903.17	3,306,256,464.07
<b>B. Accrued Interest</b>	17,475,889.06			17,475,889.06	17,475,889.06
<b>C. Total Intragovernmental Securities</b>	\$ 3,451,532,902.86		\$ (65,008,110.63)	\$ 3,386,524,792.23	\$ 3,323,732,353.13
<b>4. Other Investments</b>					
<b>A. Total Other Investments</b>	\$ 0.00		\$ 0.00	\$ 0.00	N/A

## **Fluctuations**

Total Intragovernmental Securities increase of \$429.4 million (13%) in intragovernmental securities, investments, and interest is due to several factors. Harbor Maintenance Trust Fund reported an increase in investments of \$480.0 million which is due to the amount of tax collections and interest on investments less the amount of transfers-out for the 12 month period between 2<sup>nd</sup> Quarter, FY 2006, and 2<sup>nd</sup> Quarter, FY 2007. South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund reported a \$13.6 million increase in investments in 2nd Quarter, FY 2007. The increase is due to the U.S. Treasury investing the \$10.0 million annual appropriation, received from the general fund, in Market-Based Treasury Notes. Inland Waterways Trust Fund reported a decrease in investments of \$64.2 million in 2nd Quarter, FY 2007, because transfers-out exceeded the amount of tax collections and interest on investments received during the 12 month period between 2<sup>nd</sup> Quarter, FY 2006, and 2<sup>nd</sup> Quarter, FY 2007.

Tax revenues are invested by the U.S. Treasury and are reported on the Bureau of Public Debt financial statements for Harbor Maintenance and Inland Waterways Trust Funds. Tax revenues are from imports, domestics, excise, foreign trade, and passengers. The tax revenues are collected daily by the U.S. Customs Service and are deposited into the U.S. Treasury. These revenues are recorded on a cash basis and are strictly a point-of-service collection.

## **Other Information**

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with Harbor Maintenance, Inland Waterways, and South Dakota Terrestrial Wildlife Habitat Restoration trust funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. The U.S. Treasury securities are issued to the USACE as evidence of its receipts. The U.S. Treasury securities are an asset to USACE and a liability to the U.S. Treasury. Because USACE and the U.S. 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 U.S. Governmentwide financial statements. The U.S. Treasury securities provide USACE with authority to draw upon the U.S. Treasury to make future 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.

The breakdown of total investments among the trust funds is as follows: \$3.4 billion in the Harbor Maintenance Trust Fund, \$247.5 million in the Inland Waterways Trust Fund, and \$100.4 million in the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund.

The U.S. Treasury also provides the investment market value based on the bid price provided by the Federal Reserve Bank of New York on March 31, 2007.

**Note 5. Accounts Receivable**

As of March 31	2007			2006
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
<b>1. Intragovernmental Receivables</b>	\$ 1,622,950,005.46	N/A	\$ 1,622,950,005.46	\$ 3,133,265,135.58
<b>2. Nonfederal Receivables (From the Public)</b>	\$ 1,708,289,560.71	\$ (6,086,769.42)	\$ 1,702,202,791.29	\$ 1,790,005,402.13
<b>3. Total Accounts Receivable</b>	\$ 3,331,239,566.17	\$ (6,086,769.42)	\$ 3,325,152,796.75	\$ 4,923,270,537.71

**Fluctuations**

Intragovernmental Receivables decreased \$1.5 billion (48%). Of the \$1.5 billion, \$1.4 billion is attributed to the collection of receivables from the Federal Emergency Management Agency (FEMA). These FEMA receivables are predominantly associated with disaster relief efforts for hurricanes Katrina and Rita at USACE New Orleans, Vicksburg, and Galveston districts. The initial increase in intragovernmental receivables for hurricane relief efforts was reported in 1<sup>st</sup> Quarter, FY 2006, and continued through 4<sup>th</sup> Quarter, FY 2006. The initial decrease was reported in 1<sup>st</sup> Quarter, FY 2007 and continued in 2<sup>nd</sup> Quarter, FY 2007.

**Other Information**

The USACE bases the allowance for uncollectible accounts receivable due from the public on established percentages per aged category of the cumulative balance of delinquent public receivables. The calculation and financial transaction updates are performed automatically in the Corps of Engineers Financial Management System (CEFMS). The Department of Defense (DoD) does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against other federal agencies are to be resolved between agencies using the Intragovernmental Business Rules published in the Treasury Financial Manual at <http://www.fms.treas.gov/trm/vol1/07-03.pdf>.

The USACE was able to reconcile its accounts receivable balances with the accounts payable balances of other DoD 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 by the amount of the allowance for uncollectible accounts receivable. The TROR, unlike the Balance Sheet, should not include the allowance for estimated uncollectible accounts receivable.

## Aged Accounts Receivable

As of March 31	2007		4th Quarter 2006	
	Intragovernmental	Nonfederal	Intragovernmental	Nonfederal
<b>CATEGORY</b>				
<b>Nondelinquent</b>				
Current	\$ 1,181,693,927.53	\$ 60,843,465.59	\$ 739,758,328.31	\$ 71,566,998.99
Noncurrent	0.00	1,573,392,260.95	0.00	1,621,941,334.37
<b>Delinquent</b>				
1 to 30 days	\$ 63,181,996.61	\$ 1,744,073.95	\$ 181,163,913.96	\$ 2,931,326.62
31 to 60 days	85,648,770.60	419,488.30	169,358,955.55	281,959.25
61 to 90 days	94,830,088.44	1,183,088.20	11,065.00	146,971.47
91 to 180 days	167,756,820.08	2,251,991.05	604,647,992.62	334,080.66
181 days to 1 year	89,074,050.10	914,165.89	718,230,678.51	15,529,165.87
Greater than 1 year and less than or equal to 2 years	29,479,786.98	15,807,287.57	1,970,409.62	15,856,836.04
Greater than 2 years and less than or equal to 6 years	4,726,550.44	42,761,708.71	4,495,817.17	43,379,665.99
Greater than 6 years and less than or equal to 10 years	11,040.32	8,972,030.50	11,040.32	7,889,003.85
Greater than 10 years	0.00	0.00	0.00	0.00
<b>Subtotal</b>	<b>\$ 1,716,403,031.10</b>	<b>\$ 1,708,289,560.71</b>	<b>\$ 2,419,648,201.06</b>	<b>\$ 1,779,857,343.11</b>
Less Supported Undistributed Collections	0.00	0.00	0.00	0.00
Less Eliminations	(93,453,025.64)	0.00	(12,091,888.44)	0.00
Less Other	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 1,622,950,005.46</b>	<b>\$ 1,708,289,560.71</b>	<b>\$ 2,407,556,312.62</b>	<b>\$ 1,779,857,343.11</b>

The accounts receivable aging schedule prior year column represents 4<sup>th</sup> Quarter, FY 2006, ending balances, rather than the ending balances at 2<sup>nd</sup> Quarter, FY 2006. Therefore, the prior year accounts receivable balance on the aging schedule will not agree with the prior year balance on the Balance Sheet or the prior year balance in the first schedule in this note.

### **Nondelinquent Noncurrent Nonfederal Receivables (From the Public)**

The \$1.6 billion in nondelinquent noncurrent nonfederal receivables consists of amounts due from state and local municipalities for long-term water storage contracts.

### **Delinquent Intragovernmental Receivables**

The total delinquent intragovernmental accounts receivable is \$534.7 million. Of this amount, \$518.7 million is due from FEMA, predominately for receivables associated with disaster relief efforts for hurricanes Katrina and Rita at USACE New Orleans and Vicksburg districts. Extensive supporting documentation is required by FEMA before paying these disaster bills. This requirement for support is labor intensive, and obtaining support from other federal agencies is difficult, therefore, causing a delay in the payment by FEMA. The USACE will continue to work

with FEMA directly on resolving delinquent receivables and will continue to provide detailed information for all billings. The USACE has reduced its FEMA receivables by \$1.4 billion since 2nd Quarter, FY 2006. This is attributed to continuing efforts among Headquarters USACE, USACE Finance Center, and FEMA personnel. The USACE also has delinquent receivables from the Coast Guard and Environmental Protection Agency (EPA) totaling \$10.4 million. These receivables are primarily for work being conducted under the Oil Pollution Act of 1990. The Coast Guard and EPA require extensive supporting documentation before paying these bills. In addition, both the Coast Guard and EPA lack the manpower to support this increased workload. The USACE continues to work with EPA and the Coast Guard to resolve their delinquent receivables and will continue to provide detailed billing information.

