



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2016 AND 2015

AUDIT REPORT NO. 0-000-17-001-C  
NOVEMBER 15, 2016

WASHINGTON, DC



*Office of Inspector General*

November 15, 2016

**MEMORANDUM**

**TO:** Reginald W. Mitchell, Chief Financial Officer

**FROM:** Thomas E. Yatsco, Assistant Inspector General for Audit /s/

**SUBJECT:** Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015  
(Report No. 0-000-17-001-C)

The Office of Inspector General (OIG) is transmitting this report on its *Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015*. The Government Management Reform Act of 1994, Public Law 103-356, requires USAID to prepare consolidated financial statements for each fiscal year. Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report or an Agency Financial Report, including audited financial statements, to OMB, Congress, and the Government Accountability Office by November 15, 2016. USAID has elected to prepare an Agency Financial Report with an agency head message, management's discussion and analysis, and a financial section. OIG is responsible for auditing the Agency's financial statements and preparing the independent auditor's report, which appears in the financial section.

OIG has issued unmodified opinions on each of USAID's principal financial statements for fiscal years 2016 and 2015.

With respect to internal control, we identified one deficiency that we consider a material weakness and four deficiencies that we consider significant deficiencies. The material weakness pertains to USAID's process for reconciling its Fund Balance With Treasury account with the Department of the Treasury. The significant deficiencies pertain to USAID's processes for (1) reconciling intragovernmental transactions, (2) complying with Federal accounting standards for reimbursable agreements, (3) maintaining adequate records of property, plant, and equipment, and (4) promptly investigating and resolving potential funds control violations.

Regarding compliance, in doing tests required under section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, we found no instances of substantial noncompliance with Federal financial management system requirements, but one each with Federal accounting standards and the U.S. Standard General Ledger at the transaction level.

This report contains four recommendations to improve USAID's internal control over financial reporting. The Agency has developed and is currently implementing new procedures to remediate the findings reported in previous audits.

We have considered your responses to the draft report. Your comments appear in their entirety in appendix II. Your responses to the material weakness and significant deficiencies we identified were not subjected to the auditing procedures applied in the audit of the consolidated financial statements; accordingly, we express no opinion on them. We acknowledge your management decisions on all four recommendations. Please forward all information to your Office of Audit Performance and Compliance for final action.

We appreciate the cooperation and courtesies extended to us during the audit and look forward to working with you on next year's audit.

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# SUMMARY OF RESULTS

USAID's consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources present fairly, in all material respects, the financial position of USAID as of September 30, 2016 and 2015, and its net cost, net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The audits identified one deficiency in internal control that we consider a material weakness, related to USAID's process for reconciling its fund balance with the U.S. Treasury. The audits also identified significant deficiencies in internal control related to the following financial management processes:

- Reconciling intragovernmental transactions
- Complying with Federal accounting standards for reimbursable agreements
- Maintaining adequate records of property, plant, and equipment
- Promptly investigating and resolving potential funds control violations

Through testing required by section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, Title VIII (31 U.S.C. 3512 note), we identified no instances of substantial noncompliance with Federal financial management system requirements, but one each with Federal accounting standards and the U.S. Standard General Ledger at the transaction level.

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# BACKGROUND

USAID was created in 1961 to advance U.S. foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. USAID has missions in more than 100 countries, 47 of which have full accounting operations with USAID controllers. For the fiscal year (FY) ended September 30, 2016, USAID reported total budgetary resources of approximately \$27 billion.

## Statements

The Government Management Reform Act of 1994, Public Law 103-356, requires USAID to submit audited financial statements to the Office of Management and Budget (OMB) annually. Accordingly, for FY 2016, USAID has prepared the following:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Notes to the Principal Financial Statements
- Required Supplementary Information
- Other Accompanying Information

## Audit Objective

The Office of Inspector General (OIG) performed these audits to determine whether USAID's principal financial statements presented fairly the assets, liabilities, net position, net costs, changes in net position, and budgetary resources for FYs 2016 and 2015.

In our opinion, the financial statements referred to above present fairly, in all material respects and in conformity with accounting principles generally accepted in the United States of America, USAID's assets, liabilities, net position, net costs, changes in net position, and budgetary resources as of September 30, 2016 and 2015, and for the years then ended.

In accordance with "Government Auditing Standards,"<sup>1</sup> OIG has also issued reports, dated November 15, 2016, on its consideration of USAID's internal control over financial reporting and on its tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with "Government Auditing Standards" and should be read in conjunction with the independent auditor's report.

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<sup>1</sup> U.S. Government Accountability Office (GAO-12-331G), December 2011 revision.

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; generally accepted government auditing standards issued by the Comptroller General of the United States; and OMB Bulletin 15-02, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USAID as of September 30, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted to form an opinion on the basic consolidated financial statements as a whole. The information in the Message from the Administrator, the Message from the Chief Financial Officer, the Other Information section, and the appendixes are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information was not subjected to the auditing procedures applied in the audit of the basic consolidated financial statements; accordingly, we do not express an opinion or provide any assurance on it.

### *Other Reporting Required by "Government Auditing Standards"*

In accordance with "Government Auditing Standards," we have also issued reports dated November 15, 2016, on our consideration of USAID's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. These reports are an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report.

USAID Office of Inspector General  
November 15, 2016



# REPORT ON INTERNAL CONTROL

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon, dated November 15, 2016.

## Internal Control Over Financial Reporting

In planning and performing our audit of USAID's financial statements for the fiscal years ended September 30, 2016 and 2015, we considered USAID's internal control over financial reporting by obtaining an understanding of USAID's system of internal control, determining whether internal controls had been placed in operation, assessing control risk, and testing controls to determine which auditing procedures to use for expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 15-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Public Law 97-225, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control. Accordingly, we do not express an opinion on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses and significant deficiencies may exist that were not identified.

A material weakness is a deficiency or a combination of deficiencies in internal control that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified one deficiency in internal control that we consider a material weakness, as defined above, relating to USAID's reconciliation of its Fund Balance With Treasury account.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified significant deficiencies in internal control related to four of USAID's financial management processes:

- Reconciling intragovernmental transactions.
- Complying with Federal accounting standards for reimbursable agreements.
- Maintaining adequate records of property, plant, and equipment.
- Promptly investigating and resolving potential funds control violations.

We also noted other matters involving internal control over financial reporting that we will report to USAID's management in a separate letter dated November 15, 2016.

## Material Weakness

### *USAID Did Not Reconcile Its Fund Balance With Treasury Account With the Department of the Treasury and Resolve Unreconciled Items in a Timely Manner (Repeat Finding)*

Although USAID has made progress reconciling its Fund Balance With Treasury account (FBWT) with the fund balance reported by the Department of the Treasury (Treasury), the Agency continues to have large differences. As of September 30, 2016, these differences totaled approximately \$195 million. Table 1 illustrates the differences for the past 6 fiscal years.

**Table 1. USAID's FBWT Differences (millions)**

Fiscal Year	Net Difference	Absolute Value
2011	\$96	\$2,100
2012	114	127
2013	121	1,915
2014	154	2,011
2015	198 <sup>a</sup>	528
2016	195	356

<sup>a</sup> The amount reported on the FY 2015 USAID Agency Financial Report finding was understated by \$26 million and has been updated.

These differences persist because, in the past, USAID did not reconcile the FBWT account with Treasury's fund balance each month and research and resolve those differences in a timely manner. Instead, USAID adjusted its FBWT account to agree with Treasury's fund balance.

Recognizing the importance of maintaining account balances consistent with Treasury's, USAID's management started a comprehensive review of its FBWT records in FY 2014 to ascertain the reasons for the differences and take corrective action. USAID determined that the account balances in the subsidiary ledger were more accurate than those in the general ledger and undertook a reconciliation of the two records. In February 2015, the overall difference between the subsidiary and general ledgers was approximately \$445 million. In FY 2016, USAID continued the reconciliation. As of September 30, 2016, a difference of approximately \$750,000 between the subsidiary and general ledgers remained. Management has a plan to continue reconciling the FBWT to correct differences as they occur.

In addition, USAID developed and implemented eCART, an electronic cash reconciliation tool that captures cash transactions from systems operated by the National Finance Center, Treasury, the Department of State's Bureau of the Comptroller and Global Financial Services, and the Department of Health and Human Services and reconciles them with transactions recorded in USAID's financial management system. The tool automatically generates a report of any unreconciled items.

Despite the reconciliation efforts, the difference between USAID's general ledger and the amount in Treasury's records was \$195 million as of September 30, 2016, of which \$141 million was unexplained. In FY 2014, management stated that USAID planned to coordinate with Treasury and OMB to resolve these unexplained differences. However, as of September 30, 2016, this process had not been completed; the Agency anticipated completing it by the first quarter of FY 2017. We will continue to monitor USAID's progress in resolving these differences.

A supplement to Treasury's financial manual states, "Federal agencies must reconcile their USSGL [U.S. Government Standard General Ledger] account 1010 and any related subaccounts with the GWA [Governmentwide Accounting] Account Statement on a monthly basis (at minimum)."<sup>2</sup> The supplement goes on to state, "An agency may not arbitrarily adjust its FBWT account. Only after clearly establishing the causes of errors and properly documenting those errors should an agency adjust its FBWT account balance."

We reported a similar finding last year. Because the problem has still not been resolved, we make the following recommendation.

***Recommendation 1.*** We recommend that the Office of the Chief Financial Officer resolve all unexplained differences between USAID's Fund Balance With Treasury account and the Department of the Treasury by December 31, 2016, and institutionalize the monthly reconciliation of the Fund Balance With Treasury account.

## Significant Deficiencies

### *Intragovernmental Transactions Remained Unreconciled (Repeat Finding)*

As of September 30, 2016, USAID had \$3.06 billion in unreconciled intragovernmental transactions, according to Treasury. Of that amount, USAID was required to reconcile and confirm \$596 million in accordance with OMB Circular A-136, "Financial Reporting Requirements," and Treasury's "Federal Intragovernmental Transactions Accounting Policies Guide," section 17.1. Although USAID has increased its efforts to resolve unreconciled amounts, it has made little progress, and the remaining differences are still significant.

USAID continually researches intragovernmental transactions to improve its reconciliation process and eliminate the differences. Timing differences, created when agencies record transactions in different periods, are likely to be resolved through current efforts. However, other differences, such as those caused by accounting errors, will require a special effort and commitment of resources by USAID and its trading partners to resolve. Treasury's guide suggests that agencies work together to estimate accruals and record corresponding entries to ensure that they agree and that long-term accounting policy differences can be eliminated.

Given the magnitude of the problem for all agencies, in FY 2013 Treasury developed scorecards to track and correct these differences. The scorecards rank each agency by its contribution to Government-wide differences. At the end of the fourth quarter of FY 2014, USAID had differences amounting to approximately \$3.60 billion. During FY 2015, USAID's

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<sup>2</sup> "Fund Balance With Treasury, Reconciliation Procedures," "A Supplement to Volume 1 Treasury Financial Manual," part 2, chapter 5100, section IV.A, March 2012.

differences had declined to approximately \$2.95 billion. At the end of the fourth quarter of FY 2016, USAID's differences had increased, to \$3.06 billion.

We reported a similar finding in previous audits, last year's being the most recent, and recognize that resolution of these differences requires continuing coordination with other Federal agencies.<sup>3</sup> Therefore, we are not making a recommendation, but we will continue to monitor USAID's progress in FY 2017.

*USAID Did Not Comply With Federal Standards in Accounting for Reimbursable Agreements (Repeat Finding)*

USAID continues to have difficulty accounting for reimbursable agreements in accordance with Statements of Federal Financial Accounting Standards (Federal Generally Accepted Accounting Principles, known as FedGAAP).<sup>4</sup> In prior years OIG reported that the way USAID accounted for transactions under reimbursable agreements did not comply with FedGAAP in three respects:

1. USAID received cash advances from agencies with which it has reimbursable agreements ("trading partners") and recorded them as receipts of cash and earned revenue although the revenue had not yet been earned. FedGAAP requires that a liability (deferred revenue) be recorded until the services required by the agreement have been rendered.
2. USAID recorded all reimbursable agreements as unfilled customer orders without advances even though it received cash advances for most agreements. This approach deviated from the United States Standard General Ledger (USSGL), which provides a uniform chart of accounts and technical guidance for standardizing Federal agency accounting.
3. USAID could not track incurred expenses to specific reimbursable agreements because it recorded all expense incurred in one account and allocated them to agreements at the end of the year based on the amount of each agreement.

These types of noncompliance recurred in FY 2016 because USAID did not complete the reconfiguration of its financial management system to account for reimbursable agreements in accordance with FedGAAP. As a result, USAID recorded an adjustment of approximately \$489 million to reflect the financial status and results of its reimbursable agreements accurately.

USAID intends to activate the project cost accounting system (PCAS), a subsystem of its financial accounting system. When fully utilized, PCAS will allow USAID to track reimbursable agreements with greater detail and flexibility by the terms of the agreements and the types of services being rendered. PCAS will track the status of agreements including amounts available, collected, and expended, allowing USAID to recognize revenue and receivables under the agreements. However, this action will not be completed until December 2017.

Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," paragraph 85, states:

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<sup>3</sup> "Audit of USAID's Financial Statements for Fiscal Years 2015 and 2014" (0-000-16-001-C), November 16, 2015.

<sup>4</sup> Reimbursable agreements are contracts between two agencies that allow one to do work for the other and be reimbursed. For example, the State Department might contract with USAID to implement a vaccination campaign. USAID would run the campaign, and the State Department would reimburse USAID for the drugs and the costs of administering them.

Federal entities may receive advances and prepayments from other entities for goods to be delivered or services to be performed. Before revenues are earned, the current portion of the advances and prepayments should be recorded as other current liabilities. After the revenue is earned . . . the entity should record the appropriate amount as a revenue or financing source and should reduce the liability accordingly.

As a result of the FY 2014 GMRA audit, we recommended that USAID's Office of the Chief Financial Officer reconfigure its financial management system to account for reimbursable agreements in accordance with FedGAAP, and in consultation with appropriate stakeholders, develop and implement improved processes to account for reimbursable agreements.<sup>5</sup> At that time management agreed to implement the recommendation in 2016. However, to date this has not been accomplished.

According to the Chief Financial Officer, USAID will implement PCAS to track and account for reimbursable agreements in accordance with FedGAAP by December 2017. Therefore, we will not make any recommendation but will monitor the implementation during FY 2017.

#### *USAID Did Not Maintain Adequate Records of Property, Plant, and Equipment*

USAID's controls to ensure correct and on-time recording of the acquisition and disposal of depreciable assets—property, plant, and equipment (PP&E)—were not effective. Specifically, missions bypassed controls over vehicle disposals, building purchases, and capital leases.

USAID's overseas missions are expected to use the Vehicle Management Information System (VMIS) to record vehicle transactions. When an overseas mission acquires or disposes of a vehicle, the mission must make an entry in VMIS within 5 days and in the same period send supporting documentation to the Overseas Management Division (OMD) of the Bureau for Management's Office of Management Services in Washington.<sup>6</sup> The Office of the Chief Financial Officer (CFO) further requires missions to certify and send it quarterly PP&E data.

However, the OMD and CFO records we reviewed showed that missions did not comply with requirements. Missions made no entries in VMIS for 29 of 48 vehicles disposed of in FY 2016 and did not send documentation to OMD for 46 of the 48 vehicles disposed of.

Moreover, reviews of data provided to the CFO's office and of inventory and records at 10 selected missions showed that missions sent inaccurate PP&E data not limited to vehicles:

- One mission disposed of four vehicles in FY 2015 but did not report doing so until FY 2016.
- One mission disposed of a vehicle in the third quarter of FY 2016 but did not report it until the fourth quarter of FY 2016.

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<sup>5</sup> "Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013" (0-000-15-001-C), November 17, 2014.

<sup>6</sup> Department of State, "Foreign Affairs Manual," 14FAM347.1b, "Accountability, Use, and Maintenance Records," August 3, 2015.