Delinquent intragovernmental receivables less than 181 days are \$411.4 million. Of the \$411.4 million, \$403.5 million is due from FEMA predominately for receivables associated with disaster relief efforts for hurricanes Katrina and Rita at USACE New Orleans and Vicksburg districts.

Amounts in thousands	FY 2006	FY 2007
FY 2006 Delinquent 1 - 180 compared to FY 2007 Delinquent 181 - 1 year	955,182	89,074
FY 2006 Delinquent 181 - 1 year compared to FY 2007 Delinquent 1 year - 2 year	718,231	29,480
FY 2006 Delinquent 1 year - 2 years compared to FY 2007 Delinquent 1 year - 2 years	1,970	29,480
FY 2006 Delinquent 1 year - 2 years compared to FY 2007 Delinquent 2 year - 6 years	1,970	4,727
FY 2006 Delinquent 2 years – 6 years compared to FY 2007 Delinquent 2 years – 6 years	4,496	4,727
FY 2006 Delinquent 6 years – 10 years compared to FY 2007 Delinquent 6 years – 10 years	11	11

FY 2006 Delinquent intragovernmental receivables from 1 to 180 days have decreased by \$866.1 million (91%). Of the \$866.1 million, \$862.8 million is attributed to the collection of receivables from FEMA predominantly associated with disaster relief efforts for hurricanes Katrina and Rita at USACE New Orleans and Vicksburg districts.

FY 2006 Delinquent intragovernmental receivables from 181 days to 1 year have decreased by \$688.8 million (96%). The decrease is attributed to the collection of receivables from FEMA predominantly associated with disaster relief efforts for hurricanes Katrina and Rita at USACE New Orleans and Vicksburg districts.

FY 2006 Delinquent intragovernmental receivables from greater than 1 year and less than or equal to 2 years have increased by \$27.5 million. Of the \$27.5 million, \$26.8 million is due from FEMA predominantly for receivables associated with disaster relief efforts for hurricanes Katrina and Rita at USACE New Orleans and Vicksburg districts.

Delinquent intragovernmental receivables from greater than 1 year and less than or equal to 2 years at 4th Quarter, FY 2006, compared to greater than 2 years and less than or equal to 6 years at 2nd Quarter, FY 2007, increased by \$2.8 million (140%). Of the \$2.8 million, \$2.6 million is owed by the Coast Guard and EPA predominantly for receivables associated with the Oil Pollution Act of 1990 at USACE Omaha, Jacksonville, Mobile, Southwestern, and Tulsa districts.

**Delinquent Nonfederal Receivables (From the Public)**

The amount of delinquent nonfederal receivables is \$74.1 million. The USACE has \$69.6 million in delinquent receivables for municipal water storage that are currently in litigation. The water storage is at USACE Jacksonville and Tulsa districts. The District of Columbia Public Schools (DCPS) owes \$1.8 million to USACE Baltimore district for construction services. The USACE has quarterly meetings with DCPS to resolve their outstanding receivables. Additionally, \$92.9 thousand is at the U.S. Treasury for offset, \$78.8 thousand is at the U.S. Treasury for cross servicing, and \$2.5 million is being pursued by USACE with delinquent demand letters.

Delinquent nonfederal receivables less than 181 days are \$5.6 million. Of this amount, DCPS owes \$1.8 million to USACE Baltimore district for construction services. The USACE has quarterly meetings with DCPS to resolve their outstanding receivables. The Oklahoma Water Resources Board (OWRB) owes \$1.1 million for Sardis Lake water storage at USACE Tulsa district. This is currently in litigation. The Waurika Lake Master Conservancy District (WLMCD) owes \$1.0 million for Waurika Lake water storage at the USACE Tulsa district. This is also currently in litigation.

Amounts in thousands	FY 2006	FY 2007
FY 2006 Delinquent 1 - 180 compared to FY 2007 Delinquent 181 - 1 year	3,694	914
FY 2006 Delinquent 181 - 1 year compared to FY 2007 Delinquent 1 year - 2 year	15,529	15,807
FY 2006 Delinquent 1 year - 2 years compared to FY 2007 Delinquent 1 year - 2 years	15,857	15,807
FY 2006 Delinquent 1 year - 2 years compared to FY 2007 Delinquent 2 year - 6 years	15,857	42,762
FY 2006 Delinquent 2 years – 6 years compared to FY 2007 Delinquent 2 years – 6 years	43,380	42,762
FY 2006 Delinquent 6 years – 10 years compared to FY 2007 Delinquent 6 years – 10 years	7,889	8,972

FY 2006 Delinquent nonfederal receivables from 1 to 180 days have decreased by \$2.8 million (75%). Of the \$2.8 million, the City of Indianapolis paid \$759.0 thousand for flood damage reduction to USACE Louisville district. The WLMCD paid \$630.5 thousand for water storage at USACE Tulsa district. The Oklahoma City Water Utilities Trust paid \$257.1 thousand for Canton Lake water storage at USACE Tulsa district. The Brazos River Authority paid \$157.4 thousand for Belton Lake water storage at USACE Fort Worth district. The Edison Sault Electric Company paid \$135.4 thousand for hydro-electric power at USACE Detroit district. The Norfolk Redevelopment and Housing Authority paid \$108.9 thousand for usage of the Craney Island Dredge at USACE Norfolk district.

FY 2006 Delinquent nonfederal receivables from greater than 1 year and less than or equal to 2 years have increased by \$26.9 million (170%). Of the \$26.9 million, \$12.5 million is owed by the Commonwealth of Puerto Rico on a 50 year contract for the Cerrillos Dam water storage at USACE Jacksonville district. Additionally, \$7.5 million is owed by Edmund Public Works for interest accrued on water storage at USACE Tulsa district.

FY 2006 Delinquent nonfederal receivables from greater than 6 years and less than or equal to 10 years have increased by \$1.1 million (14%). Of the \$1.1 million, \$1.0 million is owed by the OWRB for water storage in Sardis Lake at USACE Tulsa district.

<b>Note 6.</b>	<b>Other Assets</b>
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As of March 31	2007	2006
<b>1. Intragovernmental Other Assets</b>		
A. Advances and Prepayments	\$ 0.00	\$ 0.00
B. Other Assets	0.00	0.00
C. 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)	270,624.75	49,395,994.62
C. Total Nonfederal Other Assets	\$ 270,624.75	\$ 49,395,994.62
<b>3. Total Other Assets</b>	\$ 270,624.75	\$ 49,395,994.62

**Fluctuations**

Other Assets (With the Public) decreased \$49.1 million (99%). The decrease is attributed to a change in accounting policy for reporting costs associated with fish and wildlife mitigation studies. Effective 2nd Quarter, FY 2006, USACE captured these costs in the accounting system as intangible assets. During 2nd Quarter, FY 2007, USACE conducted a review of the accounting method used for the costs of the studies and determined that they should not be capitalized and amortized. The current accounting method treats the costs associated with fish and wildlife mitigation studies as a loss on assets resulting from events other than disposition. This accounting method became effective 2nd Quarter, FY 2007.

**Other Information**

Other Assets (With the Public) consists of advances issued to employees for temporary duty and permanent change of station travel. Refer to Note 7, "Cash and Other Monetary Assets," for additional detail and disclosures.

<b>Note 7.</b>	<b>Cash and Other Monetary Assets</b>
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As of March 31	2007	2006
<b>1. Cash</b>	\$ 102,867.34	\$ 578,380.50
<b>2. Foreign Currency</b>	638,473.56	653,021.24
<b>3. Other Monetary Assets</b>	0.00	0.00
<b>4. Total Cash, Foreign Currency, &amp; Other Monetary Assets</b>	\$ 741,340.90	\$ 1,231,401.74

**Fluctuations**

Total Cash, Foreign Currency, & Other Monetary Assets decreased \$490.1 thousand (40%) attributed to a decrease in Cash. The decrease in Cash of \$475.5 thousand is due to a change in the accounting method for recording travel advances. The USACE began recording travel advances as advance payments rather than recording in the Disbursing Officer's Accountability (Cash). This practice of disbursing from the disbursing officer funds was modified in 2<sup>nd</sup> Quarter, FY 2007, to disburse travel advances based on the funds of the authorized travel order per Department of Defense Financial Management Regulation, Volume 4, Chapter 5, paragraph 050308.

**Other Information**

Cash consists of \$98.6 thousand held in the Disbursing Officer's Accountability for previously issued travel advances and \$4.3 thousand in change funds for recreation cashiers. Foreign currency consists of Japanese yen, Euro dollars, and Korean won to process disbursement transactions at Japan, Europe, and Far-East districts. Cash is a nonentity asset and is considered a restricted asset that is held by USACE but not available for use in its operations.

The USACE translates foreign currency to U.S. dollars utilizing the U.S. Treasury Prevailing Rate of Exchange. This rate is the most favorable rate that would legally be available to the Federal Government acquisition of foreign currency for its official disbursements and accommodation of exchange transactions. There are no significant effects from changes in the foreign currency exchange rate. Foreign currency is a nonentity asset and is considered a restricted asset.

<b>Note 8.</b>	<b>Direct Loan and/or Loan Guarantee Programs</b>
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As of March 31

**Direct Loan and/or Loan Guarantee Programs**

## Summary of Direct Loans and Loan Guarantees

As of March 31	2007	2006
<b>Direct Loan Programs</b>		
1. Foreign Military Loan Liquidating Account	\$ 0.00	\$ 0.00
2. Military Housing Privatization Initiative	0.00	0.00
3. Foreign Military Financing Account	0.00	0.00
4. Military Debt Reduction Financing Account	0.00	0.00
5. Defaulted Guaranteed Loans Receivable:		
A. Foreign Military Financing Account	0.00	0.00
B. Military Housing Privatization Initiative	0.00	0.00
C. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
<b>6. Total Loans Receivable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

As of March 31	2007	2006
<b>Loan Guarantee Programs</b>		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
2. Military Housing Privatization Initiative	0.00	0.00
3. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
<b>4. Total Loan Guarantee Liability</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

<b>Direct Loans Obligated</b>
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As of March 31

2007

2006

**Direct Loans Obligated Prior to FY 1992  
(Allowance for Loss Method):**
**1. Foreign Military Loan Liquidating Account**

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 Loan Losses		0.00		0.00
<hr/>				
E. Value of Assets Related to Direct Loans, Net	\$	0.00	\$	0.00

**Direct Loans Obligated After FY 1991  
(Present Value Method):**
**2. Military Housing Privatization Initiative**

A. Loans Receivable Gross	\$	0.00	\$	0.00
B. Interest Receivable		0.00		0.00
C. Foreclosed Property		0.00		0.00
D. Allowance for Subsidy Cost (Present Value)		0.00		0.00
<hr/>				
E. Value of Assets Related to Direct Loans	\$	0.00	\$	0.00

**3. Foreign Military Financing Account**

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
<hr/>				
E. Value of Assets Related to Direct Loans	\$	0.00	\$	0.00

**4. Military Debt Reduction Financing Account**

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
<hr/>				
E. Value of Assets Related to Direct Loans, Net	\$	0.00	\$	0.00

**5. Total Direct Loans Receivable**

	\$	0.00	\$	0.00
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**Total Amount of Direct Loans Disbursed**

As of March 31	2007		2006	
<b>Direct Loan Programs</b>				
1. Military Housing Privatization Initiative	\$	0.00	\$	0.00
2. Foreign Military Financing Account		0.00		0.00
3. Military Debt Reduction Financing Account		0.00		0.00
<b>4. Total</b>	<b>\$</b>	<b>0.00</b>	<b>\$</b>	<b>0.00</b>

## Subsidy Expense for Post FY 1991 Direct Loan

As of March 31

2007	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
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

2006	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
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

2007	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
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

2006	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
Foreign Military Financing Account	0.00	0.00	0.00	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

	2007	2006
<b>5. Total Direct Loan Subsidy Expense:</b>		
Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
Foreign Military Financing Account	0.00	0.00
Military Debt Reduction Financing Account	0.00	0.00
<b>Total</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

**Subsidy Rate for Direct Loans by Program**

As of March 31	Interest Differential	Defaults	Fees and other Collections	Other	Total
<b>Budget Subsidy Rates for Direct Loans:</b>					
1. Military Housing Privatization Initiative	0.00%	0.00%	0.00%	0.00%	0.00%
2. Foreign Military Financing Account	0.00%	0.00%	0.00%	0.00%	0.00%
3. Military Debt Reduction Financing Account	0.00%	0.00%	0.00%	0.00%	0.00%

## Schedule for Reconciling Subsidy Cost Allowance Balances for Post FY1991 Direct Loans

As of March 31	2007	2006
<b>Beginning Balances, Changes and Ending Balance:</b>		
<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>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<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>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>4. Ending Balance of the Subsidy Cost Allowance before Re-estimates</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<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>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>6. Ending Balance of the Subsidy Cost Allowance</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

<b>Defaulted Guaranteed Loans</b>
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As of March 31

	2007		2006
<b>Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees (Allowance for Loss Method):</b>			
<b>1. Foreign Military Liquidating Account</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 Loan Losses	0.00		0.00
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$ 0.00	\$	0.00
<b>Defaulted Guaranteed Loans from Post-FY 1991 Guarantees (Present Value Method):</b>			
<b>2. 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>3. 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>4. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable</b>			
	\$ 0.00	\$	0.00

## Guaranteed Loans Outstanding

As of March 31	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
3. Foreign Military Liquidating Account		0.00		0.00
<b>4. Total</b>	<b>\$</b>	<b>0.00</b>	<b>\$</b>	<b>0.00</b>
<b>2007</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
3. Foreign Military Liquidating Account		0.00		0.00
<b>4. Total</b>	<b>\$</b>	<b>0.00</b>	<b>\$</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
3. Foreign Military Liquidating Account		0.00		0.00
<b>4. Total</b>	<b>\$</b>	<b>0.00</b>	<b>\$</b>	<b>0.00</b>

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

As of March 31	2007	2006
<b>Liabilities for Loan Guarantee Programs from Pre-FY 1992 (Allowance for Loss):</b>		
1. Foreign Military Liquidating Account	\$ 0.00	\$ 0.00
<b>2. Total Loan Guarantee Liability (Pre-FY 1992)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Liabilities for Loan Guarantee Programs Post-FY 1991 (Present Value):</b>		
3. Military Housing Privatization Initiative	\$ 0.00	\$ 0.00
4. Armament Retooling & Manufacturing Support Initiative	0.00	0.00
<b>5. Total Loan Guarantee Liability (Post-FY 1991)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>6. Total Loan Guarantee Liability</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

## Subsidy Expense for Loan Guarantees by Program

As of March 31

2007	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
2006	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
2007	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	\$ 0.00	\$ 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>4. Modifications and Reestimates:</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
	2007	2006			
<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 by Program

As of March 31	Interest Supplements	Defaults	Fees and other Collections	Other	Total
<b>Budget Subsidy Rates for Loan Guarantees:</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%

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

As of March 31	2007		2006	
<b>Beginning Balance, Changes, and Ending Balance:</b>				
<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>	\$	0.00	\$	0.00
<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>	\$	0.00	\$	0.00
<b>4. Ending Balance of the Loan Guarantee Liability before Reestimates</b>	\$	0.00	\$	0.00
<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>	\$	0.00	\$	0.00
<b>6. Ending Balance of the Loan Guarantee Liability</b>	\$	0.00	\$	0.00

**Administrative Expenses**

<b>Note 9.</b>	<b>Inventory and Related Property</b>
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As of March 31	2007	2006
1. Inventory, Net	\$ 14,238,444.80	\$ 107,350,006.99
2. Operating Materials & Supplies, Net	95,561,900.41	82,149.67
3. Stockpile Materials, Net	0.00	0.00
<b>4. Total</b>	<b>\$ 109,800,345.21</b>	<b>\$ 107,432,156.66</b>

## Inventory, Net

As of March 31	2007			2006	Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
<b>1. Inventory Categories</b>					
A. Available and Purchased for Resale	\$ 0.00	\$ 0.00	0.00	\$ 99,858,949.28	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	NRV
D. Raw Materials	0.00	0.00	0.00	0.00	MAC
E. Work in Process	14,238,444.80	0.00	14,238,444.80	7,491,057.71	MAC
<b>F. Total</b>	<b>\$ 14,238,444.80</b>	<b>\$ 0.00</b>	<b>14,238,444.80</b>	<b>\$ 107,350,006.99</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

### Fluctuations

Total Inventory, Net decreased \$93.1 million (87%). Prior to 4<sup>th</sup> Quarter, FY 2006, USACE reported its inventory as Inventory Available and Purchased for Resale. Based on Statement of Federal Financial Accounting Standards (SFFAS) No. 3, "Accounting for Inventory and Related Property," USACE determined that the inventory did not fit the criteria for inventory held for sale because there was no sale outside USACE activities. As a result, during 4<sup>th</sup> Quarter, FY 2006, USACE reported the inventory as Operating Materials and Supplies (OM&S). Multiple USACE activities have inventory, but the majority is within the Mississippi Valley Region activities.

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

There are no restrictions on the use, sale or disposition of inventory.