- One mission acquired a vehicle in the first quarter of FY 2016 but did not report it until the second quarter.
- One mission purchased two residential buildings for \$560,000 in the third quarter of FY 2015 but did not report the purchases until the fourth quarter of FY 2016.
- One mission entered into a capital lease in the fourth quarter of FY 2010 but did not report the lease until fourth quarter FY 2016.

Mission personnel are neglecting to adhere to guidance. They are not verifying information before approving and reporting it to the CFO. Reasons for noncompliance include a misunderstanding of the State Department's role—it runs motor pools and manages the vehicles for selected missions, but they remain on USAID's books—and mission-specific (sometimes outdated) ways of recording transactions for assets other than vehicles. Making mission controllers responsible for verifying quarterly information would improve the likelihood of compliance and increase accuracy.

"Standards for Internal Control in the Federal Government" states that management should design control activities so that all transactions are completely and accurately recorded.<sup>7</sup> Not verifying the accuracy of information on assets increases the risk that account misstatements will not be detected. In the above cases, not verifying data caused the vehicle inventory report and the capitalized asset depreciation report to be inaccurate. Therefore, we make the following recommendation.

***Recommendation 2.*** We recommend that the Office of the Chief Financial Officer implement a quality assurance program to validate the quarterly information that missions submit.

### ***USAID Did Not Promptly Investigate and Resolve Potential Funds Control Violations***

As of September 30, 2016, USAID had not investigated 74 potential funds control violations amounting to approximately \$587 million (dating back to 2012) that had been referred to the CFO's office. According to the procedures USAID implemented for funds control, the Agency should evaluate—initiate research and review of—potential funds control violations within 10 business days of referral.<sup>8</sup> Furthermore, the Agency's procedures specify that USAID should establish "appropriate systems to ensure continuous and timely review of circumstances pertaining to potential statutory or administrative funds control violations." During FY 2016, the CFO's Financial Policy and Support Division—responsible for investigating potential violations—received 52 cases, closed 7, and nearly closed 2. In addition, the division closed 34 cases from the 4 previous years, leaving 31 cases from FYs 2012 to 2015 to be investigated and resolved.

This backlog of potential violations occurred because management did not consider resolving them a high priority. According to management, the backlog of potential violations occurred because (1) the Agency's formal process for investigating cases (established in FY 2012) heightened awareness among staff and thus increased the volume of reported cases and (2) the CFO put highest priority on resolving longstanding material weaknesses and significant deficiencies. In early FY 2016, the CFO dedicated an employee to investigate cases full-time.

<sup>7</sup> U.S. Government Accountability Office (GAO-14-704G), September 2014.

<sup>8</sup> Office of the Chief Financial Officer, "Funds Control Violation Review Procedures," July 2015.

However, the procedures state that the Financial Policy and Support Division should assign individuals as warranted to research and report on all potential funds control violations.

The CFO's office is responsible for investigating and determining if the potential violations were indeed violations and, if so, for classifying them as either administrative funds control violations or Antideficiency Act violations. Violation of the act requires the CFO to immediately inform the Office of the Inspector General and the Congress.

The lack of prompt review of potential funds control violations increases the risk that Antideficiency Act violations will go undetected and unreported. Therefore, we make the following recommendations.

***Recommendation 3.*** *We recommend that the Office of the Chief Financial Officer implement a plan to immediately investigate all potential funds control violations reported as of September 30, 2016, and resolve them by June 30, 2017.*

***Recommendation 4.*** *We recommend that the Office of the Chief Financial Officer enhance its policies and procedures to evaluate potential funds control violations so that they are investigated and resolved promptly.*

## **The Agency's Responses to Findings**

The Agency's responses to our findings and recommendations appear in appendix II. The Agency's responses were not subjected to the procedures applied in the audit of the consolidated financial statements; accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of USAID's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

USAID Office of Inspector General  
November 15, 2016

# REPORT ON COMPLIANCE WITH APPLICABLE PROVISIONS OF LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon, dated November 15, 2016.

The management of USAID is responsible for complying with laws and regulations applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and with certain other laws and regulations specified in OMB Bulletin 15-02, including the requirements referred to in section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Our tests did not disclose instances of noncompliance that were reportable under "Government Auditing Standards." Our objective was not to provide an opinion on overall compliance with laws and regulations; accordingly, we do not express such an opinion.

## **Federal Financial Management Improvement Act of 1996**

Under FFMIA, we are required to report on whether USAID's financial management systems substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the USSGL at the transaction level. To meet this requirement, we performed tests of compliance with each of the three FFMIA section 803(a) requirements. We observed two exceptions that we considered substantial noncompliance with FFMIA. Specifically, we noted noncompliance in accounting for reimbursable agreements, which deviated from the Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," and the USSGL at the transaction level.

The CFO's office, which is responsible for the noncompliance, plans to remediate this condition by activating the Project Cost Accounting System (PCAS), a subsystem of its financial accounting system. When fully utilized, PCAS will allow USAID to track reimbursable



agreements with greater detail and flexibility based on the terms of the agreements and the types of services being rendered. PCAS will track the status of agreements including amounts available, collected, and expended, and USAID will be able to recognize revenue and receivables based on the collections and expenditures under the agreements. However, this action will not be completed until December 2017.

In our report on internal control, we identified the following areas for improvement in several financial system processes, not affecting substantial compliance:

- Reconciling its fund balance with the U.S. Treasury.
- Reconciling intragovernmental transactions.
- Complying with Federal accounting standards for reimbursable agreements.
- Maintaining adequate records of property, plant, and equipment.
- Promptly investigating and resolving potential funds control violations.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance with applicable provisions of laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on the effectiveness of USAID's compliance with applicable provisions of laws, regulations, contracts, and grant agreements. Accordingly, this communication is not suitable for any other purpose.

USAID Office of Inspector General  
November 15, 2016

# EVALUATION OF MANAGEMENT COMMENTS

We received USAID's management comments on the findings and recommendations included in our draft report. The comments on the material weakness and significant deficiencies identified in our audits were not subjected to the auditing procedures applied in the audit of the consolidated financial statements; accordingly, we express no opinion on them. The following is a summary of USAID's management comments and our evaluation of them.

## **Material Weakness: USAID Did Not Reconcile Its Fund Balance With Treasury Account With the Department of the Treasury and Resolve Unreconciled Items in a Timely Manner (Repeat Finding)**

Management accepted recommendation 1 and stated that it has finalized the plan to work with internal and external stakeholders to resolve differences and anticipates resolving the Agency's cash differences by December 2016. We acknowledge USAID's management decision on this recommendation and will monitor its progress to implement this recommendation.

## **Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)**

Management acknowledged this finding and stated that it would continue to investigate and resolve differences with its largest trading partners and would begin to include the smaller differences with other agencies. Although OIG did not make any recommendation for this finding, we will continue to monitor the agency's progress in resolving differences with its trading partners.

## **Significant Deficiency: USAID Did Not Comply With Federal Standards in Accounting for Reimbursable Agreements (Repeat Finding)**

Management accepted the finding and stated it anticipates resolving this deficiency in FY 2017. The Agency plans to address this condition by configuring and implementing the Project Cost Accounting System (PCAS) module in the Agency's accounting system. Although OIG did not make any recommendation for this finding, we will continue to monitor the agency's progress to comply with Federal standards.

## **Significant Deficiency: USAID Did Not Maintain Adequate Records of Property, Plant, and Equipment**

Management accepted recommendation 2 and stated that it will review the underlying causes of the reporting errors we identified and make the necessary adjustments to the Agency's policies and procedures. We acknowledge USAID's management decision on this recommendation and will review the agency's progress on implementing it during our FY 2017 GMRA audit.

## **Significant Deficiency: USAID Did Not Promptly Investigate and Resolve Potential Funds Control Violations**

Management accepted recommendation 3 and stated it will continue its commitment to manage the potential funds control violations backlog. We acknowledge USAID's management decision on this recommendation and will review the agency's progress on implementing it during our FY 2017 GMRA audit.

Management accepted recommendation 4 and stated that it will enhance policies and procedures to reflect the streamlined process put in place to allow timely review and disposition of potential funds control violations. We acknowledge USAID's management decision on this recommendation and will review the agency's progress on implementing it during our FY 2017 GMRA audit.

# SCOPE AND METHODOLOGY

USAID's management is responsible for (1) preparing the financial statements in accordance with generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met, (3) ensuring that USAID's financial management systems substantially comply with the requirements of FFMIA Section 803(a), and (4) complying with other applicable laws and regulations.

OIG is responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. OIG is also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether USAID's financial management systems substantially comply with FFMIA Section 803(a) requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements, and laws for which OMB audit guidance requires testing, and (4) performing limited procedures with respect to certain other information appearing in the Agency Financial Report.

To fulfill these responsibilities, OIG:

- Obtained an understanding of USAID's design of internal control components related to financial reporting and compliance with laws and regulations (including execution of transactions in accordance with budget authority).
- Tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of these internal controls.
- Statistically selected transactions, including adjusting entries, advances, accrued expenditures, disbursements, payroll, accounts receivable, loans, loan guarantees, and obligations.
- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
- Assessed the accounting principles used and significant estimates made by management.
- Evaluated the overall presentation of the financial statements.
- Considered the process for evaluating and reporting on internal control and financial management systems under FMFIA.
- Tested USAID's compliance with FFMIA Section 803(a) requirements.

We also tested USAID's compliance with selected provisions of the following:

- Antideficiency Act, July 12, 1870 (codified at 31 U.S.C. 1341, 1342, 1349 to 1351, and 1511 to 1519)

- Improper Payments Information Act of 2002, Public Law 107-300
- Prompt Payment Act, Public Law 97-177
- Debt Collection Improvement Act of 1996, Public Law 104-134
- Federal Credit Reform Act of 1990, Public Law 93-344
- OMB Circular A-136
- OMB Circular A-123
- Federal Financial Management Improvement Act of 1996
- Civil Service Retirement Act/Federal Employee Retirement System

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error, fraud, losses, or noncompliance may occur and may not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to USAID. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal years ended September 30, 2016 and 2015. We caution that noncompliance may occur and may not be detected by these tests, and that such testing may not be sufficient for other purposes.

## **Federal Financial Management Improvement Act of 1996**

We assessed whether USAID was substantially compliant with Section 803(a) of the FFMA, which requires agencies to implement and maintain financial management systems that substantially comply with (1) Federal financial management system requirements, (2) applicable Federal accounting standards, and (3) USSGL at the transaction level. We evaluated USAID's financial transactions recorded in USAID's financial management system to determine whether they were compatible with Federal accounting standards and USSGL at the transaction level, and we observed two exceptions.

# MANAGEMENT COMMENTS



November 14, 2016

## MEMORANDUM

**TO:** Thomas E. Yatsco, Assistant Inspector General for Audit

**FROM:** Reginald W. Mitchell /s/

**SUBJECT:** Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2016 and 2015

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015* and for the professionalism exhibited by your staff throughout this process.

Fiscal Year (FY) 2016 was a significant year for federal financial management at USAID. We are pleased that the USAID Inspector General will issue an unmodified opinion on the Agency's principal financial statements. The acknowledgments of the Agency's improvements in financial systems and processes throughout the report are appreciated.

The following are management's comments regarding the audit findings:

**Material Weakness: USAID Did Not Reconcile Its Fund Balance With Treasury Account With the Department of the Treasury and Resolve Unreconciled Items in a Timely Manner (Repeat Finding)**

Recommendation 1: We recommend that the Office of the Chief Financial Officer resolve all unexplained differences between USAID's Fund Balance With Treasury account and the Department of the Treasury by December 31, 2016, and institutionalize the monthly reconciliation of the Funds Balance With Treasury account.

Management Decision: Management agrees to maintain this material weakness until the unexplained difference is fully addressed. Management also appreciates the Office of the Inspector General (OIG)'s recognition of the significant progress made in strengthening its Fund Balance with Treasury (FBWT) reconciliation process.

As indicated in the finding, USAID's unexplained difference existed because, in the past, the Agency did not reconcile its FBWT accounts accurately and timely. In FY 2016, USAID continued to enhance its cash reconciliation processes by expanding the capability of the electronic cash reconciliation (eCART) system to automate all cash reconciliation functions. In addition, USAID has completed the general ledger to subsidiary ledger reconciliation and made the necessary corrective actions. Management also implemented measures to detect and prevent any future discrepancies and believes that the Agency currently reconciles FBWT accounts in a timely and accurate manner.

The Agency has developed a plan to address the FBWT issue and coordinate with the Department of the Treasury and the Office of Management and Budget to resolve the unexplained differences in cash balances. During FY 2016, M/CFO finalized the plan in coordination with internal and external stakeholders and anticipates resolving the Agency's cash difference in December 2016.

Target Completion Date: December 31, 2016

**Significant Deficiency: Intragovernmental Transactions Remained Unreconciled (Repeat Finding)**

Management acknowledges this finding. To address the Intragovernmental differences in FY 2017, the Agency is planning to expand and refine its existing Intragovernmental procedures. M/CFO will update the existing Intragovernmental quarterly checklist and incorporate this checklist into the Intragovernmental project plan. The Agency will continue to focus on reconciling with its largest trading partner, the Department of State, and the Treasury General Fund. We will expand our reconciliation efforts to include the smaller variances with other agencies. As of the third quarter FY 2016, the Agency's trend for its IGT reconciliation performance continued to show progress.

**Significant Deficiency: USAID Did Not Comply with Federal Standards in Accounting for Reimbursable Agreements (Repeat Finding)**

Management agrees with this finding. This finding will be resolved in FY 2017. The Agency plans to address this condition by configuring and implementing the Project Cost Accounting System (PCAS) module in Agency's accounting system (Phoenix) and working with other USAID business system owners and users that integrate data with Phoenix to update systems and processes so that an agreement number is included at the point of obligation. When fully utilized, PCAS will allow USAID to track reimbursable agreements with greater detail and flexibility based on the terms of the agreements. Going forward, PCAS will provide Phoenix the capability to track the status of agreements including amounts available, collected, and expended. Additionally, the Agency will be able to recognize revenue and receivables based upon the collections and expenditures against the agreements.

**Significant Deficiency: USAID Did Not Maintain Adequate Records of Property, Plant and Equipment**

Recommendation 2: We recommend that the Office of the Chief Financial Officer implement a quality assurance program to validate the quarterly information that missions submit.

Management Decision: Management agrees with this finding. The Agency will review the underlying causes for the reporting errors identified in the audit report and make necessary adjustments to the Agency's policies and procedures that will increase timeliness and accuracy of Property, Plant and Equipment financial reporting.

Target Completion Date: September 30, 2017

**Significant Deficiency: USAID Did Not Promptly Investigate and Resolve Potential Funds Control Violations**

Recommendation 3: We recommend that the Office of the Chief Financial Officer implement a plan to immediately investigate all potential funds control violations reported as of September 30, 2016, and resolve them by June 30, 2017.

Management Decision: Management agrees with this finding. The Agency will continue its commitment to manage the potential funds control violations backlog. In FY 2016, M/CFO streamlined the process and increased the number of cases investigated and closed. This positive trend is expected to continue, allowing M/CFO to eliminate the backlog as of September 30, 2016 by June 30, 2017.

Target Completion Date: June 30, 2017

Recommendation 4: We recommend that the Office of the Chief Financial Officer enhance its policies and procedures to evaluate potential funds control violations so that they are investigated and resolved promptly.

Management Decision: Management agrees with this finding. The M/CFO will enhance policies and procedures to reflect the streamlined process put in place to allow timely review and disposition of potential funds control violations.

Target Completion Date: September 30, 2017



# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

OMB Circular A-50, "Audit Follow-up," states that a management decision on audit recommendations shall be made within 6 months after a final report is issued. Corrective action should proceed as rapidly as possible.

## **Status of 2015 Findings and Recommendations**

No recommendations.

## **Status of 2014 Findings and Recommendations**

Recommendation 1. We recommend that USAID's Office of the Chief Financial Officer continue the reconciliation effort to investigate and resolve unreconciled differences and monitor and report the results to ensure that the balances in the general ledger and subsidiary ledger are consistently in agreement.

Status: This recommendation was closed on December 31, 2015.