### Other Information

The general composition of USACE Work in Process (WIP) inventory is tangible personal property that is in the process of production. The WIP includes associated labor, applied overhead, and supplies used in the delivery of services. 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 are no changes from the prior year's valuation method. There are no changes from the prior year's criteria for WIP.

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 SFFAS No. 3.

## Operating Materials and Supplies, Net

As of March 31	2007			2006	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	\$ 95,576,763.45	\$ (14,863.04)	\$ 95,561,900.41	\$ 82,149.67	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>\$ 95,576,763.45</b>	<b>\$ (14,863.04)</b>	<b>\$ 95,561,900.41</b>	<b>\$ 82,149.67</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

### Fluctuations

Total OM&S increased \$95.5 million. Prior to 4<sup>th</sup> Quarter, FY 2006, the USACE reported its inventory as Inventory Available and Purchased for Resale. Based on SFFAS No. 3, "Accounting for Inventory and Related Property," USACE determined that the inventory did not fit the criteria for inventory held for sale because there was no sale outside USACE activities. As a result, during 4<sup>th</sup> Quarter, FY 2006, USACE reported the inventory as OM&S. Multiple USACE activities have inventory, but the majority is within the Mississippi Valley Region activities.

### Other Information

The general composition of USACE OM&S is personal property to be consumed in normal operations. The OM&S category includes materials used for constructing riverbank stabilization devices, spare and repair parts, miscellaneous office supplies, and metered mail. The valuation method is based on net realizable value. 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.

## Stockpile Materials, Net

As of March 31	2007			2006		Valuation Method
	Stockpile Materials Amount	Allowance for Gains (Losses)	Stockpile Materials, Net	Stockpile Materials, Net		
<b>1. Stockpile Materials Categories</b>						
A. Held for Sale	\$ 0.00	\$ 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	0.00	AC, LCM
<b>C. Total</b>	<b>\$ 0.00</b>	<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

The USACE Civil Works Program does not have Stockpile Materials.

**Note 10. General PP&E, Net**

As of March 31	2007					2006
	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	\$ 8,877,884,798.15	N/A	\$ 8,877,884,798.15	\$ 8,920,355,826.10
B. Buildings, Structures, and Facilities	S/L	20 Or 40	27,241,380,203.10	\$ (13,219,237,115.92)	14,022,143,087.18	14,405,378,142.52
C. Leasehold Improvements	S/L	lease term	37,827,175.12	(27,142,890.79)	10,684,284.33	11,786,090.69
D. Software	S/L	2-5 Or 10	82,852,111.41	(62,068,147.42)	20,783,963.99	31,214,986.73
E. General Equipment	S/L	5 or 10	1,335,031,191.62	(669,406,981.46)	665,624,210.16	660,335,925.55
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	2,908,234,621.58	N/A	2,908,234,621.58	2,831,754,473.19
I. Other			34,797,605.82	(891.50)	34,796,714.32	33,448,760.55
J. Total General PP&E			<u>\$ 40,518,007,706.80</u>	<u>\$ (13,977,856,027.09)</u>	<u>\$ 26,540,151,679.71</u>	<u>\$ 26,894,274,205.33</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**

The service life for USACE's multiple purpose project assets is derived from guidance provided by the Federal Energy Regulatory Commission based on industry standards. The hydropower project related assets make up \$7.6 billion of the book value of USACE's Property, Plant, and Equipment (PP&E).

The USACE currently operates and maintains 75 hydroelectric power plants, generating approximately 24% of America's hydroelectric power. All power generated by these 75 hydroelectric power plants is transmitted to the Power Marketing Administration (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 U.S. Treasury.

In USACE's FY 2007 construction-in-progress (CIP) account, \$151.0 million of the \$2.9 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 for 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.

In accordance with Office of Management and Budget Circular A-136, Financial Reporting Requirements, USACE implemented a new reporting procedure in 1st Quarter, FY 2007, to exclude transfer appropriation accounts for parent/child relationships. The circular requires the parent agency, vice the child, report all financial activity in its financial statements. The USACE has removed the transfer appropriation accounts from its financial statements. This resulted in a decrease of \$395.5 million in USACE’s PP&E which includes: \$40.3 million in land and land rights; \$196.3 million in CIP; \$5.3 million in buildings, improvements, and renovations; \$152.0 million in other structures and facilities; and \$1.6 million in equipment.

The USACE has no General PP&E outside the Continental U.S.

Other consists of assets awaiting disposal.

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

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

On October 30, 2003, Engineer Regulation (ER) 200-1-5, Policy for Implementation and Integrated Application of the USACE Environmental Operating Principles and Doctrine, was issued. The ER states, in part, “The Environmental Operating Principles and associated doctrine highlight USACE’s roles in, and responsibilities for, sustainability, preservation, stewardship, and restoration of our nation’s resources. These principles and associated doctrine are based on the premise that through the restoration and maintenance of environmental health and productivity, both economic development and social equity can be achieved.”

The USACE has one major collection managed by Headquarters, USACE Office of History. The collection consists of historical memorabilia and historic artifacts and records. This collection is owned by the Department of the Army and is reported by Army’s Center for Military History as part of their property inventory.

Heritage assets classified as land are special land plots containing archaeological sites as listed on the National Register of Historic Places or determined eligible to be listed by the agency and the Keeper of the National Register. 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 U.S. 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. The current National Register inventory for USACE includes 489 archeological properties determined to be eligible for listing and 97 archeological properties listed.

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 has 117 buildings and structures listed on the National Register and 236 determined eligible for listing.

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

<b>Assets Under Capital Lease</b>
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As of March 31	2007	2006
<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
D. Total Capital Leases	\$ 0.00	\$ 0.00

The USACE has no assets under capital lease.

<b>Note 11.</b>	<b>Liabilities Not Covered by Budgetary Resources</b>
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As of March 31	2007	2006
<b>1. Intragovernmental Liabilities</b>		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Debt	13,584,648.88	13,909,211.93
C. Other	1,931,490,703.76	2,011,777,309.34
<b>D. Total Intragovernmental Liabilities</b>	<b>\$ 1,945,075,352.64</b>	<b>\$ 2,025,686,521.27</b>
<b>2. Nonfederal Liabilities</b>		
A. Accounts Payable	\$ 0.00	\$ 0.00
B. Military Retirement and Other Federal Employment Benefits	250,271,642.06	0.00
C. Environmental Liabilities	659,512,000.00	618,000,000.00
D. Other Liabilities	101,000,000.00	4,779,327.50
<b>E. Total Nonfederal Liabilities</b>	<b>\$ 1,010,783,642.06</b>	<b>\$ 622,779,327.50</b>
<b>3. Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 2,955,858,994.70</b>	<b>\$ 2,648,465,848.77</b>
<b>4. Total Liabilities Covered by Budgetary Resources</b>	<b>\$ 1,357,663,265.40</b>	<b>\$ 1,379,739,850.20</b>
<b>5. Total Liabilities</b>	<b>\$ 4,313,522,260.10</b>	<b>\$ 4,028,205,698.97</b>

### Fluctuations

Total Liabilities Not Covered by Budgetary Resources increased \$307.4 million (12%) mainly due to reporting actuarial liability for the Federal Employees Compensation Act (FECA). Actuarial liability for FECA increased \$250.3 million. The initial recording of the liability was in 4<sup>th</sup> Quarter, FY 2006. The Department of Labor (DOL) provides the liability amounts at the Department of the Army (DA) level. The DOL is unable to provide a FECA actuarial liability specific to USACE Civil Works Program. The USACE determined the actuarial liability by using a three year average of total USACE FECA bills as a percentage of the total DA bills. That percentage was applied to the amount of total actuarial liability for the DA to arrive at the USACE portion.

### Other Information

Intragovernmental Liabilities – Other includes offsetting custodial liability to accounts receivable. The custodial liability is for amounts that will be deposited in the general fund of the U.S. Treasury when collected and are primarily related to water storage contracts.

Nonfederal Liabilities – Military Retirement and Other Federal Employment Benefits include actuarial liability for FECA. Refer to Note 17, "Military Retirement Benefits/Actuarial Liabilities," for additional details and disclosures.

Nonfederal Liabilities – Other Liabilities include contingent liability for probable losses related to lawsuits filed by the state of Nebraska and the county of Knox, Nebraska, and contingent liability based on percentage of tort, litigation and contract dispute claims.

<b>Note 12.</b>	<b>Accounts Payable</b>
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As of March 31	2007			2006
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
1. Intragovernmental Payables	\$ 491,131,925.05	\$ N/A	\$ 491,131,925.05	\$ 493,811,950.41
2. Nonfederal Payables (to the Public)	298,304,199.59	0.00	298,304,199.59	299,120,968.47
<b>3. Total</b>	<b>\$ 789,436,124.64</b>	<b>\$ 0.00</b>	<b>\$ 789,436,124.64</b>	<b>\$ 792,932,918.88</b>

**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. However, USACE paid \$414.2 thousand in interest from Civil Works appropriations on payments subject to the Prompt Payment Act in 1<sup>st</sup> Quarter, FY 2007 and 2nd Quarter, FY 2007.

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.

<b>Note 13.</b>	<b>Debt</b>
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As of March 31	2007			2006	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
<b>1. Agency Debt (Intragovernmental)</b>					
A. Debt to the Treasury	\$ 13,924,253.61	\$ (339,604.73)	\$ 13,584,648.88	\$ (350,716.64)	\$ 14,249,075.97
B. Debt to the Federal Financing Bank	0.00	0.00	0.00	0.00	0.00
C. Total Agency Debt	\$ 13,924,253.61	\$ (339,604.73)	\$ 13,584,648.88	\$ (350,716.64)	\$ 14,249,075.97
<b>2. Total Debt</b>	<b>\$ 13,924,253.61</b>	<b>\$ (339,604.73)</b>	<b>\$ 13,584,648.88</b>	<b>\$ (350,716.64)</b>	<b>\$ 14,249,075.97</b>

**Other Information**

During fiscal years 1997, 1998, and 1999, USACE executed three promissory notes totaling \$75.0 million with the U.S. Treasury. Funds provided were used for capital improvements to the Washington Aqueduct. Arlington County and the city of Falls Church, Virginia, provide funding to repay the remaining debt balance. Actual cumulative withdrawal of the funds has been made from the U.S. Treasury in the amount of \$74.9 million. There were no withdrawals from the U.S. Treasury for 2nd Quarter, FY 2007. During FY 2007, principal repayments total \$331.3 thousand and the capitalized interest payment is \$8.3 thousand.

Debt balance	(Amount in millions)
Withdrawals from U.S. Treasury	\$74.9
Cumulative principal repayments	(\$61.6)
FY 2007 interest accrual	\$0.3
Balance of debt as of March 31, 2007	\$13.6

<b>Note 14.</b>	<b>Environmental Liabilities and Disposal Liabilities</b>
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As of March 31	2007			2006
	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	79,249,100.00	580,262,900.00	659,512,000.00	618,000,000.00
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>\$ 79,249,100.00</b>	<b>\$ 580,262,900.00</b>	<b>\$ 659,512,000.00</b>	<b>\$ 618,000,000.00</b>

**Others Category Disclosure Comparative Table**

(Amounts in thousands)	(Current FY)	(Prior FY)
<b>Other Accrued Environmental Active Installations-Other</b>		
Formerly Utilized Sites Remedial Action Program, which was established to respond to radiological contamination from early U.S. Atomic Energy and Weapons Program.	\$653,315.0	\$618,000.0
Sonoma Firing Range and Underground Storage Tank Monitoring Wells, Black Rock Lock, Mount Morris Dam, Bradford Island Landfill, and John H. Kerr Dam and Reservoir.	\$ 6,197.0	\$0.0
<b>Total</b>	<b>\$659,512.0</b>	<b>\$618,000.0</b>

## **Other Information**

The USACE is responsible for the Formerly Utilized Sites Remedial Action Program (FUSRAP), which was established to respond to radiological contamination from early U.S. Atomic Energy and Weapons Program. This program is funded through 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 is recorded as Other Accrued Environmental Liabilities. The remaining categories of environmental liabilities do not apply to USACE Civil Works Program.

The USACE recognizes current and noncurrent environmental liabilities for FUSRAP in the amount of \$653.3 million 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, Colonie Interim Storage Site Soils, Luckey Site Soils, Linde Air Products Site Soils, Painesville Site, Ashland Site, St. Louis Downtown Site Inaccessible Soils, Iowa Army Ammunition Plant FUSRAP Site, Colonie Interim Storage Site Groundwater, 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 recognizes contingent environmental liabilities related to FUSRAP but the liability amounts are currently unknown. The project sites are: St. Louis Downtown Site Inaccessible Soils, Iowa Army Ammunition Plant FUSRAP Site, 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, and Guterl Specialty Steel Site.

The USACE has completed the assessment of all real and personal property either partially or completely impaired by hurricanes Katrina, Rita, and Wilma, with all known impairments properly reflected in the financial statements. In conjunction with the assessment of assets, USACE has also completed its review of any potential liabilities, including environmental liabilities, which may have occurred due to the hurricanes with all known liabilities being properly recorded.

The USACE recognizes other environmental liabilities not related to FUSRAP in the amount of \$6.2 million. The project sites are: 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 March 31	2007	2006
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 United States Code § 9601 et seq., as amended; and National Oil and Hazardous Substances Pollution Contingency Plan, Title 40 Code of Federal Regulations 300.

The USACE uses site-specific engineering estimates for assigning estimated environmental costs. Both the cost to complete remedial investigation/feasibility studies through a Record of Decision and the estimated cost of chosen remedies are reported. Engineering estimates, using appropriate tools, such as the Micro-Computer Assisted Cost Estimating System, and using the extensive data collected during the remedial investigation/feasibility study phase of the environmental project are used. The estimated costs of studies are reported during the early part of the remedial investigation and the estimated cost of the chosen remedy is reported after release of the Proposed Plan.

The USACE, through an annual appropriation, is responsible for executing FUSRAP at sites deemed eligible by the Department of Energy. Under FUSRAP, USACE cleans up contamination in the U.S. 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.

Engineering estimates for cleanup of individual sites are made using data obtained during the remedial investigation/feasibility study phase of 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. The finalization of the Record of Decision for each site sets the cleanup standard that establishes the criteria for determining when site remediation is complete.

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.

The USACE Civil Works Program has no potential to incur costs for restoration initiatives in conjunction with returning overseas Defense facilities to host nations. There is no Civil Works Program activity overseas.

<b>Note 15.</b>	<b>Other Liabilities</b>
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As of March 31	2007			2006
	Current Liability	Noncurrent Liability	Total	Total
<b>1. Intragovernmental</b>				
A. Advances from Others	\$ 13,225,089.78	\$ 0.00	\$ 13,225,089.78	\$ 8,951,617.94
B. Deposit Funds and Suspense Account Liabilities	169,405.61	0.00	169,405.61	(2,743,472.05)
C. Disbursing Officer Cash	98,532.34	0.00	98,532.34	574,045.50
D. Judgment Fund Liabilities	165,484,728.16	0.00	165,484,728.16	161,835,240.45
E. FECA Reimbursement to the Department of Labor	41,182,671.16	16,156,226.12	57,338,897.28	37,466,085.25
F. Other Liabilities	125,837,398.09	1,596,729,770.52	1,722,567,168.61	1,826,327,699.46
<b>G. Total Intragovernmental Other Liabilities</b>	<b>\$ 345,997,825.14</b>	<b>\$ 1,612,885,996.64</b>	<b>\$ 1,958,883,821.78</b>	<b>\$ 2,032,411,216.55</b>
<b>2. Nonfederal</b>				
A. Accrued Funded Payroll and Benefits	\$ 316,903,631.80	\$ 0.00	\$ 316,903,631.80	\$ 306,713,399.12
B. Advances from Others	124,602,733.21	0.00	124,602,733.21	121,115,371.67
C. Deferred Credits	0.00	0.00	0.00	0.00
D. Deposit Funds and Suspense Accounts	8,743,123.41	0.00	8,743,123.41	11,880,156.99
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	191,281,217.85	0.00	191,281,217.85	130,903,559.79
<b>J. Total Nonfederal Other Liabilities</b>	<b>\$ 641,530,706.27</b>	<b>\$ 0.00</b>	<b>\$ 641,530,706.27</b>	<b>\$ 570,612,487.57</b>
<b>3. Total Other Liabilities</b>	<b>\$ 987,528,531.41</b>	<b>\$ 1,612,885,996.64</b>	<b>\$ 2,600,414,528.05</b>	<b>\$ 2,603,023,704.12</b>

## **Fluctuations**

Total Nonfederal Other Liabilities increased by \$70.9 million (12%). There was an increase of \$101.0 million for contingent liabilities. The USACE recognized a contingent liability for \$50.0 million for two probable losses in the USACE Omaha district in the 4<sup>th</sup> Quarter, FY 2006. The USACE also recognized a contingent liability for \$23.0 million for reasonably possible losses for pending contract claims, civil litigation, and tort cases in the 4<sup>th</sup> Quarter, FY 2006. The USACE increased the contingent liability by \$28.0 million in the 2<sup>nd</sup> Quarter, FY 2007, due to an increase in the amount of outstanding claims, civil litigation, and tort cases. These cases increased by \$280.0 million in the 2<sup>nd</sup> Quarter, FY 2007. The increase is due primarily to damage claims related to hurricane Katrina. The likelihood of a potential liability was determined by using a three year historical loss average of 10% applied to the outstanding balance of these cases. Contract holdbacks also decreased by \$35.8 million. This is due to completion of recovery work related to hurricanes Katrina, Rita, and Wilma in the USACE New Orleans, Vicksburg, and Galveston districts. Contract holdbacks steadily increased during FY 2006 due to hurricane recovery efforts but are now decreasing as work is completed by contractors and final payment is made. Refer to Note 16, "Commitments and Contingencies," for additional detail and disclosures.