Recommendation 2. We recommend that USAID's Office of the Chief Financial Officer consult with the U.S. Treasury to obtain advice and approval for resolving unreconciled funds.

Status: The target completion date is December 31, 2016.

Recommendation 7. We recommend that USAID's Office of the Chief Financial Officer reconfigure its financial management system to account for reimbursable agreements in accordance with Federal Generally Accepted Accounting Principles, and in consultation with appropriate stakeholders, develop and implement improved processes to account for reimbursable agreements.

Status: The target completion date is December 31, 2017.

## **Status of 2013 Findings and Recommendations**

Recommendation 1. We recommend that USAID intensify its effort to expedite the completion of the reconciliation and make results available for periodic review.

Status: This recommendation was closed on December 31, 2015.

### **Status of 2012 Findings and Recommendations**

Recommendation 1. We recommend that the Chief Financial Officer verify that all differences between USAID and the Department of the Treasury are researched and resolved in a timely manner in accordance with Treasury financial manual reconciliation procedures.

Status: The target completion date is December 31, 2016.

### **Status of 2010 Findings and Recommendations**

Recommendation 1. We recommend that the Chief Financial Officer (a) provide changes in its crosswalk to the Department of Health and Human Services in a timely manner to ensure that the Department of Health and Human Services charges all third-party transactions to appropriate appropriations; and (b) research and resolve all suspense items within the time stipulated by the Department of the Treasury.

Status: This recommendation was closed on December 31, 2015.

### **Status of 2004 Findings and Recommendations**

In the FY 2004 audit report, OIG recommended that USAID's Chief Financial Officer direct the Financial Management Office to conduct quarterly intragovernmental reconciliations of activity and balances with its trading partners in accordance with the requirements of the "Federal Intragovernmental Transactions Accounting Policies Guide," issued by the Department of the Treasury's Financial Management Service.

Status: OIG has made no subsequent recommendations because USAID is continuously researching intragovernmental activity and developing new tools to improve its reconciliation process to eliminate the differences.

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# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

As of September 30, 2016 and 2015

(In Thousands)

	2016	2015
<b>ASSETS:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 32,637,640	\$ 32,344,408
Accounts Receivable (Note 3)	111	48
Other Assets (Note 4)	26,242	20,968
Total Intragovernmental	32,663,993	32,365,424
Cash and Other Monetary Assets (Note 5)	332,673	370,613
Accounts Receivable, Net (Note 3)	57,454	120,521
Direct Loans and Loan Guarantees, Net (Note 6)	1,622,046	2,013,413
Inventory and Related Property, Net (Note 7)	47,770	62,224
General Property, Plant, and Equipment, Net (Note 8)	74,334	64,857
Other Assets (Note 4)	666,844	641,833
<b>Total Assets</b>	<b>\$ 35,465,114</b>	<b>\$ 35,638,885</b>
<b>LIABILITIES:</b>		
Intragovernmental:		
Accounts Payable (Note 10)	\$ 33,018	\$ 39,934
Debt (Note 11)	412,920	481,283
Liability for Capital Transfers to the General Fund of the Treasury (Notes 10 and 11)	1,636,238	1,834,738
Other Liabilities (Notes 10, 12 and 13)	1,056,347	1,087,750
Total Intragovernmental	3,138,523	3,443,705
Accounts Payable (Note 10)	1,670,342	1,810,849
Loan Guarantee Liability (Notes 6 and 10)	3,145,753	2,866,890
Federal Employee and Veteran's Benefits (Note 13)	22,543	24,731
Other Liabilities (Notes 10, 12 and 13)	545,918	596,508
<b>Total Liabilities</b>	<b>8,523,079</b>	<b>8,742,683</b>
Commitments and Contingencies (Note 14)		
<b>NET POSITION:</b>		
Unexpended Appropriations	26,603,696	26,339,211
Cumulative Results of Operations	338,339	556,991
<b>Total Net Position</b>	<b>26,942,035</b>	<b>26,896,202</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 35,465,114</b>	<b>\$ 35,638,885</b>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF NET COST***For the Years Ended September 30, 2016 and 2015**(In Thousands)*

<b>Objectives</b>	<b>2016</b>	<b>2015</b>
<b>Peace and Security:</b>		
Gross Costs	\$ 633,205	\$ 719,808
Less: Earned Revenue	(2,994)	(1,397)
Net Program Costs	630,211	718,411
<b>Governing Justly and Democratically:</b>		
Gross Costs	1,356,389	1,415,613
Less: Earned Revenue	(152,747)	(15,336)
Net Program Costs	1,203,642	1,400,277
<b>Investing in People:</b>		
Gross Costs	3,300,572	2,902,619
Less: Earned Revenue	(26,128)	(41,612)
Net Program Costs	3,274,444	2,861,007
<b>Economic Growth:</b>		
Gross Costs	4,604,585	4,801,565
Less: Earned Revenue	(490,683)	(825,255)
Net Program Costs	4,113,902	3,976,310
<b>Humanitarian Assistance:</b>		
Gross Costs	2,452,244	2,785,529
Less: Earned Revenue	(8,787)	(1,775)
Net Program Costs	2,443,457	2,783,754
<b>Operating Unit Management:</b>		
Gross Costs	903,801	791,213
Less: Earned Revenue	(78,924)	(2,378)
Net Program Costs	824,877	788,835
<b>Net Cost of Operations (Notes 15 and 16)</b>	<b>\$ 12,490,533</b>	<b>\$ 12,528,594</b>

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2016 and 2015

(In Thousands)

	2016	2015
<b>Cumulative Results of Operations:</b>		
Beginning Balance	\$ 556,991	\$ 557,222
Adjustments – Correction of Errors	–	37,042
Beginning Balance, as Adjusted	556,991	594,264
<b>Budgetary Financing Sources:</b>		
Appropriations Used	12,243,944	12,288,421
Nonexchange Revenue	(114)	354
Donations and Forfeitures of Cash and Cash Equivalents	98,169	120,034
Transfers-in/out Without Reimbursement	–	–
<b>Other Financing Sources (Non-Exchange):</b>		
Donations and Forfeitures of Property	32,143	22,871
Transfers-in/out Without Reimbursement	(14)	–
Imputed Financing	35,020	30,637
Other	(137,267)	29,004
Total Financing Sources	12,271,881	12,491,321
Net Cost of Operations (Notes 15 and 16)	(12,490,533)	(12,528,594)
Net Change	(218,652)	(37,273)
<b>Cumulative Results of Operations</b>	<b>338,339</b>	<b>556,991</b>
<b>Unexpended Appropriations:</b>		
Beginning Balance	26,339,211	25,595,626
Adjustments – Correction of Errors	–	13,364
Beginning Balance, as Adjusted	26,339,211	25,608,990
<b>Budgetary Financing Sources:</b>		
Appropriations Received	12,536,874	13,089,344
Appropriations Transferred in/out	66,982	202,172
Other Adjustments	(95,427)	(272,874)
Appropriations Used	(12,243,944)	(12,288,421)
Total Budgetary Financing Sources	264,485	730,221
Total Unexpended Appropriations	26,603,696	26,339,211
<b>Net Position</b>	<b>\$ 26,942,035</b>	<b>\$ 26,896,202</b>

The accompanying notes are an integral part of these statements.

## COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2016 and 2015

(In Thousands)

	2016		2015	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
<b>Budgetary Resources:</b>				
Unobligated Balance, Brought Forward, October 1	\$ 9,752,931	\$ 3,074,660	\$ 8,201,447	\$ 2,186,956
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(2,076)	—	4,107	—
Unobligated Balance Brought Forward, October 1, as Adjusted	9,750,855	3,074,660	8,205,554	2,186,956
Recoveries of Unpaid Prior Year Obligations	720,899	140	1,229,327	429
Other Changes in Unobligated Balance (+ or -)	(179,768)	(71,262)	279,146	(13)
Unobligated Balance from Prior Year Budget Authority, Net	10,291,986	3,003,538	9,714,027	2,187,372
Appropriations (Discretionary and Mandatory)	12,235,537	(29)	12,898,707	—
Borrowing Authority (Discretionary and Mandatory) (Note 11)	—	2,899	—	23
Contract Authority (Discretionary and Mandatory)	—	—	—	—
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,131,949	564,962	1,355,835	993,469
<b>Total Budgetary Resources</b>	<b>\$ 23,659,472</b>	<b>\$ 3,571,370</b>	<b>\$ 23,968,569</b>	<b>\$ 3,180,864</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred (Note 17)	\$ 13,563,043	\$ 274,218	\$ 14,217,714	\$ 106,204
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts (Note 2)	9,127,119	253,826	8,395,024	248,463
Exempt from Apportionment, Unexpired Accounts (Note 2)	(4)	—	(4)	—
Unapportioned, Unexpired Accounts (Note 2)	969,314	3,043,326	1,355,835	2,826,197
Unobligated Balance, End of Year (Total)	10,096,429	3,297,152	9,750,855	3,074,660
<b>Total Budgetary Resources</b>	<b>\$ 23,659,472</b>	<b>\$ 3,571,370</b>	<b>\$ 23,968,569</b>	<b>\$ 3,180,864</b>

(continued on next page)

# COMBINED STATEMENT OF BUDGETARY RESOURCES (continued)

For the Years Ended September 30, 2016 and 2015

(In Thousands)

	2016		2015	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
<b>Change in Obligated Balance:</b>				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	\$ 20,034,409	\$ 4,317	\$ 20,555,551	\$ 4,062
Adjustment to Unpaid Obligations, Start of Year (+ or -)	—	—	18,333	—
Obligations Incurred	13,563,043	274,218	14,217,714	106,204
Outlays (Gross) (-)	(13,649,365)	(260,573)	(13,527,862)	(105,520)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	—	—	—	—
Recoveries of Prior Year Unpaid Obligations (-)	(720,899)	(140)	(1,229,327)	(429)
Unpaid Obligations, End of Year	19,227,188	17,822	20,034,409	4,317
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1 (-)	(502,070)	17	(38,410)	35
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	—	—	—	—
Change in Uncollected Payments, Federal Sources (+ or -)	484,642	(18)	(463,660)	(18)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or -)	—	—	—	—
Uncollected Payments, Federal Sources, End of Year (-)	(17,428)	(1)	(502,070)	17
<b>Budget Authority and Outlays, Net:</b>				
Budget Authority, Gross (Discretionary and Mandatory)	\$ 13,367,486	\$ 567,832	\$ 14,254,542	\$ 993,492
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,472,773)	(564,945)	(965,935)	(993,452)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	484,642	(18)	463,660	(18)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	—	—	—	—
<b>Budget Authority, Net (Total) (Discretionary and Mandatory)</b>	<b>\$ 12,379,355</b>	<b>\$ 2,869</b>	<b>\$ 12,824,947</b>	<b>\$ 22</b>
Outlays, Gross (Discretionary and Mandatory)	\$ 13,649,365	\$ 260,573	\$ 13,527,862	\$ 105,520
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,472,773)	(564,945)	(965,935)	(993,452)
Outlays, Net (Total) (Discretionary and Mandatory)	12,176,592	(304,372)	12,561,927	(887,932)
Distributed Offsetting Receipts (-)	(795,234)	—	(193,254)	—
<b>Agency Outlays, Net (Discretionary and Mandatory)</b>	<b>\$ 11,381,358</b>	<b>\$ (304,372)</b>	<b>\$ 12,368,673</b>	<b>\$ (887,932)</b>

The accompanying notes are an integral part of these statements.



# NOTES TO THE FINANCIAL STATEMENTS

## NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BASIS OF PRESENTATION

The accompanying principal financial statements report USAID's financial position and results of operations. The statements have been prepared using USAID's books and records in accordance with Agency accounting policies, the most significant of which are summarized in this note. The statements are presented in accordance with the guidance and requirements of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

USAID accounting policies follow generally accepted accounting principles for the Federal government, as established by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the Federal government. These standards have been agreed to, and published by the Director of the OMB, the Secretary of the Treasury, and the Comptroller General.

### B. REPORTING ENTITY

Established in 1961 by President John F. Kennedy, USAID is the independent U.S. Government agency that provides economic development and humanitarian assistance to advance United States economic and political interests overseas.

### PROGRAM FUNDS

The principal statements present the financial activity of various programs and accounts managed by USAID. The programs include Assistance for Europe, Eurasia, and Central Asia; Civilian Stabilization Initiative; Capital Investment Fund;

Economic Support Fund; Development Assistance; International Disaster Assistance; Global Health and Child Survival; Complex Crisis Fund; Transition Initiatives; and Direct and Guaranteed Loan Programs. This classification is consistent with the budget of the United States.

#### ***Assistance for Europe, Eurasia, and Central Asia***

Funds appropriated under this heading are considered to be economic assistance under the Foreign Assistance Act of 1961.

This account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support the U.S. foreign policy goals of consolidating improved U.S. security; building a lasting partnership with the new independent states; and providing mutual access to markets, resources, and expertise.

#### ***Civilian Stabilization Initiative***

This fund provides support for the necessary expenses needed to establish, support, maintain, mobilize, and deploy a civilian response corps in coordination with the USAID. This fund is also used for related reconstruction and stabilization assistance to prevent or respond to conflict or civil strife in foreign countries or regions, or to enable transition from such unstable conditions.

#### ***Capital Investment Fund***

This fund provides for the necessary expenses of overseas construction and related costs, and for procurement and enhancement of information technology and related capital investments. Specifically, this fund provides

assistance in supporting the Global Acquisition and Assistance System (GLAAS).

### **Economic Support Fund**

The Economic Support Fund supports U.S. foreign policy objectives by providing economic assistance to allies and countries in transition to democracy. Programs funded through this account promote stability and U.S. security interests in strategic regions of the world.

### **Development Assistance**

This program provides economic resources to developing countries with the aim of bringing the benefits of development to the poor. The program promotes broad-based, self-sustaining economic growth and opportunity, and supports initiatives intended to stabilize population growth, protect the environment and foster increased democratic participation in developing countries. The program is concentrated in those areas in which the United States has special expertise and which promise the greatest opportunity for the poor to better their lives.

### **International Disaster Assistance**

Funds for the International Disaster Assistance Program provide relief, rehabilitation, and reconstruction assistance to foreign countries struck by disasters such as famines, floods, hurricanes and earthquakes. The program also provides assistance in disaster preparedness, prevention and mitigation; and providing emergency commodities and services for immediate healthcare and nutrition. Additionally, this fund supports the capability to provide timely emergency response to disasters worldwide.

### **Global Health and Child Survival**

This fund provides economic resources to developing countries in support of programs to improve infant and child nutrition, with the aim of reducing infant and child mortality rates; to reduce HIV transmission and the impact of the HIV/AIDS pandemic in developing countries; to reduce the threat of infectious diseases of major public health importance such as polio, malaria or tuberculosis; and to expand access to quality basic education for girls and women.

### **Complex Crisis Fund**

This fund provides for necessary expenses under of the Foreign Assistance Act of 1961 to support programs and activities around prevention of, or response to emerging or unforeseen complex crises overseas.

### **Transition Initiatives**

This fund provides for humanitarian programs that provide post conflict assistance to victims of both natural and man-made disasters. The program supports U.S. foreign policy objectives by helping local partners advance peace and democracy in priority countries in crisis. Seizing critical windows of opportunity, the Office of Transition Initiatives works on the ground to provide fast, flexible, short-term assistance targeted at key political transition and stabilization needs.

### **Direct and Guaranteed Loans**

- **Direct Loan Program**

These loans are authorized under the Foreign Assistance Act, various predecessor agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made “with maintenance of value” places the risk of currency devaluation on the borrower, and are recorded in equivalent U.S. dollars. Loans made “without maintenance of value” place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

- **Urban and Environmental Program**

The Urban and Environmental (UE) Program extends guaranties to U.S. private investors who make loans to developing countries, to assist them in formulating and executing sound housing and community development policies that meet the needs of lower income groups.

- **Micro and Small Enterprise Development Program**

The Micro and Small Enterprise Development (MSED) Program was established to support private sector activities in developing countries

by providing direct loans and loan guarantees to local micro and small enterprises. Although the MSED program is still active, most of USAID's new loan guarantee activity is managed through the Development Credit Authority (DCA) Program.