## **Other Information**

Intragovernmental Other Liabilities (current) includes the custodial liability to offset interest and accounts receivable which, when collected, will be deposited in the U.S. Treasury and the liability for employer contributions and payroll taxes payable. Intragovernmental Other Liabilities (noncurrent) represent future revenue from long-term water storage contracts and hydraulic mining contracts. The USACE records a custodial liability for receivables from water storage and hydraulic mining contracts.

Nonfederal Other Liabilities includes contract holdbacks on construction-in-progress payments and unfunded contingent liabilities for probable and reasonably possible losses for contract claims, civil litigation, and tort claims.

The USACE is delinquent on the FY 2007 repayment in the amount of \$20.5 million to the Department of Labor (DOL) for Federal Employees Compensation Act claims. The USACE Civil Works Program funding for FY 2007 was not appropriated by the Congress as of 2nd Quarter, FY 2007. Payment to DOL will be made when FY 2007 funding is received.

The USACE has completed the assessment of all real and personal property either partially or completely impaired by hurricanes Katrina, Rita, and Wilma, with all known impairments properly reflected in the financial statements. In conjunction with the assessment of assets, USACE has also completed its review of any potential liabilities, including environmental liabilities, which may have occurred due to the hurricanes with all known liabilities being properly recorded.

Judgment Fund Liabilities. The USACE Civil Works Directorate has recognized 37 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 for projects and 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. The FY 2007 budget does not provide funding for payment of the CDA claims. The U.S. Government Accountability Office is currently reviewing the status of the outstanding CDA claims and should provide recommendations regarding the payment or other treatment of these claims.

## Capital Lease Liability

As of March 31	2007				2006	
	Asset Category					
	Land and Buildings	Equipment	Other	Total	Total	
<b>1. Future Payments Due</b>						
A. 2007	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
B. 2008	0.00	0.00	0.00	0.00	0.00	0.00
C. 2009	0.00	0.00	0.00	0.00	0.00	0.00
D. 2010	0.00	0.00	0.00	0.00	0.00	0.00
E. 2011	0.00	0.00	0.00	0.00	0.00	0.00
F. 2012	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

**Note 16. Commitments and Contingencies****Disclosures Related to Commitments and Contingencies:**

The 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 Office of the General Counsel (OGC) 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 reports Judgment Fund liabilities in Note 15, "Other Liabilities" and Note 12, "Accounts Payable."

The USACE has 52 legal cases above the materiality threshold of \$7.2 million and OGC has determined that 4 cases are probable, 12 cases are undeterminable, 16 are remote, and 20 cases are determined to be reasonably possible. One of the probable cases is recorded as a liability for \$40.0 million dollars, another of the probable cases is recorded as a liability for \$10.0 million, and the amount is undeterminable in the other two cases. Refer to Note 15, "Other Liabilities," for disclosure of contingent liabilities.

The USACE also has a total of \$510.0 million in pending contract claims, civil litigation, and tort cases primarily as a result of damage claims related to hurricane Katrina which were individually under the threshold of \$7.2 million. As such, the likelihood of an unfavorable outcome or potential liability is provided as an overall assessment of all cases currently pending and not on an individual basis (as with the over-threshold cases). The likelihood of an unfavorable or potential liability was determined by using a three-year historical average. The total dollar amount of the cases closed was divided by the total dollar amount claimed in those closed cases for each of the last three years which were then used to calculate the three year average of 10%. This average represents the percentage that has historically been paid on claims and is based entirely on historical data. The merits of each individual case have not been taken into consideration. Based on the 10% average, a contingent liability of \$51.0 million was recorded. Refer to Note 15, "Other Liabilities," for disclosure of contingent liabilities.

The amounts disclosed for litigations, claims, and assessments are fully supportable and agree with USACE's legal representation letters and management summary schedule.

The USACE Civil Works Program does not have undelivered orders for open contracts citing cancelled appropriations which may remain unfilled or unreconciled and for which the reporting entity may incur a contractual commitment for payment.

The USACE does not have contractual arrangements such as fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in

quantities; and contracts where allowable interest may become payable based on contractor claims under the "Dispute" clause contained in contracts.

The USACE is responsible for the Formerly Utilized Sites Remedial Action Program (FUSRAP), which was established to respond to radiological contamination from the early U.S. 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. Refer to Note 14, "Environmental Liabilities and Disposal Liabilities," for disclosure of contingent environmental liabilities related to FUSRAP.

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 the financial statements.

<b>Note 17.</b>	<b>Military Retirement and Other Federal Employment Benefits</b>
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As of March 31	2007				2006
	Present Value of Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Liability	Present Value of Benefits
<b>1. Pension and Health Actuarial 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 Actuarial Benefits	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
<b>2. Other Actuarial Benefits</b>					
A. FECA	\$ 250,271,642.06	5.313	\$ 0.00	\$ 250,271,642.06	\$ 0.00
B. Voluntary Separation Incentive Programs	0.00		0.00	0.00	0.00
C. DoD Education Benefits Fund	0.00		0.00	0.00	0.00
D. Total Other Actuarial Benefits	\$ 250,271,642.06		\$ 0.00	\$ 250,271,642.06	\$ 0.00
<b>3. Other Federal Employment Benefits</b>	\$ 303,316.47		\$ (303,316.47)	\$ 0.00	\$ 0.00
<b>4. Total Military Retirement and Other Federal Employment Benefits:</b>	\$ 250,574,958.53		\$ (303,316.47)	\$ 250,271,642.06	\$ 0.00

Actuarial Cost Method Used: The Department of the Army (DA) actuarial liability for workers' compensation benefits is developed by the Department of Labor (DOL) and provided to the DA at the end of each fiscal quarter. Actuarial Federal Employees' Compensation Act (FECA) liability includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The actuarial liability is determined using a method that utilized historical benefit payment patterns to estimate the ultimate payments. The DOL is unable to provide a FECA actuarial liability specific to USACE Civil Works Program. The USACE Civil Works liability was included in the total DA amount provided by DOL. The USACE determined its actuarial liability by using a three year average of total USACE FECA bills as a percentage of the total DA bills. That percentage was applied to the amount of actuarial liability of the total DA to arrive at USACE portion.

Assumptions: The projected annual benefit payments are discounted to the present value using the Office of Management and Budget economic assumptions for 10-year U.S. Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living allowance) and medical inflation factors are applied to the calculation of projected future benefits.

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

### Fluctuations

The increase of \$250.6 million in Total Military Retirement and Other Federal Employment Benefits is attributed to the initial recording of the FECA actuarial benefit liability in 4<sup>th</sup> Quarter, FY 2006. The actuarial liability was previously reported on the DA general fund statements, since DOL was unable to provide the actuarial liability amount specific to the USACE Civil Works Program. The cost method to determine the USACE Civil Works Program portion of the actuarial liability was implemented in 4<sup>th</sup> Quarter, FY 2006.

**Other Disclosures**

There are no changes to the actuarial liability since the previous calculation. The actuarial liability is computed for USACE Civil Works Program. Other Federal Employment Benefits consist of accrued civilian severance pay.