- ***Development Credit Authority***

The first obligations for USAID's DCA were made in FY 1999. The DCA allows missions and other offices to use loans and loan guarantees to achieve their development objectives when it can be shown that (1) the project generates enough revenue to cover the debt service including USAID fees, (2) there is at least 50 percent risk-sharing with a private-sector institution, and (3) the DCA guarantee addresses a financial market failure in-country and does not "crowd-out" private sector lending. The DCA can be used in any sector and by any USAID operating unit whose project meets the DCA criteria. DCA projects are approved by the Agency Credit Review Board and the Chief Financial Officer.

- ***Israel Loan Guarantee Program***

Congress authorized the Israel Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under the program, the U.S. Government guaranteed the repayment of up to \$9.1 billion in loans from commercial sources. Borrowing was completed under the program during FY 2005.

- ***Loan Guarantees to Middle East Northern Africa (MENA) Program***

The Loan Guarantee authority for the MENA Program was initially established under Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Division I of Pub. L. No. 112-74, earmarked to provide support for the Republic of Tunisia. In FY 2014, this program was expanded to include Jordan and renamed the MENA Loan Guarantee Program. Under this program, the U. S.

Government issues guarantees with respect to the payment obligations of MENA for notes. The budget cost associated with these notes, calculated in accordance with the Federal Credit Reform Act of 1990, is \$553 million. Using this budget cost as a basis for determining the loan guarantee, MENA issued notes totaling \$5.24 billion as of FY 2016.

- ***Ukraine Loan Guarantee Program***

The Loan Guarantee Program for Ukraine was established in accordance with Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014 (division K of Public Law 113-76). In FY 2016, a new \$1.0 billion note with a \$290 million subsidy cost was issued under the Ukraine program resulting in an overall total of \$3 billion in notes issued. The Ukraine Loan Program is intended to help Ukraine meet its near-term social spending needs and insulate vulnerable Ukrainians from the impact of necessary economic adjustments.

## **FUND TYPES**

The principal statements include the accounts of all funds under USAID's control. Most of the fund accounts relate to general fund appropriations. USAID also has special funds, revolving funds, trust funds, deposit funds, a capital investment fund, receipt accounts, and budget clearing accounts.

General fund appropriations and the special funds are used to record financial transactions under Congressional appropriations or other authorization to spend general revenue.

Revolving funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress.

Trust funds are credited with receipts generated by the terms of the underlying trust agreement or statute. At the point of collection, these receipts may be available or unavailable, depending upon statutory spending authority.

Deposit funds are established for (1) amounts received for which USAID is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods or services received, and (4) monies held awaiting distribution on the basis of legal determination.

The capital investment fund contains no-year (non-expiring) funds to provide the Agency with greater flexibility to manage investments in technology systems and facility construction that's allowed under the annual appropriation for operating expenses.

### **C. BASIS OF ACCOUNTING**

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints on, and controls of, the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

### **D. BUDGETS AND BUDGETARY ACCOUNTING**

The components of USAID's budgetary resources include current budgetary authority (that is, appropriations and borrowing authority) and unobligated balances remaining from multiyear and no-year budget authority received in prior years. Budget authority is the authorization provided by law to enter into financial obligations that result in immediate or future outlays of federal funds. Budgetary resources also include reimbursement and other income (that is, spending authority from offsetting collections credited to an appropriation or fund account) and adjustments (that is, recoveries of prior year obligations).

Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, for five years until that account is

canceled. When accounts are canceled amounts are not available for obligations or expenditure for any purpose and are returned to Treasury.

The "Consolidated Appropriations Act" signed into law as Pub. L. No. 112-74 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "7011". Under this authority, funds shall remain available for obligation for an extended period if such funds are initially obligated within their initial period of availability.

### **E. REVENUES AND OTHER FINANCING SOURCES**

USAID receives the majority of its funding through congressional appropriations—annual, multiyear, and no-year (non-expiring) appropriations—that may be used within statutory limits. Appropriations are recognized as a financing source (i.e., Appropriations Used) on the Statement of Changes in Net Position at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are not recognized as expenses. In addition to funds warranted directly to USAID, the agency also receives allocation transfers from the Department of Agriculture Commodity Credit Corporation, the Executive Office of the President, the Department of State, and Millennium Challenge Corporation.

Additional financing sources for USAID's various credit programs and trust funds include amounts obtained through collection of guaranty fees, interest income on rescheduled loans, penalty interest on delinquent balances, permanent indefinite borrowing authority from the U.S. Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

Revenues are recognized as financing sources to the extent that they are received by USAID from other agencies, other governments and the public. Imputed revenues are reported in the financial statements to offset imputed costs. Amounts received from other Federal agencies under reimbursable agreements are recognized as revenue as related expenditures are incurred.

## **F. FUND BALANCE WITH TREASURY**

Cash receipts and disbursements are processed by the U.S. Treasury. The fund balances with Treasury are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, but they also include revolving, deposit, and trust funds.

## **G. FOREIGN CURRENCY**

The Direct Loan Program maintains foreign currency funds, which are used to disburse loans in certain countries. Those balances are reported at the U.S. dollar equivalents using the exchange rates prescribed by the U.S. Treasury. A gain or loss on currency conversion is recognized for any change in valuation of foreign currencies at year-end. Additionally, some USAID host countries contribute funds for the overhead operation of the host mission and the execution of USAID programs. These funds are held in trust and reported in U.S. dollar equivalents on the Balance Sheet and Statement of Net Costs.

## **H. ACCOUNTS RECEIVABLE**

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable from the public for non-loan or revenue generating sources based on a historical analysis of collectability.

## **I. DIRECT LOANS AND LOAN GUARANTEES**

Loans are accounted for as receivables after funds have been disbursed. For loans obligated before October 1, 1991 (the pre-credit reform period), loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on a net present value method prescribed by OMB that takes into account country risk and projected cash flows.

For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the net present value of the cost to the United States Government of making the loan. This cost, known as “subsidy”, takes into account all cash inflows and outflows associated with the loan, including the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, and offsets from fees and other estimated cash flows. This allowance is re-estimated when necessary and changes reflected in the operating statement.

Loans have been made in both U.S. dollars and foreign currencies. Loans extended in foreign currencies can be with or without “Maintenance of Value” (MOV). Foreign currency exchange gain or loss is recognized on those loans extended without MOV, and reflected in the net credit programs receivable balance.

Credit program receivables also include origination and annual fees on outstanding guarantees, interest on rescheduled loans and late charges. Claims receivables (subrogated and rescheduled) are due from foreign governments as a result of defaults for pre-1992 guaranteed loans. Receivables are stated net of an allowance for uncollectible accounts that is determined using an OMB approved net present value default methodology.

While estimates of uncollectible loans and interest are made using methods prescribed by OMB, the final determination as to whether a loan is collectible is also affected by actions of other federal government agencies.

## **J. ADVANCES**

Funds disbursed before expenditures are incurred are recorded as advances. Most advances consist of funds disbursed under letters of credit to contractors and grantees. The advances are liquidated and recorded as expenses upon receipt of expenditure reports from the recipients.



## **K. INVENTORY AND RELATED PROPERTY**

USAID's inventory and related property are comprised of life essential materials and supplies. The Agency has materials and supplies in reserve for foreign disaster assistance stored at strategic sites around the world. These include tents, disaster kits, field packs, and water purification units.

Agency supplies held in reserve for future use are items not readily available in the market, or for which there is more than a remote chance that the supplies will be needed, but not in the normal course of operations. Their valuation is based on cost and they are not considered "held for sale." USAID has no supplies categorizable as excess, obsolete, or unserviceable operating materials and supplies.

## **L. PROPERTY, PLANT AND EQUIPMENT**

USAID capitalizes all property, plant and equipment that have an acquisition cost of \$25,000 or greater and a useful life of two years or more. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost, depending on when the asset was put into production and depreciated using the straight-line method (mid-year and mid-quarter). Real property is depreciated over 20 years, nonexpendable personal property is depreciated over three to five years, and capital leases are depreciated according to the terms of the lease. The Agency uses land, buildings, and equipment that are provided by the General Services Administration. Internal use software that has development costs of \$300,000 or greater is capitalized. Deferred maintenance amounts are immaterial with respect to the financial statements. In addition, certain USAID assets are held by government contractors. Under provisions of the Federal Acquisition Regulation (FAR), the contractors are responsible for the control and accountability of the assets in their possession, which are immaterial in nature. These government-owned, contractor-held assets are included within the balances reported in USAID's financial statements.

## **M. LIABILITIES**

Liabilities represent the amount of monies or other resources that are likely to be paid by USAID as the result of transactions or events that have already occurred. However, no liability can be paid by the Agency without an appropriation or borrowing authority. Liabilities for which an appropriation has not been enacted are therefore classified as Liabilities Not Covered by Budgetary Resources (unfunded liabilities), and there is no certainty that the appropriations will be enacted. Also, these liabilities can be nullified by the U.S. Government, acting in its sovereign capacity.

## **N. LIABILITIES FOR LOAN GUARANTEES**

The Credit Reform Act (CRA) of 1990, which became effective on October 1, 1991, significantly changed the manner in which USAID finances the activities of loan programs. The main purpose of the CRA was to more accurately measure the cost of Federal credit programs and to place the cost of such programs on a budgetary basis equivalent to other Federal spending. Consequently, commencing in FY 1992, USAID can only make new loans or guarantees with an appropriation available to fund the cost of making the loan or guarantee. This cost is known as "subsidy."

For USAID's loan guarantee programs, when guarantee commitments are made, an obligation for subsidy cost is recorded in the program account. This cost is based on the net present value of the estimated net cash outflows to be paid by the program as a result of the loan guarantees, except for administrative costs, less the net present value of all cash inflows to be generated from those guarantees. When the loans are disbursed, the subsidy cost is disbursed from the program account to a financing account.

For loan guarantees made before the CRA (pre-1992), the liability for loan guarantees represents an unfunded liability. The amount of unfunded liabilities also represents a future funding requirement for USAID. The liability is calculated using a reserve methodology that is similar to the OMB-prescribed method for post-1991 loan guarantees.

## **O. ANNUAL, SICK, AND OTHER LEAVE**

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

## **P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS**

USAID recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time the employees provide the related services. The pension expense recognized in the financial statements equals the current service cost for USAID employees for the accounting period less the amount contributed by the employees. The measurement of the service cost requires the use of an actuarial cost method and assumptions. The Office of Personnel Management (OPM) administers these benefits and provides the factors that USAID applies to calculate the cost. The excess of the pension expense over the amount contributed by USAID and employees represents the amount being financed directly through the Civil Service Retirement System and the Federal Employees Retirement System administered by OPM. This cost is considered imputed cost to USAID.

USAID recognizes a current period expense for the future cost of post retirement health benefits and life insurance for its employees while they are still working. USAID accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and USAID do not make contributions to fund these future benefits.

## **Q. COMMITMENTS AND CONTINGENCIES**

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to USAID. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable. For other litigations, a contingent liability is recognized when similar events occur except that the future outflow or other sacrifice of resources is more likely than not.

## **R. NET POSITION**

Net position is the residual difference between assets and liabilities. It is composed of unexpended appropriations and cumulative results of operations.

- Unexpended appropriations are the portion of the appropriations represented by undelivered orders and unobligated balances.
- Cumulative results of operations are also part of net position. This account reflects the net difference between expenses and losses and financing sources, including appropriations, revenues and gains, since the inception of the activity.

## **S. NON-ENTITY ASSETS**

Non-entity fund balances are amounts in deposit fund accounts. These include such items as: funds received from outside sources where the government acts as fiscal agent, monies the government has withheld awaiting distribution based on legal determination, and unidentified remittances credited as suspense items outside the budget. For USAID, non-entity assets are minimal in amount, and are composed solely of accounts receivable, net of allowances.

## **T. AGENCY COSTS**

USAID costs of operations are comprised of program and operating expenses. USAID/ Washington program and Mission related expenses by objective are obtained directly from Phoenix, the Agency general ledger. A cost allocation model is used to distribute operating expenses, including Management Bureau, Global Development Alliance, Trust Funds and Support Offices costs to specific goals. Expenses related to Credit Reform and Revolving Funds are directly applied to specific agency goals based on their objectives.

## **U. PARENT/CHILD REPORTING**

USAID is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one department of its ability to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are also charged to this allocation account as they execute the delegated activity on behalf of the parent entity. 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, from which the underlying legislative authority,

appropriations, and budget apportionments are derived. Per OMB guidance, child transfer activities are to be included and parent transfer activities are to be excluded in trial balances. Exceptions to this general rule affecting USAID include the Executive Office of the President, for whom USAID is the child in the allocation transfer but, per OMB guidance, will report all activity relative to these allocation transfers in USAID's financial statements. In addition to these funds, USAID allocates funds as the parent to:

- Department of Agriculture, Forest Service
- Department of State

USAID receives allocation transfers as the child from:

- Department of State
- Executive Office of the President
- Millennium Challenge Corporation
- Department of Agriculture, Commodity Credit Corporation

## **V. CLOSING PACKAGE CHANGES AS OF FY 2016**

The prior year balances are presented for purposes of additional analysis and are not a required part of the closing package financial statements, and are therefore not audited.



## NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2016 and 2015 consisted of the following (*in thousands*):

Fund Balance	2016	2015
Trust Funds	\$ 253,271	\$ 268,465
Revolving Funds	3,370,319	3,689,091
General Funds	28,847,233	28,339,476
Other Funds	166,817	47,376
Total	\$ 32,637,640	\$ 32,344,408

Status of Fund Balance with Treasury	2016	2015
Unobligated Balance		
Available	\$ 9,380,941	\$ 8,643,483
Unavailable	4,012,640	4,182,032
Obligated and Other Balances Not Yet Disbursed (Net)	19,244,059	19,518,893
Total	\$ 32,637,640	\$ 32,344,408

Fund Balance with Treasury is the aggregate amount of USAID's accounts with Treasury for which the agency is authorized to make payments. Other Funds include credit program and operating funds which are established to record amounts held for the loan guarantee and other operating funds.

As of September 30, 2016, the agency's records reflect a historical difference of approximately \$140 million in its Fund Balance with Treasury (FBWT), which is unexplained by normal timing reconciling items. USAID management has developed a plan to coordinate with Treasury and OMB to resolve the above difference, and anticipates to finalize the process in FY 2017.

Unobligated balances become available when apportioned by OMB for obligation in the current fiscal year. Obligated and other balances not yet disbursed (net) include balances for non-budgetary funds and unfilled customer orders without advances. The unobligated and obligated balances are reflected on the Combined Statement of Budgetary Resources. The total available unobligated balance includes expired funds which are available for upward adjustments, however they are not available to incur new obligations. In the Combined Statement of Budgetary Resources the expired fund balance is included in Unobligated Balance, Unapportioned. The obligated and other balances not yet disbursed include other liabilities without related budgetary obligations.

### NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's Accounts Receivable, Net as of September 30, 2016 and 2015 are as follows (*in thousands*):

	Receivable Gross	Allowance Accounts	Receivable Net 2016	Receivable Net 2015
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	\$ —	N/A	\$ —	\$ 10
Accounts Receivable from Federal Agencies	370,864	N/A	370,864	93,328
Less: Intra-Agency Receivables	(370,753)	N/A	(370,753)	(93,290)
Total Intragovernmental Accounts Receivable	111	N/A	111	48
Accounts Receivable from the Public	63,748	(6,294)	57,454	120,521
Total Receivables	\$ 63,859	\$ (6,294)	\$ 57,565	\$ 120,569

Entity intragovernmental accounts receivable consist of amounts due from other U.S. Government agencies. No allowance accounts have been established for the intragovernmental accounts receivable, which are considered to be 100 percent collectible.

All other entity accounts receivable consist of amounts managed by missions or USAID/Washington. These receivables consist of overdue advances, unrecovered advances, and

audit findings. The allowance for uncollectable accounts related to these receivables is calculated based on a historical analysis of collectability. Accounts receivable from missions are collected and recorded to the respective appropriation.

Interest receivable is calculated separately, and there is no interest included in the accounts receivable listed above.

## NOTE 4. OTHER ASSETS

Other Assets as of September 30, 2016 and 2015 consisted of Advances, as follows (*in thousands*):

	2016	2015
<b>Intragovernmental</b>		
Advances to Federal Agencies	\$ 26,242	\$ 20,968
Total Intragovernmental	26,242	20,968
<b>With the Public</b>		
Advances to Contractors/Grantees	421,942	367,260
Advances to Host Country Governments and Institutions	276,641	242,041
Advances, Other	(31,739)	32,532
Total with the Public	666,844	641,833
Total Other Assets	\$ 693,086	\$ 662,801

Intragovernmental Other Assets are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received.

Advances to Contractors/Grantees are amounts that USAID pays to cover immediate cash needs related to program implementation until Contractors/Grantees submit expense reports to USAID and USAID records those expenses. Advances to Host Country Governments and Institutions

represent amounts advanced by USAID missions to host country governments and other in-country organizations, such as educational institutions and volunteer organizations. Advances, Other consist primarily of amounts advanced for living quarters, travel, and home service. Advances, Other is abnormal due to the liquidating of advances at the missions. The advances were issued under Advances, Contractors and were liquidated under Advances, Other.

## NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2016 and 2015 are as follows (*in thousands*):

	2016	2015
Other Cash	\$ (593)	\$ (342)
Foreign Currencies	333,266	370,955
Total Cash and Other Monetary Assets	\$ 332,673	\$ 370,613

Foreign Currencies are related to Foreign Currency Trust Funds which totaled \$333 million in FY 2016 and \$371 million in FY 2015, as disclosed in Note 12. USAID does not have any non-entity cash or other monetary assets.

The abnormal occurred in Other Cash due to the posting model used by the missions for recording transfers with the local banks. The posting model has been revised and the missions have been advised to reconcile with their local national banks.

## NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

USAID operates the following loan and/or loan guarantee programs:

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program (Israel Loan)
- Development Credit Authority Program (DCA)
- Middle East North Africa (MENA) Loan Guarantee Program (formerly known as the Tunisia and Jordan Loan Guarantee Programs)
- Ukraine Loan Guarantee Program

Direct loans resulting from obligations made prior to 1992 are reported net of allowance for estimated uncollectible loans. Estimated losses from defaults on loan guarantees resulting from obligations made prior to 1992 are reported as a liability.

The Credit Reform Act of 1990 prescribes an alternative method of accounting for direct loans and guarantees resulting from obligations made after 1991. Subsidy cost, which is the net present

value of the cash flows (i.e. interest rates, interest supplements, estimated defaults, fees, and other cash flows) associated with direct loans and guarantees, is required by the Act to be recognized as an expense in the year in which the direct loan or guarantee is disbursed. Subsidy cost is calculated by agency program offices prior to obligation using a model prescribed by OMB. Subsidy relating to existing loans and guarantees is generally required to be reestimated on an annual basis to adjust for changes in risk and interest rate assumptions. Direct loans are reported net of an allowance for this subsidy cost (allowance for subsidy). The subsidy costs associated with loan guarantees are reported as loan guarantee liability.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees are provided in the following sections.

The following net loan receivable amounts are not the same as the proceeds that USAID would expect to receive from selling its loans. Actual proceeds may be higher or lower depending on the borrower and the status of the loan.

Summary of Loans Receivables, Net as of September 30, 2016 and 2015 are as follows (*in thousands*):

	2016	2015
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	\$ 1,402,239	\$ 1,678,138
Net Direct Loans Obligated After 1991 (Present Value Method)	28,624	83,194
Defaulted Guaranteed Loans from Pre-1992 (Allowance for Loss Method)	94,460	160,313
Defaulted Guaranteed Loans After 1991 (Present Value)	96,723	91,768
Total Loans Receivable, Net as reported on the Balance Sheet	\$ 1,622,046	\$ 2,013,413

## DIRECT LOANS

Direct Loan amounts for loans obligated prior to 1992 and after 1991 as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
<b>Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2016:</b>				
Direct Loans	\$ 1,573,227	\$ 323,148	\$ (494,136)	\$ 1,402,239
MSSED	29	5	(34)	–
<b>Total</b>	<b>\$ 1,573,256</b>	<b>\$ 323,153</b>	<b>\$ (494,170)</b>	<b>\$ 1,402,239</b>

<b>Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2015:</b>				
Direct Loans	\$ 1,850,035	\$ 336,817	\$ (508,714)	\$ 1,678,138
MSSED	29	5	(34)	–
<b>Total</b>	<b>\$ 1,850,064</b>	<b>\$ 336,822</b>	<b>\$ (508,748)</b>	<b>\$ 1,678,138</b>

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
<b>Direct Loans Obligated After 1991 as of September 30, 2016:</b>				
Direct Loans	\$ 763,462	\$ 7,050	\$ (741,888)	\$ 28,624
<b>Total</b>	<b>\$ 763,462</b>	<b>\$ 7,050</b>	<b>\$ (741,888)</b>	<b>\$ 28,624</b>
<b>Direct Loans Obligated After 1991 as of September 30, 2015:</b>				
Direct Loans	\$ 764,619	\$ 9,818	\$ (691,243)	\$ 83,194
<b>Total</b>	<b>\$ 764,619</b>	<b>\$ 9,818</b>	<b>\$ (691,243)</b>	<b>\$ 83,194</b>

Total Amount of Direct Loans Disbursed as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Direct Loan Programs	2016	2015
Direct Loans	\$ 2,336,689	\$ 2,614,654
MSSED	29	29
<b>Total</b>	<b>\$ 2,336,718</b>	<b>\$ 2,614,683</b>

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) as of September 30, 2016 and 2015 are as follows (*in thousands*):

	2016				2015			
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance of the Subsidy Cost Allowance	\$ 691,243	\$ (1,895)	\$ —	\$ 689,348	\$ 621,783	\$ 1,640	\$ 357	\$ 623,780
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:								
(A) Interest Rate Differential Costs	—	—	—	—	—	—	—	—
(B) Default Costs (Net of Recoveries)	—	—	—	—	—	—	—	—
(C) Fees and Other Collections	—	—	—	—	—	—	—	—
(D) Other Subsidy Costs	—	—	—	—	—	—	—	—
Total of the Above Subsidy Expense Components	—	—	—	—	—	—	—	—
Adjustments:								
(A) Loan Modifications	—	—	—	—	—	—	—	—
(B) Fees Received	—	—	—	—	—	—	—	—
(C) Foreclosed Property Acquired	—	—	—	—	—	—	—	—
(D) Loans Written Off	(1,467)	—	—	(1,467)	—	—	—	—
(E) Subsidy Allowance Amortization	21,051	—	—	21,051	—	—	—	—
(F) Other	31,061	1,901	—	32,962	69,460	(3,535)	(357)	65,568
Ending Balance of the Subsidy Cost Allowance Before Reestimates	\$ 741,888	\$ 6	\$ —	\$ 741,894	\$ 691,243	\$ (1,895)	\$ —	\$ 689,348
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	—	—	—	—	—	—	—	—
(B) Technical/Default Reestimate	—	—	—	—	—	—	—	—
Total of the Above Reestimate Components	—	—	—	—	—	—	—	—
Ending Balance of the Subsidy Cost Allowance	\$ 741,888	\$ 6	\$ —	\$ 741,894	\$ 691,243	\$ (1,895)	\$ —	\$ 689,348

## DEFAULTED GUARANTEED LOANS FROM PRE-1992 GUARANTEES

Defaulted Guaranteed Loans from pre-1992 as of September 30, 2016 and 2015 are as follows (*in thousands*):

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
<b>Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2016</b>				
UE	\$ 131,457	\$ 8,292	\$ (45,289)	\$ 94,460
Total	\$ 131,457	\$ 8,292	\$ (45,289)	\$ 94,460
<b>Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2015</b>				
UE	\$ 150,572	\$ 9,741	\$ —	\$ 160,313
Total	\$ 150,572	\$ 9,741	\$ —	\$ 160,313

## DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

Defaulted Guaranteed Loans from post-1991 as of September 30, 2016 and 2015 are as follows (*in thousands*):

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
<b>Defaulted Guaranteed Loans from Post-1991 Guarantees: 2016</b>				
DCA	\$ (236)	\$ —	\$ (6)	\$ (242)
UE - Subrogated Claims	62,933	34,032	—	96,965
<b>Total</b>	<b>\$ 62,697</b>	<b>\$ 34,032</b>	<b>\$ (6)</b>	<b>\$ 96,723</b>
<b>Defaulted Guaranteed Loans from Post-1991 Guarantees: 2015</b>				
DCA	\$ —	\$ —	\$ —	\$ —
UE - Subrogated Claims	59,889	29,984	1,895	91,768
<b>Total</b>	<b>\$ 59,889</b>	<b>\$ 29,984</b>	<b>\$ 1,895</b>	<b>\$ 91,768</b>

## GUARANTEED LOANS OUTSTANDING

Guaranteed Loans Outstanding as of September 30, 2016 and 2015 are as follows (*in thousands*):

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
<b>Guaranteed Loans Outstanding (2016):</b>		
UE	\$ 478,103	\$ 478,103
MSSED	—	—
Israel	9,098,880	9,098,880
DCA	1,509,797	754,899
Ukraine	3,000,000	3,000,000
MENA	5,235,000	5,235,000
<b>Total</b>	<b>\$ 19,321,780</b>	<b>\$ 18,566,882</b>
<b>Guaranteed Loans Outstanding (2015):</b>		
UE	\$ 503,298	\$ 503,298
MSSED	14,760	7,380
Israel	10,478,474	10,478,474
DCA	1,677,759	838,880
Ukraine	2,000,000	2,000,000
MENA	4,730,911	4,730,911
<b>Total</b>	<b>\$ 19,405,202</b>	<b>\$ 18,558,943</b>
<b>New Guaranteed Loans Disbursed (2016):</b>		
DCA	\$ 85,937	\$ 42,968
Ukraine	1,000,000	1,000,000
MENA	500,000	500,000
<b>Total</b>	<b>\$ 1,585,937</b>	<b>\$ 1,542,968</b>
<b>New Guaranteed Loans Disbursed (2015):</b>		
DCA	\$ 17	\$ 9
Ukraine	1,000,000	1,000,000
MENA	1,500,000	1,500,000
<b>Total</b>	<b>\$ 2,500,017</b>	<b>\$ 2,500,009</b>

Liability for Loan Guarantees as of September 30, 2016 and 2015 are as follows (*in thousands*):

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
<b>Liability for Loan Guarantees (Estimated Future Default Claims for Pre-1992 guarantees) as of September 30, 2016:</b>			
UE	\$ 176	\$ 150,444	\$ 150,620
MSED	—	1	1
Israel	—	1,210,343	1,210,343
DCA	—	91,175	91,175
Ukraine	—	1,141,061	1,141,061
Egypt	—	—	—
MENA	—	552,553	552,553
<b>Total</b>	<b>\$ 176</b>	<b>\$ 3,145,577</b>	<b>\$ 3,145,753</b>

<b>Liability for Loan Guarantees (Estimated Future Default Claims for Pre-1992 guarantees) as of September 30, 2015:</b>			
UE	\$ 176	\$ 122,278	\$ 122,454
MSED	—	(668)	(668)
Israel	—	1,004,642	1,004,642
DCA	—	70,963	70,963
Ukraine	—	686,614	686,614
Egypt	—	555,004	555,004
MENA	—	427,881	427,881
<b>Total</b>	<b>\$ 176</b>	<b>\$ 2,866,714</b>	<b>\$ 2,866,890</b>

## SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Subsidy Expense for Loan Guarantees by Program and Component as of September 30, 2016 and 2015 are as follows (*in thousands*):

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
<b>Subsidy Expense for New Loan Guarantees (2016):</b>					
DCA	\$ —	\$ 10,199	\$ —	\$ —	\$ 10,199
Ukraine	—	289,959	—	—	289,959
MENA	—	28,354	—	—	28,354
<b>Total</b>	<b>\$ —</b>	<b>\$ 328,512</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 328,512</b>
<b>Subsidy Expense for New Loan Guarantees (2015):</b>					
DCA	\$ —	\$ 7,753	\$ —	\$ —	\$ 7,753
Ukraine	—	446,506	—	—	446,506
MENA	—	185,604	—	—	185,604
<b>Total</b>	<b>\$ —</b>	<b>\$ 639,863</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 639,863</b>

(continued on next page)



(continued)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
<b>Modifications and Reestimates (2016):</b>				
UE	\$ —	\$ 6,774	\$ 2,393	\$ 9,167
Israel	—	—	—	—
DCA	—	541	4,638	5,179
Ukraine	—	6,577	144,462	151,039
MENA	—	4,134	63,967	68,101
Total	\$ —	\$ 18,026	\$ 215,460	\$ 233,486
<b>Modifications and Reestimates (2015):</b>				
UE	\$ —	\$ —	\$ (1,588)	\$ (1,588)
Israel	—	—	(18,144)	(18,144)
DCA	—	—	15,843	15,843
Ukraine	—	—	(84,233)	(84,233)
MENA	—	—	24,221	24,221
Total	\$ —	\$ —	\$ (63,901)	\$ (63,901)

Total Loan Guarantee Subsidy Expense as of September 30, 2016 and 2015 are as follows (*in thousands*):

Loan Guarantee Programs	2016	2015
UE	\$ 9,167	\$ (1,588)
Israel	—	(18,144)
DCA	15,378	23,596
Ukraine	440,998	362,273
MENA	96,455	209,825
Total	\$ 561,998	\$ 575,962

## SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts are as follows (*percent*):

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
UE	—	0.00%	0.00%	—	0.00%
Israel	—	0.00%	0.00%	—	0.00%
DCA	—	4.53%	0.00%	—	4.53%
Ukraine	—	26.07%	0.00%	—	26.07%
MENA	—	0.00%	0.00%	—	0.00%

Schedule for Reconciling Loan Guarantee Liability Balances as of September 30, 2016 and 2015 are as follows (*in thousands*):

2016: Post-1991 Loan Guarantees								
	DCA	MSED	UE	Israel	Egypt	Ukraine	MENA	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Loan Guarantee Liability	\$ 70,963	\$ (668)	\$ 122,278	\$ 1,004,642	\$ 555,004	\$ 686,614	\$ 427,881	\$2,866,714
Add: Subsidy Expense for Guaranteed Loans Disbursed								
During the Reporting Years by Component:								
(A) Interest Supplement Costs	—	—	—	—	—	—	—	—
(B) Default Costs (Net of Recoveries)	—	—	—	—	—	—	—	—
(C) Fees and Other Collections	—	—	—	—	—	—	—	—
(D) Other Subsidy Costs	—	—	—	—	—	—	—	—
Total of the Above Subsidy Expense Components	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Adjustments:								
(A) Loan Guarantee Modifications	—	—	—	—	—	—	—	—
(B) Fees Received	3,148	—	1,621	—	—	—	—	4,769
(C) Interest Supplements Paid	—	—	—	—	—	—	—	—
(D) Foreclosed Property and Loans Acquired	—	—	—	—	—	—	—	—
(E) Claim Payments to Lenders	(1,835)	(10)	(7,816)	—	—	—	(28,399)	(38,060)
(F) Interest Accumulation on the Liability Balance	2,831	—	3,338	82,095	—	13,449	11,356	113,069
(G) Other	12,101	679	27,872	—	(555,004)	289,959	73,614	(150,779)
Ending Balance of the Loan Guarantee Liability Before Reestimates	\$ 87,208	\$ 1	\$ 147,293	\$ 1,086,737	\$ —	\$ 990,022	\$ 484,452	\$2,795,713
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	—	—	—	—	—	—	—	—
(B) Technical/Default Reestimate	3,967	—	3,151	123,606	—	151,039	68,101	349,864
Total of the Above Reestimate Components	3,967	—	3,151	123,606	—	151,039	68,101	349,864
Ending Balance of the Loan Guarantee Liability	\$ 91,175	\$ 1	\$ 150,444	\$ 1,210,343	\$ —	\$ 1,141,061	\$ 552,553	\$3,145,577