**Note 18.****General Disclosures Related to the Statement of Net Cost****Intragovernmental Costs and Exchange Revenue**

As of March 31	2007	2006
1. Intragovernmental Costs	\$ 527,479,001.17	\$ 521,788,351.68
2. Public Costs	4,023,903,441.52	5,071,089,091.17
<b>3. Total Costs</b>	<b>\$ 4,551,382,442.69</b>	<b>\$ 5,592,877,442.85</b>
4. Intragovernmental Earned Revenue	\$ (1,209,067,448.25)	\$ (2,874,567,387.44)
5. Public Earned Revenue	(127,685,112.84)	(189,273,309.38)
<b>6. Total Earned Revenue</b>	<b>\$ (1,336,752,561.09)</b>	<b>\$ (3,063,840,696.82)</b>
<b>7. Net Cost of Operations</b>	<b>\$ 3,214,629,881.60</b>	<b>\$ 2,529,036,746.03</b>

**Fluctuations**

Total Costs decreased \$1.0 billion (19%). The decrease was due to completion of projects in association with flood control and coastal emergency efforts in support of the unprecedented hurricane season during 2005 in the Gulf of Mexico. The costs were initially recorded in USACE New Orleans, Vicksburg, and Galveston districts in 1<sup>st</sup> Quarter, FY 2006 and continued through 4<sup>th</sup> Quarter, FY 2006.

Total Earned Revenue decreased \$1.7 billion (56%) as a result of the reduction in reimbursable work performed for the Federal Emergency Management Agency in support of hurricane relief efforts in USACE New Orleans, Vicksburg, and Galveston districts. The hurricane relief efforts in these districts were first reported 1<sup>st</sup> Quarter, FY 2006 due to hurricanes Katrina, Rita, and Wilma and continued through 4<sup>th</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 (SNC) 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 SNC is based on general ledger financial data reported from the Corps of Engineers Financial Management System. The USACE records transactions on an accrual basis as required by the Statement of Federal Financial Accounting Standards and generally accepted accounting principles.

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

<b>Note 19. Disclosures Related to the Statement of Changes in Net Position</b>
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As of March 31	2007		2006	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>1. Prior Period Adjustments</b>				
<b>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	\$ 40,809,787.93	\$ 0.00	\$ 43,176,904.36	\$ 0.00
B. Civilian Health	70,870,765.50	0.00	69,171,550.00	0.00
C. Civilian Life Insurance	184,754.73	0.00	183,912.58	0.00
D. Judgment Fund	1,363,689.42	0.00	22,000,431.04	0.00
E. IntraEntity	750,000.00	0.00	0.00	0.00
<b>F. Total Imputed Financing</b>	<b>\$ 113,978,997.58</b>	<b>\$ 0.00</b>	<b>\$ 134,532,797.98</b>	<b>\$ 0.00</b>

### Other Information

Other Financing Sources: Other and Budgetary Financing Sources: Other adjustments (rescissions, etc.). In accordance with Office of Management and Budget (OMB), Circular A-136, "Financial Reporting Requirements," USACE implemented a new reporting procedure in 1<sup>st</sup> Quarter, FY 2007, to exclude transfer appropriation accounts for parent/child relationships. The circular requires the parent agency, vice the child, report all financial activity in its financial statements. The USACE has removed the transfer appropriation accounts from its financial statements. Therefore, USACE recognized a loss equal to the results of operations for the period ending September 30, 2006, for the transfer appropriations on Other Financing Sources: Other. The USACE has used unexpended appropriations – adjustments to close out its proprietary accounts on Transfer Funds for Budgetary Financing Sources: Other adjustments (rescissions, etc.).

Appropriations 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, contributed, and special fund receipts in the amount of \$1.1 billion are included in Appropriations on the SBR. The difference is due to additional resources included in Appropriations on the SBR. These funds do not update the proprietary appropriations received amount reported on the SCNP. Refer to Note 20, "Statement of Budgetary Resources," for additional disclosures and details.

Statement of Federal Financial Accounting Standards Number 27, "Identifying and Reporting Earmarked Funds," effective for reporting years after FY 2005, required that Department of Defense (DoD) modify the SCNP. The Federal Accounting Standards Advisory Board determined that restatement of prior comparative balances would not be allowed. To meet the requirement, additional columns were added to separately display gross amounts for earmarked funds, and all other (non-earmarked) funds. In the SCNP, all offsetting balances (i.e. transfers-in and transfers-out, revenues and expenses) for intragovernmental DoD activity between earmarked and other (non-earmarked) funds are reported on the same lines. This results in an eliminations column, which appears to contain no balances. In reality, the column contains all appropriate elimination entries, but all net to zero within each respective line.

<b>Note 20.</b>	<b>Disclosures Related to the Statement of Budgetary Resources</b>
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As of March 31	2007	2006
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 4,197,988,329.15	\$ 4,211,582,486.05
2. Available Borrowing and Contract Authority at the End of the Period	0.00	0.00

**Other Information**

Category A apportionments distribute budgetary resources by fiscal quarter. Category B apportionments distribute budgetary resources by activity, project, object or a combination of these categories. Exempt budgetary resources are not subject to apportionment because they are not appropriated funds. Funding sources for exempt category comes from sources outside the Federal Government.

The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A in the Statement of Budgetary Resources (SBR) includes: \$2.9 billion for direct obligations; \$18.3 million for direct obligations exempt from apportionment; and \$4.1 billion for reimbursable obligations. The USACE did not report any reimbursable obligations exempt from apportionment. The 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. A debt of \$13.6 million remains from the original \$74.9 million debt. During FY 2007, principal payments totaled \$331.3 thousand and interest payments totaled \$8.3 thousand.

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

Permanent Indefinite Appropriations. The USACE receives 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. These funds are available for expenditure.

Appropriations on the 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. The difference of \$1.1 billion includes: appropriated trust funds in the amount of \$92.2 million, and contributed and special fund receipts in the amount of \$963.9 million. These funds do not update the proprietary appropriations received amount reported on the SCNP.

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

The USACE received a continuing resolution in the amount of \$2.8 billion through the 2nd Quarter, FY 2007 in order to continue operations until the FY 2007 appropriations bills are passed by the Congress.

The President's Budget with actual figures for FY 2007 has not yet been published. The FY 2009 President's Budget will include actual figures for FY 2007 reporting. The FY 2009 President's Budget can be found at: <http://www.whitehouse.gov/omb>, early in FY 2008. The following chart is a reconciliation of the FY 2008 President's Budget actual figures for FY 2006 to FY 2006 SBR.

**Department of Defense**  
**U.S. Army Corps of Engineers - Civil Works**  
**Reconciliation of 2006YE SBR to 2008 President's Budget**  
**(in millions of dollars)**

	Budgetary Resources Line 23.90	Obligations Incurred Line 23.95	Offsetting Receipts Line 02.99	Net Outlays Line 90.00	Explanation for reconciling differences
SBR	27,771	18,403	1,907	5,534	
Reconciling Difference	(48)	(36)		7	The SBR includes appropriation symbol 96X6094 for advances from the District of Columbia for work on the Washington Aqueduct. It is not included in the President's Budget since these are not appropriated funds.
Reconciling Difference	43	43			Transfer funds (AT96AT13) are not included in OMB's data. Prior to 2nd Quarter FY 2006, USACE recorded transfer funds in the financial statements. Per OMB 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. Beginning 2nd Quarter FY 2006, adjustments were made to zero out the balances in the budgetary accounts imported from the CEFMS trial balances except for the amount needed in SGL 4175 to close out SGL 4201. There was residual activity on the SBR from beginning balances in undelivered orders, delivered orders-unpaid, and allocations to be transferred.
Reconciling Difference				1,907	The SBR reduces net outlays by the amount of distributed offsetting receipts. The President's Budget Line Item 90.00 does not.
Reconciling Difference			(75)		General funds suspense accounts are included as distributed offsetting receipts in accordance with Defense, Finance, and Accounting Service guidance. It is not included in the President's Budget amount.
Reconciling Difference	(5)				Appropriation 96X3123 includes budget authority from Bonneville Power. It is not included in the President's Budget.
Reconciling Difference			10		The President's Budget includes payment from the general fund, South Dakota Terrestrial Wildlife Habitat Restoration trust fund. The SBR did not include this.
Reconciling Difference			24		The Bureau of Public Debt reports interest on investments on the accrual basis. This includes interest collected, premium paid, and accrued interest purchased. The President's Budget includes the accrual amount. The SBR includes only the actual interest and tax revenue.
Reconciling Difference			8		Per Treasury Financial Manual, Federal Account Symbols and Titles, receipt account 96R5125 is not a distributed offsetting receipt account and is not included in the SBR as a distributed offsetting receipt. It is included in the President's Budget amount.
Total	27,761	18,410	1,874	7,448	
President's Budget	27,760	18,409	1,873	7,448	
Difference	(1)	(1)	(1)	0	Due to rounding.