  

2015: Post-1991 Loan Guarantees								
	DCA	MSED	UE	Israel	Egypt	Ukraine	MENA	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Loan Guarantee Liability	\$ 71,850	\$ (3,797)	\$ 148,243	\$ 1,019,745	\$ 534,385	\$ 314,874	\$ 266,770	\$2,352,070
Add: Subsidy Expense for Guaranteed Loans Disbursed								
During the Reporting Years by Component:								
(A) Interest Supplement Costs	—	—	—	—	—	—	—	—
(B) Default Costs (Net of Recoveries)	—	—	—	—	—	—	—	—
(C) Fees and Other Collections	—	—	—	—	—	—	—	—
(D) Other Subsidy Costs	—	—	—	—	—	—	—	—
Total of the Above Subsidy Expense Components	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Adjustments:								
(A) Loan Guarantee Modifications	—	—	—	—	—	—	—	—
(B) Fees Received	1,271	—	1,847	—	—	—	—	3,118
(C) Interest Supplements Paid	—	—	—	—	—	—	—	—
(D) Foreclosed Property and Loans Acquired	—	—	—	—	—	—	—	—
(E) Claim Payments to Lenders	(20,849)	—	(12,104)	(20,742)	—	—	(26,977)	(80,672)
(F) Interest Accumulation on the Liability Balance	3,330	—	3,513	76,533	20,618	11,812	5,574	121,380
(G) Other	(482)	3,129	(17,633)	(52,750)	1	444,161	158,293	534,719
Ending Balance of the Loan Guarantee Liability Before Reestimates	\$ 55,120	\$ (668)	\$ 123,866	\$ 1,022,786	\$ 555,004	\$ 770,847	\$ 403,660	\$2,930,615
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	—	—	—	—	—	—	—	—
(B) Technical/Default Reestimate	15,843	—	(1,588)	(18,144)	—	(84,233)	24,221	(63,901)
Total of the Above Reestimate Components	15,843	—	(1,588)	(18,144)	—	(84,233)	24,221	(63,901)
Ending Balance of the Loan Guarantee Liability	\$ 70,963	\$ (668)	\$ 122,278	\$ 1,004,642	\$ 555,004	\$ 686,614	\$ 427,881	\$2,866,714

Administrative Expense as of September 30, 2016 and 2015 are as follows (*in thousands*):

Loan Guarantee Programs	2016	2015
DCA	\$ 26,499	\$ 10,156
Total	\$ 26,499	\$ 10,156

Administrative expense of \$7.9 million on direct loans is non appropriated and the balance is amortized in the capital transfer account at year end.

#### OTHER INFORMATION

1. Allowance for Loss for Liquidating account (pre-Credit Reform Act) receivables have been calculated in accordance with OMB guidance using a present value method which assigns risk ratings to receivables based upon the country of debtor. No country is in violation of Section 620q of the Foreign Assistance Act (FAA), that is more than six months delinquent. Four countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing \$477 million that is more than one year delinquent.
2. Reestimate amounts are subject to approval by OMB, and any adjustments, if necessary, will be made in FY 2017.
3. The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.
4. USAID's Loan Guarantee Programs include: Israel Loan Guarantee, \$9.1 billion, Ukraine Loan \$3 billion and MENA (Tunisia and Jordan) \$5.2 billion. The Israel Loan guarantees the repayment of loans made from commercial sources that cover the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. The program also guarantees the repayment of loans that support Israel's comprehensive economic plan to overcome economic difficulties and create conditions for higher and sustainable growth. Government of Israel and the lender agreed on an early redemption of some loans on October 23, 2014, for \$585.9 million debt reduction. This was done through the securities market. The Ukraine Loan Guarantee is intended to help Ukraine meet its near-term social spending needs and insulate vulnerable Ukrainians from the impact of necessary economic adjustments. The Jordan Loan Guarantee will help to ensure that Jordan can continue to provide critical services to its citizens as it hosts the nearly 630,000 refugees registered by the United Nations High Commissioner for Refugees who have fled the violence in Syria. The U.S. loan guarantee agreement is designed to support specific economic reforms that the Government of Jordan has been pursuing in order to promote economic stability, growth and prosperity for the Jordanian people. The Tunisia loan guarantee will help the Government of Tunisia access international private capital and strengthen its capacity to manage the transition to an economically sound and prosperous democracy. As of September 30, 2016, \$19.3 billion in loan guarantees remain outstanding.
5. Loan Guarantee Repayment – Egypt repaid its loan commitment of \$1.25 billion in September 2015, and relieved USAID of \$555 million liability on the account. USAID closed all balances pertaining to the Egypt loan guarantee in FY 2016.
6. The MENA outstanding loan guarantee balance disclosed in FY 2015 statements of \$4.24 billion should have been \$4.7 billion instead, due to omission of prior year's \$485 million loan guarantee to Tunisia. New guaranteed loans disbursed under the DCA loan program is maintained in the agency's Central Management System.

## NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property, Net is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2016 and 2015 are as follows (*in thousands*):

	2016	2015
<b>Items Held for Use</b>		
Office Supplies	\$ 3,634	\$ 3,899
<b>Items Held in Reserve for Future Use</b>		
Disaster Assistance Materials and Supplies	12,896	11,978
Birth Control Supplies	31,239	46,347
<b>Total Inventory and Related Property</b>	<b>\$ 47,770</b>	<b>\$ 62,224</b>

Operating Materials and Supplies are considered tangible properties that are consumed in the normal course of business and not held for sale. The valuation is based on historical acquisition

costs. There are no obsolete or unserviceable items, and no restrictions on their use. Items costing less than \$25,000 are expensed as incurred.

## NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant and Equipment (PP&E), Net as of September 30, 2016 and 2015 are as follows (*in thousands*):

	Useful Life	Cost	Accumulated Depreciation/Amortization	Net Book Value 2016	Net Book Value 2015
<b>Classes of Fixed Assets:</b>					
Equipment	3 to 5 years	\$ 63,215	\$ (52,442)	\$ 10,773	\$ 15,136
Buildings, Improvements, and Renovations	5 to 20 years	95,241	(47,694)	47,547	34,963
Land and Land Rights	N/A	7,203	N/A	7,203	7,203
Assets Under Capital Lease (Note 9)		—	—	—	—
Construction in Progress	N/A	3	—	3	—
Internal Use Software	3 to 5 years	123,460	(114,652)	8,808	7,555
<b>Total PP&amp;E</b>		<b>\$ 289,122</b>	<b>\$ (214,788)</b>	<b>\$ 74,334</b>	<b>\$ 64,857</b>

The threshold for capitalizing assets is \$25,000 except for Internal Use Software which is capitalized and amortized at \$300,000. Assets are depreciated using the straight line depreciation method. USAID uses the mid-year convention for assets purchased prior to FY 2003 and the mid-quarter convention for assets purchased during FY 2003 and beyond. Depreciable assets are assumed to have no remaining salvage value. There are currently no restrictions on PP&E assets.

USAID PP&E includes assets located in Washington, D.C. offices and overseas field missions.

Equipment consists primarily of electric generators, Automatic Data Processing (ADP) hardware, vehicles and copiers located at the overseas field missions. Note 9 discusses USAID leases.

Buildings, Improvements, and Renovations, in addition to Land and Land Rights include USAID owned office buildings and residences at foreign missions, including the land on which these structures reside. These structures are used and maintained by the field missions. USAID generally

does not separately report the cost of the building and the land on which the building resides.

Land consists of property owned by USAID in foreign countries. Land is generally procured with the intent of constructing buildings.

## NOTE 9. LEASES

As of September 30, 2016 and 2015 Leases consisted of the following (*in thousands*):

Entity as Lessee	2016	2015
<b>Capital Leases:</b>		
Summary of Assets Under Capital Lease:		
Buildings	\$ —	\$ —
Accumulated Depreciation	—	—
Net Assets under Capital Leases	\$ —	\$ —

**Description of Lease Arrangements.** Capital leases consist of rental agreements entered into by missions for warehouses, parking lots, residential space, and office buildings. These leases are one year or more in duration.

<b>Operating Leases:</b>	
<b>Future Payments Due:</b>	<b>2016</b>
<b>Fiscal Year</b>	<b>Future Costs</b>
2017	\$ 120,264
2018	102,291
2019	89,933
2020	80,768
2021	12,943
2022 and Beyond	12,930
Total Future Lease Payments	\$ 419,129

Future operating lease payments total \$419 million in future lease payments, of which \$264 million is for the USAID headquarters in Washington, D.C. and the remainder is for the missions. The current lease agreements are for approximately 893,888 sq. feet for the headquarters. The expiration dates for

headquarters leases are from FY 2018 through FY 2021 and the expiration dates for the missions' leases are from FY 2017 through FY 2027. All the leases are non-cancelable and the lessor for headquarters is General Services Administration (GSA), which charges commercial rates for USAID's occupancy.

## NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

USAID records liabilities for amounts that are likely to be paid as the direct result of events that have already occurred. USAID considers the Intragovernmental accounts payable as liabilities covered under budgetary resources. These accounts payable are those payable to other federal agencies and consist mainly of unliquidated obligation balances related to interagency agreements between USAID and other federal agencies. The accounts payable with the public represent liabilities to non-federal entities.

Liabilities not covered by budgetary resources include accrued unfunded annual leave and separation pay. Although future appropriations to fund these liabilities are probable and anticipated,

Congressional action is needed before budgetary resources can be provided. Accrued unfunded annual leave, workers' compensation benefits, and separation pay represent future liabilities not currently funded by budgetary resources, but will be funded as it becomes due with future resources. The Contingent Liabilities for Loan Guarantees is in the pre-Credit Reform Urban and Environmental (UE) Housing Loan Guarantee liquidating fund. As such, it represents the estimated liability to lenders for future loan guarantee defaults in that program.

As of September 30, 2016 and 2015 Liabilities Covered and Not Covered by Budgetary Resources were as follows (*in thousands*):

	2016	2015
<b>Liabilities Covered by Budgetary Resources:</b>		
Intragovernmental:		
Accounts Payable	\$ 33,018	\$ 39,934
Debt (Note 11)	412,920	481,283
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	1,636,238	1,834,738
Other Liabilities (Note 12)	1,055,916	540,634
IPAC Suspense (Note 12)	(9,563)	20,510
Total Intragovernmental	3,128,529	2,917,099
Accounts Payable	1,647,717	1,807,267
Disbursements in Transit	22,625	3,582
Total Accounts Payable with Public	1,670,342	1,810,849
Loan Guarantee Liability (Note 6)	3,145,577	2,866,714
Other Liabilities with Public	485,191	542,064
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>\$ 8,429,639</b>	<b>\$ 8,136,726</b>
<b>Liabilities Not Covered by Budgetary Resources:</b>		
Intragovernmental:		
Unfunded FECA Liability (Note 13)	\$ 8,214	\$ 7,589
Other Unfunded Employment Related Liability	58	92
Other Liabilities (Note 12)	1,722	518,925
Total Intragovernmental (Note 12)	\$ 9,994	\$ 526,606
Accrued Annual Leave	60,727	54,444
FSN Separation Pay Liability	—	—
Total Accrued Unfunded Annual Leave and Separation Pay	60,727	54,444
Future Workers' Compensation Benefits (Note 13)	22,543	24,731
Debt – Contingent Liabilities for Loan Guarantees (Note 6)	176	176
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>93,440</b>	<b>605,957</b>
<b>Total Liabilities</b>	<b>\$ 8,523,079</b>	<b>\$ 8,742,683</b>

## NOTE II. INTRAGOVERNMENTAL DEBT

USAID Intragovernmental Debt as of September 30, 2016 and 2015 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt (*in thousands*):

Debt Due to Treasury	2015 Beginning Balance	Net Borrowing	2015 Ending Balance	Net Borrowing	2016 Ending Balance
Direct Loans	\$ 478,291	\$ —	\$ 478,291	\$ (68,466)	\$ 409,825
DCA	2,981	11	2,992	103	3,095
Total Treasury Debt	\$ 481,272	\$ 11	\$ 481,283	\$ (68,363)	\$ 412,920

Pursuant to the Federal Credit Reform Act of 1990, agencies with credit programs have permanent indefinite authority to borrow funds from Treasury. These funds are used to disburse new direct loans to the public and, in certain situations, to cover credit reform program costs. Liquidating (pre-1992) accounts have permanent indefinite borrowing authority to be used to cover program costs when they exceed account resources.

In FY 2016, no interest was accrued for Development Credit Authority (DCA) and Direct Loans.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from Treasury under the Federal Credit Reform Act and net liquidating account equity in the amount of \$1.6 billion, which under the Act is required to be recorded as Liability for Capital Transfers to the General Fund of the Treasury. All debt shown is intragovernmental debt.

## NOTE 12. OTHER LIABILITIES

As of September 30, 2016 and 2015 Other Liabilities consisted of the following (*in thousands*):

	2016	2015
<b>Intragovernmental</b>		
IPAC Suspense	\$ (9,563)	\$ 20,510
Unfunded FECA Liability (Note 13)	8,214	7,589
Custodial Liability	4,665	6,323
Employer Contributions & Payroll Taxes Payable	4,988	6,957
Other Unfunded Employment Related Liability	58	92
Liability for Advances and Prepayments	1,046,263	527,354
Other Liabilities (Note 10)	1,722	518,925
Total Intragovernmental	\$ 1,056,347	\$ 1,087,750
<b>With the Public</b>		
Accrued Funded Payroll and Leave	(3,951)	31,259
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	60,727	54,444
Advances From Others	41,882	6,035
Deferred Credits	—	—
Foreign Currency Trust Fund	333,266	370,988
Capital Lease Liability (Note 9)	—	—
Other Liabilities	113,994	133,782
Total Liabilities With the Public	\$ 545,918	\$ 596,508
<b>Total Other Liabilities</b>	<b>\$ 1,602,265</b>	<b>\$ 1,684,258</b>

Intragovernmental Liabilities represent amounts due to other federal agencies. All remaining Other Liabilities are liabilities to non-federal entities. The

abnormal amount for Accrued Funded Payroll and Leave is attributed to 2015 documents modified in 2016.



## NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2016 and 2015 are indicated in the table below (*in thousands*):

Accrued Unfunded Workers' Compensation Benefits	2016	2015
<b>Liabilities Not Covered by Budgetary Resources</b>		
Future Workers' Compensation Benefits	\$ 22,543	\$ 24,731
Unfunded FECA Liability	8,214	7,589
<b>Total Accrued Unfunded Workers' Compensation Benefits</b>	<b>\$ 30,757</b>	<b>\$ 32,320</b>

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor (DOL). DOL initially pays valid FECA claims for all Federal Government agencies and seeks reimbursement two fiscal years later from the federal agencies employing the claimants.

For FY 2016, USAID total FECA liability was \$30.8 million, comprised of unpaid FECA billings for \$8.2 million and estimated future FECA costs of \$22.5 million.

The actuarial estimate for the FECA unfunded liability is determined by the DOL using a method that utilizes historical benefit payment patterns. The projected annual benefit payments are discounted to present value using economic assumption for 10-year Treasury notes and bonds and the amount is further adjusted for inflation.

## NOTE 14. COMMITMENTS AND CONTINGENCIES

USAID is involved in certain claims, suits, and complaints that have been filed or are pending. These matters are in the ordinary course of the Agency's operations and are not expected to have a material adverse effect on the Agency's financial operations.

As of September 30, 2016, there is one case pending with no change in status between FY 2015 fourth quarter ending September 30, 2015 and FY 2016 fourth quarter ending September 30, 2016. There are five new cases pending in FY 2016. The following are the details regarding the pending cases:

- The first case arises from a fatal automobile collision. The consolidated action asserts negligence against the United States (USAID and State). The court has dismissed the tort claims. The Agency denied reconsideration.

An estimate of the amount or range of potential loss is \$48 million. However, the possibility of an unfavorable outcome is remote.