<b>Note 21.</b>	<b>Disclosures Related to the Statement of Financing</b>
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**Other Information**

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

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

The following SOF lines are presented as combined instead of consolidated due to intraagency 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. Other and Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations: Other - In accordance with Office of Management and Budget Circular A-136, Financial Reporting Requirements, USACE implemented a new reporting procedure in 1<sup>st</sup> Quarter, FY 2007, to exclude transfer appropriation accounts for parent/child relationships. The circular requires the parent agency, vice the child, report all financial activity in its financial statements. The USACE has removed the transfer appropriation accounts from its financial statements. Therefore, USACE has recognized a loss equal to the results of operations for the period ending September 30, 2006, for the transfer appropriation accounts.

Composition of Components Requiring or Generating Resources in Future Period: Other. This includes the current year unfunded expense for the Federal Employees Compensation Act (FECA), current year Judgment Fund Contract Disputes Act (CDA) claims and current year unfunded expense for contingent liabilities.

Composition of Components not Requiring or Generating Resources: Other. This includes cost capitalization offset expense. 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.

**Liabilities Not Covered by Budgetary Resources**

“Components Requiring or Generating Resources in Future Periods” reports unfunded expenses and future resources in FY 2007 of \$44.3 million. The cumulative total of unfunded expenses from all fiscal years is reported as “Liabilities Not Covered by

Budgetary Resources” in Note 11 totals \$3.0 billion. The difference of \$2.9 billion is due to the following:

The principal balance of debt for \$13.2 million and accrued interest for \$323.7 thousand payable to the U.S. Treasury for Borrowing Authority are unfunded. Arlington County and the city of Falls Church, Virginia, provide funding to repay the debt.

The offsetting custodial liability to accounts receivable for \$1.7 billion is unfunded. This amount will be deposited in the general fund of the U.S. Treasury and is primarily related to water storage contracts.

The actuarial FECA liability of \$250.3 million is unfunded. The expense for changes in actuarial liability was recognized in FY 2006.

Future funded expense of \$47.7 million for Workmen’s Compensation liabilities under FECA was recorded in prior fiscal years.

Future funded expense of \$164.2 million for Judgment Fund CDA claims was recognized in prior fiscal years.

The USACE recorded future funded expense of \$653.3 million in prior fiscal years for unfunded environmental liabilities.

The USACE recognized future funded expense of \$73.0 million for contingent liabilities in FY 2006.

Components requiring or generating resources in future periods also includes the change in exchange receivable from the public of \$1.0 million.

**Note 22.**

**Disclosures Related to the Statement of Custodial Activity**

**Note 23.****Earmarked Funds****BALANCE SHEET**  
As of March 31, 2007

	Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
<b>ASSETS</b>					
Fund balance with					
Treasury	\$ 0.00	\$ 0.00	\$ 714,813,832.69	\$ 0.00	\$ 714,813,832.69
Investments	0.00	0.00	3,815,902,520.45	0.00	3,815,902,520.45
Accounts and Interest Receivable	0.00	0.00	791,500,701.87	(26.60)	791,500,675.27
Other Assets	0.00	0.00	919,469,340.47	0.00	919,469,340.47
<b>Total Assets</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 6,241,686,395.48</b>	<b>\$ ( 26.60)</b>	<b>\$ 6,241,686,368.88</b>

**LIABILITIES and NET POSITION**

Military Retirement Benefits and Other Federal Employment Benefits	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Other Liabilities	0.00	0.00	476,207,136.50	(1,086,379.37)	475,120,757.13
<b>Total Liabilities</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 476,207,136.50</b>	<b>\$ (1,086,379.37)</b>	<b>\$ 475,120,757.13</b>
Unexpended Appropriations	0.00	0.00	0.00	0.00	0.00
Cumulative Results of Operations	0.00	0.00	5,765,479,258.98	15,140,409.32	5,780,619,668.30
<b>Total Liabilities and Net Position</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 6,241,686,395.48</b>	<b>\$ 14,054,029.95</b>	<b>\$ 6,255,740,425.43</b>

**STATEMENT OF NET COST**For the period ended  
March 31, 2007

Program Costs	\$ 0.00	\$ 0.00	\$ 582,345,383.49	\$ (19,555,100.39)	\$ 562,790,283.10
Less Earned Revenue	0.00	0.00	(49,568.90)	49,302.82	( 266.08)
<b>Net Program Costs</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 582,295,814.59</b>	<b>\$ (19,505,797.57)</b>	<b>\$ 562,790,017.02</b>
Less Earned Revenues Not Attributable to Programs	0.00	0.00	0.00	0.00	0.00
<b>Net Cost of Operations</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 582,295,814.59</b>	<b>\$ (19,505,797.57)</b>	<b>\$ 562,790,017.02</b>

US Army Corps of Engineers

<b>STATEMENT OF CHANGES IN NET POSITION</b> For the period ended March 31, 2007	Military Retirement Fund	Medicare Eligible Retiree Health Care Fund	Other Earmarked Funds	Eliminations	Total
Net Position Beginning of the Period	\$ 0.00	\$ 0.00	\$ 5,380,664,882.68	\$ 0.00	\$ 5,380,664,882.68
Net Cost of Operations	0.00	0.00	582,295,814.59	(19,505,797.57)	562,790,017.02
Budgetary Financing Sources	0.00	0.00	962,744,802.64	(4,365,388.25)	958,379,414.39
Other Financing Sources	0.00	0.00	4,365,388.25	0.00	4,365,388.25
Change in Net Position	\$ 0.00	\$ 0.00	\$ 384,814,376.30	\$ 15,140,409.32	\$ 399,954,785.62
Net Position End of Period	\$ 0.00	\$ 0.00	\$ 5,765,479,258.98	\$ 15,140,409.32	\$ 5,780,619,668.30

**Other Disclosures**

The Total Earmarked Funds column is shown as consolidated. All intragovernmental activity within the Department of Defense (DoD) between earmarked and non earmarked funds has been eliminated from this column, which causes assets to not equal liabilities and net position.

**USACE Earmarked Funds**

Special Recreation Use Fees, Title 16 United States Code (USC) 4061-6a, granted 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 daily use fees, admission fees, recreational fees, annual pass fees, and other permit type fees. The revenue is received from the public and is an inflow of resources to the government. The purpose of the fund is 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.

Hydraulic Mining in California, Debris, Title 33 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 and is an inflow of resources to the government. The purpose of the fund is for repayment of funds advanced by the Federal Government or other agencies 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.

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 U.S. 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 and is an inflow of resources to the government. Funds are appropriated in the amount of 75% of the receipts in the following fiscal year and disbursed to the states. This fund is classified as a special fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund.

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 U.S., the Federal Power Commission, now known as the Federal Energy Regulatory Commission, shall assess charges against any licensee directly benefited, and any amount so assessed shall be paid into the U.S. 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 U.S. 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 U.S. Treasury. This special fund is to be expended under the direction of the Secretary of the Army (Secretary) for the maintenance and operation of dams and other navigation structures that are owned by the U.S. or for construction, maintenance, or operation of headwater or other improvements of navigable waters of the U.S. 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 and is an inflow of resources to the government.

Fund for Nonfederal Use of Disposal Facilities (for dredged material) was established by Title 33 USC 2326. This title provides that the 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. The revenue is received from the public and is an inflow of resources to the government.

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 U.S. Treasury to the trust fund for investment purposes. Investment activity is managed by the U.S. Treasury, Bureau of Public Debt (BPD). 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.

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 Sport Fish Restoration and Boating Trust Fund.

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 may in his discretion, receive such funds and expend the same in the immediate prosecution of such work. Advances are from the public and are inflows of resources to the government. This fund is classified as a trust fund and utilizes both receipt and expenditure accounts in accounting for and reporting the fund.

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 into the trust fund are from excise taxes on fuel used in commercial transportation on inland waterways. The revenue is received from the public and is an inflow of resources to the government. The collections are invested and investment activity is managed by the BPD. The fund is classified as a trust fund and utilizes receipt and expenditure accounts in accounting for and reporting the fund.

Harbor Maintenance Trust Fund was authorized by Title 26 USC 9505. The USACE Civil Works mission is funded by the Energy and Water Development 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 U.S. Treasury, USACE, and the Department of Commerce. Collections are made into the trust fund from fees assessed on port use associated with imports, imported merchandise admitted into a foreign trade zone, passengers, and movements of cargo between domestic ports. The collections are invested and investment activity is managed by the BPD. The revenue is received from the public and is an inflow of resources to the government. The fund is classified as a trust fund and utilizes receipt and expenditure accounts in accounting for and reporting the fund.

<b>Note 24.</b>	<b>Other Disclosures</b>
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As of March 31	2007			
	Asset Category			
	Land and Buildings	Equipment	Other	Total

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

Future Payments Due

Fiscal Year

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
2012		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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In FY 2007, USACE received \$33.1 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.

**Note 25.**

**Restatements**