- The second case is an employment discrimination, non-selection, and retaliations claim. USAID is involved in settlement negotiations at this time. An estimate of the amount or range of potential loss is \$1 million. The possibility of an unfavorable outcome is reasonably possible.
- The third case is an employment discrimination, non-selection, and Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) claim. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is \$1 million. The possibility of an unfavorable outcome is remote.

- The fourth case is a grievance before the Foreign Service Grievance Board alleging a “pattern of assignments” claim. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is \$1 million. The possibility of an unfavorable outcome is reasonably possible.
- The fifth case is a Title VII discrimination and retaliation claim, as well as claims under the Federal Tort Claims Act (FTCA), Privacy Act, Constitution, and Whistleblower Protection Act. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is unknown. The possibility of an unfavorable outcome is remote.
- The sixth case is a discrimination and retaliation claim. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is unknown. The possibility of an unfavorable outcome is remote.

USAID’s normal course of business involves the execution of project agreements with foreign governments that are a type of treaty. All of these agreements give rise to obligations that are fully reported on USAID’s financial statements, and none of which are contingent. It is not USAID’s normal business practice to enter into other types of agreements or treaties with foreign governments that create contingent liabilities.

## NOTE 15. SCHEDULE OF COSTS AND EARNED REVENUE

The Consolidated Statement of Net Cost reports the Agency’s gross costs less earned revenues to arrive at net cost of operations by Objective and Responsibility Segments, as of September 30, 2016. These objectives are consistent with the State-USAID Strategic Planning Framework.

The format of the Consolidated Statement of Net Cost is also consistent with OMB Circular A-136 guidance.

Note 15 shows the value of exchange transactions between USAID and other federal entities as well as non-federal entities. These are also categorized within the Agency by Objectives, Responsibility Segments and Program Areas. Program Areas are defined in Note 16.

Intragovernmental Costs and Earned Revenue sources relate to transactions between USAID and other federal entities. Public costs and earned revenues on the other hand relate to transactions between USAID and non-federal entities. Program Costs and Earned Revenue by Responsibility Segment for the years ended September 30, 2016 and 2015 are indicated in the table on the following pages (*in thousands*):

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2016 Total	2015 Total
<b>Peace and Security</b>												
Intragovernmental Costs	\$ 4,239	\$ 771	\$ 4,942	\$ 3,240	\$ 4,051	\$ -	\$ -	\$ 7,520	\$ 4,359	\$ 6,948	\$ 36,070	\$ 29,472
Public Costs	87,099	13,808	126,897	10,372	44,254	-	-	118,656	70,796	125,253	597,135	690,336
Total Program Costs	91,338	14,579	131,839	13,612	48,305	-	-	126,176	75,155	132,201	633,205	719,808
Intragovernmental Earned Revenue	(293)	(68)	(408)	(246)	(360)	-	-	(591)	(190)	(386)	(2,542)	(1,250)
Public Earned Revenue	(42)	(15)	(65)	(56)	(81)	-	-	(133)	(43)	(17)	(452)	(147)
Total Earned Revenue	(335)	(83)	(473)	(302)	(441)	-	-	(724)	(233)	(403)	(2,994)	(1,397)
<b>Net Program Costs</b>	<b>91,003</b>	<b>14,496</b>	<b>131,366</b>	<b>13,310</b>	<b>47,864</b>	<b>-</b>	<b>-</b>	<b>125,452</b>	<b>74,922</b>	<b>131,798</b>	<b>630,211</b>	<b>718,411</b>
<b>Governing Justly and Democratically</b>												
Intragovernmental Costs	6,570	5,668	3,504	623	9,331	-	1,351	10,239	5,487	24,905	67,678	46,152
Public Costs	190,083	102,934	44,851	13,049	131,464	-	6,238	229,145	117,137	453,810	1,288,711	1,369,461
Total Program Costs	196,653	108,602	48,355	13,672	140,795	-	7,589	239,384	122,624	478,715	1,356,389	1,415,613
Intragovernmental Earned Revenue	(570)	(147,253)	(278)	(55)	(721)	-	(120)	(835)	(471)	(1,606)	(151,909)	(4,657)
Public Earned Revenue	(104)	(105)	(63)	(13)	(163)	-	(27)	(181)	(106)	(76)	(838)	(10,679)
Total Earned Revenue	(674)	(147,358)	(341)	(68)	(884)	-	(147)	(1,016)	(577)	(1,682)	(152,747)	(15,336)
<b>Net Program Costs</b>	<b>195,979</b>	<b>(38,756)</b>	<b>48,014</b>	<b>13,604</b>	<b>139,911</b>	<b>-</b>	<b>7,442</b>	<b>238,368</b>	<b>122,047</b>	<b>477,033</b>	<b>1,203,642</b>	<b>1,400,277</b>
<b>Investing in People</b>												
Intragovernmental Costs	100,704	25,843	2,554	12,043	2,515	37,347	2,099	12,009	29,562	14,630	239,306	155,546
Public Costs	789,305	225,548	60,049	181,275	22,083	721,988	20,353	185,693	413,120	441,852	3,061,266	2,747,073
Total Program Costs	890,009	251,391	62,603	193,318	24,598	759,335	22,452	197,702	442,682	456,482	3,300,572	2,902,619
Intragovernmental Earned Revenue	(8,816)	(2,240)	(227)	(4,345)	(225)	(1,924)	(186)	(1,048)	(1,673)	(1,254)	(21,938)	(21,672)
Public Earned Revenue	(1,982)	(506)	(51)	(228)	(51)	(435)	(42)	(237)	(378)	(280)	(4,190)	(19,940)
Total Earned Revenue	(10,798)	(2,746)	(278)	(4,573)	(276)	(2,359)	(228)	(1,285)	(2,051)	(1,534)	(26,128)	(41,612)
<b>Net Program Costs</b>	<b>879,211</b>	<b>248,645</b>	<b>62,325</b>	<b>188,745</b>	<b>24,322</b>	<b>756,976</b>	<b>22,224</b>	<b>196,417</b>	<b>440,631</b>	<b>454,948</b>	<b>3,274,444</b>	<b>2,861,007</b>

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2016 Total	2015 Total
<b>Economic Growth</b>												
Intragovernmental Costs	55,613	34,382	664	117,669	10,012	-	30,438	36,273	33,378	27,492	345,921	325,175
Public Costs	809,641	427,946	8,577	759,523	570,750	-	189,293	260,843	628,901	603,190	4,258,664	4,476,390
Total Program Costs	865,254	462,328	9,241	877,192	580,762	-	219,731	297,116	662,279	630,682	4,604,585	4,801,565
Intragovernmental Earned Revenue	(2,460)	(310,302)	(19)	(140,712)	(686)	-	(2,669)	(1,226)	(2,825)	(1,569)	(462,468)	(698,443)
Public Earned Revenue	-	(398)	(4)	(26,139)	(155)	-	(603)	(277)	(639)	-	(282,15)	(126,812)
Total Earned Revenue	(2,460)	(310,700)	(23)	(166,851)	(841)	-	(3,272)	(1,503)	(3,464)	(1,569)	(490,683)	(825,255)
<b>Net Program Costs</b>	<b>862,794</b>	<b>151,628</b>	<b>9,218</b>	<b>710,341</b>	<b>579,921</b>	<b>-</b>	<b>216,459</b>	<b>295,613</b>	<b>658,815</b>	<b>629,113</b>	<b>4,113,902</b>	<b>3,976,310</b>
<b>Humanitarian Assistance</b>												
Intragovernmental Costs	204	9,248	108,437		968	-	-	1,717	1,089	-	121,663	92,402
Public Costs	144	33,431	2,234,086	-	4,638	-	-	29,390	28,266	626	2,330,581	2,693,127
Total Program Costs	348	42,679	2,342,523	-	5,606	-	-	31,107	29,355	626	2,452,244	2,785,529
Intragovernmental Earned Revenue	(1)	(154)	(6,682)		(86)	-	-	(153)	(97)	-	(7,173)	(1,577)
Public Earned Revenue	-	(28)	(1,511)		(19)	-	-	(34)	(22)	-	(1,614)	(198)
Total Earned Revenue	(1)	(182)	(8,193)	-	(105)	-	-	(187)	(119)	-	(8,787)	(1,775)
<b>Net Program Costs</b>	<b>347</b>	<b>42,497</b>	<b>2,334,330</b>	<b>-</b>	<b>5,501</b>	<b>-</b>	<b>-</b>	<b>30,920</b>	<b>29,236</b>	<b>626</b>	<b>2,443,457</b>	<b>2,783,754</b>
<b>Operating Unit Management</b>												
Intragovernmental Costs	30,473	13,481	32,398	44,047	6,708	-	9,824	12,540	6,698	36,615	192,784	141,208
Public Costs	149,617	58,039	122,544	107,478	24,869	-	45,741	72,366	42,585	87,778	711,017	650,005
Total Program Costs	180,090	71,520	154,942	151,525	31,577	-	55,565	84,906	49,283	124,393	903,801	791,213
Intragovernmental Earned Revenue	(747)	(74,499)	(369)	(1,067)	(159)	-	(436)	(363)	(162)	(260)	(78,062)	(2,261)
Public Earned Revenue	(169)	(86)	(56)	(239)	(36)	-	(99)	(81)	(37)	(59)	(862)	(117)
Total Earned Revenue	(916)	(74,585)	(425)	(1,306)	(195)	-	(535)	(444)	(199)	(319)	(78,924)	(2,378)
<b>Net Program Costs</b>	<b>179,174</b>	<b>(3,065)</b>	<b>154,517</b>	<b>150,219</b>	<b>31,382</b>	<b>-</b>	<b>55,030</b>	<b>84,462</b>	<b>49,084</b>	<b>124,074</b>	<b>824,877</b>	<b>788,835</b>
<b>Net Cost of Operations</b>	<b>\$ 2,208,508</b>	<b>\$ 415,445</b>	<b>\$ 2,739,770</b>	<b>\$ 1,076,219</b>	<b>\$ 828,901</b>	<b>\$ 756,976</b>	<b>\$ 301,155</b>	<b>\$ 971,232</b>	<b>\$ 1,374,735</b>	<b>\$ 1,817,592</b>	<b>\$ 12,490,533</b>	<b>\$ 12,528,594</b>

## NOTE 16. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY PROGRAM AREA

The Schedule of Costs by Responsibility Segment categorizes costs and revenues by Objectives, Program Areas and Responsibility Segment.

A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. The geographic and technical bureaus of USAID (below) meet the criteria for responsibility segments. These bureaus directly support the Agency goals while the remaining bureaus and offices support the operations of these bureaus. To report the full cost of program outputs, the cost of support bureaus and offices are allocated to the outputs of the geographic and technical bureaus. Intra-agency eliminations are allocated to Program Areas to reflect total costs.

In the FY 2016 fourth quarter Consolidated Statement of Net Cost, major responsibility segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The six Geographic Bureaus are: Africa; Asia; Europe and Eurasia; Latin America and the Caribbean; the Middle East; and the Office of Afghanistan and Pakistan Affairs (OAPA). The four Technical Bureaus are Democracy, Conflict and Humanitarian Assistance (DCHA); Economic Growth, Education and the Environment (E3); Global Health; and Innovation and Development Alliances (IDEA) & U.S. Global Development Lab (LAB). Note that receiving organizations IDEA and LAB has been merged as IDEA & LAB for Statement of Net Cost reporting purposes.

Schedule of Costs by Program Area as of September 30, 2016 and 2015 are indicated in the table on the following pages (*in thousands*):

Objective	Africa			Europe & Eurasia		Global Health		IDEA & LAB		Latin America & Caribbean		Middle East		OAPA		2016 Consolidated Total		2015 Consolidated Total		
		Asia	DCHA	E3																
<b>Peace and Security:</b>																				
Counterterrorism																				
Gross Costs	\$	28,719	\$	49	\$	7,562	\$	-	\$	-	\$	-	\$	5,812	\$	-	\$	42,142	\$	44,932
Less: Earned Revenue		(122)		-		(14)		-		-		-		(25)		-		(161)		(65)
Net Program Costs		28,597		49		7,548		-		-		-		5,787		-		41,981		44,867
Combating Weapons of Mass Destruction (WMD)																				
Gross Costs		-		-		-		-		-		-		-		-		35,440		55,568
Less: Earned Revenue		-		-		-		-		-		-		-		-		(365)		(205)
Net Program Costs		-		-		-		-		-		-		-		-		35,075		55,363
Stabilization Operations and Security Sector Reform																				
Gross Costs		1		2,479		-		-		1,342		-		16,060		679		840		30,565
Less: Earned Revenue		-		(6)		-		-		(8)		-		(83)		(1)		(20)		(59)
Net Program Costs		1		2,473		-		-		1,334		-		15,977		678		820		30,506
Counter narcotics																				
Gross Costs		1		-		-		-		-		-		108,770		-		36,956		159,700
Less: Earned Revenue		-		-		-		-		-		-		(634)		-		(103)		(333)
Net Program Costs		1		-		-		-		-		-		108,136		-		36,853		159,367
Transnational Crime																				
Gross Costs		687		8,880		900		4		2,061		-		1,248		-		833		11,222
Less: Earned Revenue		(1)		(42)		(1)		-		(11)		-		(7)		-		(1)		(25)
Net Program Costs		686		8,838		899		4		2,050		-		1,241		-		832		11,197
Conflict Mitigation and Reconciliation																				
Gross Costs		61,930		3,171		123,376		13,608		9,463		-		98		68,664		93,572		417,821
Less: Earned Revenue		(212)		(35)		(457)		(302)		(58)		-		-		(207)		(279)		(710)
Net Program Costs		61,718		3,136		122,919		13,306		9,405		-		98		68,457		93,293		417,111
Total Peace and Security		91,003		14,496		131,366		13,310		47,864		-		125,452		74,922		131,798		718,411
<b>Governing Justly and Democratically:</b>																				
Rule of Law and Human Rights																				
Gross Costs		30,435		28,628		2,874		824		28,055		-		7,181		49,993		18,085		165,075
Less: Earned Revenue		(75)		(40,358)		(31)		-		(189)		-		(137)		(240)		(88)		(677)
Net Program Costs		30,360		(11,730)		2,843		824		27,866		-		7,044		49,753		17,997		164,398
Good Governance																				
Gross Costs		68,664		41,521		26,365		3,492		37,160		-		-		135,336		48,116		796,584
Less: Earned Revenue		(246)		(106,784)		(109)		(68)		(226)		-		-		(529)		(203)		(3,861)
Net Program Costs		68,418		(65,263)		26,256		3,424		36,934		-		-		134,807		47,913		792,723
Political Competition and Consensus-Building																				
Gross Costs		51,521		8,683		13,994		642		17,781		-		-		24,366		18,087		182,147
Less: Earned Revenue		(179)		(60)		(138)		-		(119)		-		-		(90)		(92)		(8,013)
Net Program Costs		51,342		8,623		13,856		642		17,662		-		-		24,276		17,995		174,134
Civil Society																				
Gross Costs		46,032		29,770		5,122		8,714		57,798		-		408		29,688		38,336		271,807
Less: Earned Revenue		(173)		(156)		(63)		-		(349)		-		(10)		(156)		(194)		(2,785)
Net Program Costs		45,859		29,614		5,059		8,714		57,449		-		398		29,532		38,142		269,022
Total Governing Justly and Democratically		195,979		(38,756)		48,014		13,604		139,911		-		7,442		238,368		122,047		1,400,277

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA LAB	Latin America & Caribbean	Middle East	OAPA	2016 Consolidated Total	2015 Consolidated Total
<b>Investing in People:</b>												
<b>Health</b>												
Gross Costs	510,580	102,227	16,077	5,368	11,301	759,273	9,640	67,159	132,271	206,547	1,820,443	1,660,666
Less: Earned Revenue	(9,486)	(1,999)	(66)	—	(197)	(2,358)	(193)	(678)	(615)	(757)	(16,349)	(15,754)
Net Program Costs	501,094	100,228	16,011	5,368	11,104	756,915	9,447	66,481	131,656	205,790	1,804,094	1,644,912
<b>Education</b>												
Gross Costs	374,658	127,655	18,125	187,951	10,776	—	12,811	83,439	148,013	230,388	1,193,816	923,721
Less: Earned Revenue	(1,290)	(661)	(69)	(1,238)	(63)	—	(34)	(383)	(588)	(713)	(5,039)	(3,871)
Net Program Costs	373,368	126,994	18,056	186,713	10,713	—	12,777	83,056	147,425	229,675	1,188,777	919,850
<b>Social and Economic Services and Protection for Vulnerable Populations</b>												
Gross Costs	4,770	21,510	28,401	—	2,521	62	—	47,104	162,398	19,547	286,313	318,232
Less: Earned Revenue	(21)	(87)	(143)	(3,336)	(16)	(1)	—	(224)	(848)	(64)	(4,740)	(21,987)
Net Program Costs	4,749	21,423	28,258	(3,336)	2,505	61	—	46,880	161,550	19,483	281,573	296,245
<b>Total Investing in People</b>	<b>879,211</b>	<b>248,645</b>	<b>62,325</b>	<b>188,745</b>	<b>24,322</b>	<b>756,976</b>	<b>22,224</b>	<b>196,417</b>	<b>440,631</b>	<b>454,948</b>	<b>3,274,444</b>	<b>2,861,007</b>
<b>Economic Growth:</b>												
<b>Macroeconomic Foundation for Growth</b>												
Gross Costs	748	4,405	20	94,946	442,323	—	—	9,939	451,698	16,015	1,020,094	1,365,558
Less: Earned Revenue	(9)	(22)	—	(77,942)	(4)	—	—	(43)	(2,547)	(35)	(80,596)	(83,012)
Net Program Costs	745	4,383	20	17,004	442,319	—	—	9,896	449,151	15,980	939,498	1,282,546
<b>Trade and Investment</b>												
Gross Costs	39,834	27,399	—	27,705	9,279	—	3,313	8,625	4,063	43,809	164,027	144,380
Less: Earned Revenue	(135)	(157,040)	—	(450)	(46)	—	(67)	(64)	(21)	—	(157,823)	(1,480)
Net Program Costs	39,699	(129,641)	—	27,255	9,233	—	3,246	8,561	4,042	43,809	6,204	142,900
<b>Financial Sector</b>												
Gross Costs	2,112	1,785	—	83,205	15,426	—	3,764	117	82,383	9,487	198,279	202,693
Less: Earned Revenue	(12)	(6)	—	(82,059)	(80)	—	(75)	—	(309)	(18)	(82,559)	(151,897)
Net Program Costs	2,100	1,779	—	1,146	15,346	—	3,689	117	82,074	9,469	115,720	50,796
<b>Infrastructure</b>												
Gross Costs	94,244	22,913	—	4,859	19,322	—	2,998	19,604	24,679	342,124	530,743	657,053
Less: Earned Revenue	(330)	(105)	—	(83)	(154)	—	—	(101)	(143)	—	(916)	(563,555)
Net Program Costs	93,914	22,808	—	4,776	19,168	—	2,998	19,503	24,536	342,124	529,827	93,498
<b>Agriculture</b>												
Gross Costs	549,196	127,705	—	336,762	8,203	—	1,273	67,212	7,257	157,713	1,255,321	1,166,087
Less: Earned Revenue	(1,391)	(5,022)	—	(240)	(47)	—	(14)	(334)	(36)	(1,303)	(8,387)	(13,904)
Net Program Costs	547,805	122,683	—	336,522	8,156	—	1,259	66,878	7,221	156,410	1,246,934	1,152,183
<b>Private Sector Competitiveness</b>												
Gross Costs	17,550	44,095	—	27,676	71,288	—	29,349	30,196	72,980	49,607	342,741	343,487
Less: Earned Revenue	(81)	(102,208)	—	(550)	(410)	—	(289)	(171)	(310)	(169)	(104,188)	(1,931)
Net Program Costs	17,469	(58,113)	—	27,126	70,878	—	29,060	30,025	72,670	49,438	238,553	341,556

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA LAB	Latin America & Caribbean	Middle East	OAPA	2016 Consolidated Total	2015 Consolidated Total
Economic Opportunity												
Gross Costs	9,073	8,959	-	39,610	3,905	-	179,034	7,110	17,791	11,780	277,262	197,463
Less: Earned Revenue	(41)	(36)	-	(718)	(36)	-	(2,827)	(36)	(91)	(41)	(3,826)	(3,131)
Net Program Costs	9,032	8,923	-	38,892	3,869	-	176,207	7,074	17,700	11,739	273,436	194,332
Environment												
Gross Costs	152,498	225,065	9,221	262,430	11,016	-	-	154,313	1,428	147	816,118	724,844
Less: Earned Revenue	(468)	(46,259)	(23)	(4,810)	(64)	-	-	(754)	(7)	(3)	(52,388)	(6,345)
Net Program Costs	152,030	178,806	9,198	257,620	10,952	-	-	153,559	1,421	144	763,730	718,499
<b>Total Economic Growth</b>	<b>862,794</b>	<b>151,628</b>	<b>9,218</b>	<b>710,341</b>	<b>579,921</b>	<b>-</b>	<b>216,459</b>	<b>295,613</b>	<b>658,815</b>	<b>629,113</b>	<b>4,113,902</b>	<b>3,976,310</b>
<b>Humanitarian Assistance:</b>												
Protection, Assistance and Solutions												
Gross Costs	6	31,714	2,324,044	-	5,606	-	-	27,595	29,355	500	2,418,820	2,625,779
Less: Earned Revenue	-	(132)	(7,734)	-	(105)	-	-	(118)	(119)	-	(8,208)	(1,667)
Net Program Costs	6	31,582	2,316,310	-	5,501	-	-	27,477	29,236	500	2,410,612	2,624,112
Disaster Readiness												
Gross Costs	342	10,965	18,479	-	-	-	-	602	-	-	30,388	148,620
Less: Earned Revenue	(1)	(50)	(459)	-	-	-	-	(1)	-	-	(511)	(87)
Net Program Costs	341	10,915	18,020	-	-	-	-	601	-	-	29,877	148,533
Migration Management												
Gross Costs	-	-	-	-	-	-	-	2,910	-	126	3,036	11,130
Less: Earned Revenue	-	-	-	-	-	-	-	(68)	-	-	(68)	(21)
Net Program Costs	-	-	-	-	-	-	-	2,842	-	126	2,968	11,109
<b>Total Humanitarian Assistance</b>	<b>347</b>	<b>42,497</b>	<b>2,334,330</b>	<b>-</b>	<b>5,501</b>	<b>-</b>	<b>-</b>	<b>30,920</b>	<b>29,236</b>	<b>626</b>	<b>2,443,457</b>	<b>2,783,754</b>
<b>Operating Unit Management:</b>												
Crosscutting Management and Staffing												
Gross Costs	373	-	-	-	6	-	-	2	37	309	727	3,503
Less: Earned Revenue	(9)	(1)	-	-	-	-	-	-	-	(1)	(11)	(13)
Net Program Costs	364	(1)	-	-	6	-	-	2	37	308	716	3,491
Program Design and Learning												
Gross Costs	67,991	15,378	16,317	81,075	6,222	-	14,159	25,626	17,366	39,459	283,593	239,560
Less: Earned Revenue	(305)	(37,994)	(49)	(918)	(47)	-	(165)	(111)	(73)	(126)	(39,788)	(713)
Net Program Costs	67,686	(22,616)	16,268	80,157	6,175	-	13,994	25,515	17,293	39,333	243,805	238,846
Administration and Oversight												
Gross Costs	111,725	56,142	138,625	70,451	25,349	-	41,406	59,279	31,879	84,625	619,481	548,150
Less: Earned Revenue	(601)	(36,590)	(376)	(389)	(148)	-	(370)	(334)	(125)	(192)	(39,125)	(1,652)
Net Program Costs	111,124	19,552	138,249	70,062	25,201	-	41,036	58,945	31,754	84,433	580,356	546,498
<b>Total Operating Unit Management</b>	<b>179,174</b>	<b>(3,065)</b>	<b>154,517</b>	<b>150,219</b>	<b>31,382</b>	<b>-</b>	<b>55,030</b>	<b>84,462</b>	<b>49,084</b>	<b>124,074</b>	<b>824,877</b>	<b>788,835</b>
<b>Net Cost of Operations</b>	<b>\$2,208,508</b>	<b>\$415,445</b>	<b>\$2,739,770</b>	<b>\$1,076,219</b>	<b>\$828,901</b>	<b>\$756,976</b>	<b>\$301,155</b>	<b>\$971,232</b>	<b>\$1,374,735</b>	<b>\$1,817,592</b>	<b>\$12,490,533</b>	<b>\$12,528,594</b>



## NOTE 17. COMBINED STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources presents information about total budgetary resources available to USAID and the status of those resources, as of September 30, 2016 and 2015. USAID's total budgetary resources were \$27.2 billion and \$27.1 billion for the years ended September 30, 2016 and 2015, respectively.

The following schedule details the amount of the direct and reimbursable new obligations and upward adjustments against the apportionment categories.

### A. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED (in thousands):

	2016	2015
Category A, Direct	\$ 1,494,580	\$ 1,505,553
Category B, Direct	12,244,590	11,738,822
Category A, Reimbursable	46,362	33,925
Category B, Reimbursable	51,729	1,045,618
Total	\$ 13,837,261	\$ 14,323,918

### B. BORROWING AUTHORITY, END OF PERIOD AND TERMS OF BORROWING AUTHORITY USED:

The Agency had \$2.9 million and \$0.2 million in borrowing authority in FY 2016 and FY 2015, respectively. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, Pub. L. 101-508), and is used to finance obligations during the current year, as needed.

### C. PERMANENT INDEFINITE APPROPRIATIONS:

USAID has permanent indefinite appropriations relating to specific Federal Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Federal Credit Reform Program appropriations for subsidy reestimates and Federal Credit Reform Act of 1990. At year-end FY 2016, there is \$3.3 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

### D. LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES:

The "Consolidated Appropriations Act" signed into law as Pub. L. 112-74 provides USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, known as "7011" authority. Under this authority funds shall remain available for obligation for an extended period if such funds are obligated within their initial period of availability. Any subsequent recoveries (deobligations) of these funds become unobligated balances that are available for reprogramming by USAID (subject to OMB approval through the apportionment process).

### E. UNPAID OBLIGATIONS:

Unpaid Obligations for the periods ended September 30, 2016 and 2015 were \$19.2 billion and \$20.0 billion, respectively.

**F. DIFFERENCE BETWEEN THE COMBINED STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT (in thousands):**

The reconciliation between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government (Budget) is presented below. This reconciliation is as of September 30, 2015 because submission of the Budget for FY 2017, which presents the execution of the FY 2016 Budget, occurs after publication of these financial statements. The USAID Budget Appendix can be found on the OMB website (<http://www.whitehouse.gov/omb/budget>) and will be available in early February 2017.

Differences between the SBR and Budget of the U.S. Government are caused mainly by the fact that certain funds are reported in the SBR but not included in the USAID section of the

“Department of State and Other International Programs” Appendix of the Budget of the U.S. Government. This is largely reflected in the Economic Support Fund, which is approximately \$11 billion. This fact is corroborated by the State Department Budget Office, which confirms the aforementioned funds being warranted/allocated to State, and included in State’s section of the President’s budget as a transfer of funds to USAID.

The amounts in the line “Other Differences” in the table below cannot be further defined because appropriation level detail is not provided in the Budget of the U.S. Government.

2015	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 27,149,433	\$ 14,323,918	\$ (795,234)	\$ 11,480,741
Funds Reported in SBR, Not Attributed to USAID in the President’s Budget	(10,794,000)	(5,686,000)	–	(5,571,000)
Other Differences	228,567	5,380,820	795,234	536,259
Budget of the U.S. Government	\$ 16,584,000	\$ 7,380,000	\$ –	\$ 6,446,000

## NOTE 18. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

USAID presents the Consolidated Statement of Net Cost using the accrual basis of accounting. This differs from the obligation-based measurement of total resources supplied, both budgetary and from other sources, on the Combined Statement of Budgetary Resources. The Federal Financial Accounting Standard No. 7 requires “a reconciliation of proprietary and budgetary information in a way that helps users relate

the two.” The focus of this presentation is to reconcile budgetary net obligations to the net cost of operations. The objective of this information is to categorize the differences between budgetary and financial (proprietary) accounting. Reconciliation of Obligations Incurred to Net Cost of Operations for the years ended September 30, 2016 and 2015 are indicated in the table below (*in thousands*):

	2016	2015
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 13,837,261	\$ 14,323,918
Spending Authority From Offsetting Collections	(1,696,911)	(2,349,304)
Downward Adjustments of Obligations	(721,039)	(1,229,756)
Offsetting Receipts	(795,234)	(193,254)
Net Obligations	10,624,077	10,551,604
Other Resources Used to Finance Activities	502,053	38,375
Resources Used to Finance Activities	11,126,130	10,589,979
Resources Used to Finance Items Not Part of Net Cost of Operations	1,896,825	2,240,228
Total Resources Used to Finance Net Cost of Operations	13,022,955	12,830,207
<b>Components of the Net Cost of Operations:</b>		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(317,634)	(85,102)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(214,788)	(216,511)
Net Cost of Operations (Notes 15 and 16)	\$ 12,490,533	\$ 12,528,594



FINANCIAL SECTION  
REQUIRED SUPPLEMENTARY  
INFORMATION





◀ (Preceding page) Meet Shahara, a garment worker in Bangladesh who unionized with support from USAID and is learning to lead. Discover “Shahara Knows Her Rights” at [stories.usaid.gov](https://stories.usaid.gov).

PHOTO: JOSH ESTEY FOR USAID



(Above) Meet Aissatou, the journalist who is empowering women to use their voices in Senegal. Discover “Media Mama” at [stories.usaid.gov](https://stories.usaid.gov).

PHOTO: DAVE COOPER FOR USAID

# STATEMENT OF BUDGETARY RESOURCES

## REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2016

(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	305	306	1010	1021	1035	1037	1093	1095				
<b>Budgetary Resources:</b>													
Unobligated Balance, Brought Forward, October 1	\$ 231,809	\$ 4,311	\$ 17,964	\$ 5,452	\$ 2,119,892	\$ 662,189	\$ 4,644,002	\$ 7,449	\$ 40,986	\$ 3,074,660	\$ 1,567,143	\$ 451,734	\$ 12,827,591
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(2,076)	—	—	—	—	—	—	—	—	—	—	—	(2,076)
Unobligated Balance Brought Forward, October 1, as Adjusted	229,733	4,311	17,964	5,452	2,119,892	662,189	4,644,002	7,449	40,986	3,074,660	1,567,143	451,734	12,825,515
Recoveries of Prior Year Unpaid Obligations	168,432	240	10,683	11,330	112,867	128,297	183,272	22,297	990	140	33,025	49,466	721,039
Other Changes in Unobligated Balance (+ or -)	(8,671)	—	1,517	(2,214)	(41,420)	3,060	(392,810)	(2,062)	(6,821)	(71,262)	3,237	266,416	(251,030)
Unobligated Balance from Prior Year Budget Authority, Net	389,494	4,551	30,164	14,568	2,191,339	793,546	4,434,464	27,684	35,155	3,003,538	1,603,405	767,616	13,295,524
Appropriations (Discretionary and Mandatory)	1,285,354	—	929,688	—	2,780,971	2,725,140	4,307,596	—	—	(29)	206,788	—	12,235,508
Borrowing Authority (Discretionary and Mandatory) (Note 11)	—	—	—	—	—	—	—	—	—	2,899	—	—	2,899
Contract Authority (Discretionary and Mandatory)	—	—	—	—	—	—	—	—	—	—	—	—	—
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	43,283	—	(395,750)	—	467	31,071	(712,883)	—	—	564,962	1,250,793	914,968	1,696,911
<b>Total Budgetary Resources</b>	<b>\$ 1,718,131</b>	<b>\$ 4,551</b>	<b>\$ 564,102</b>	<b>\$ 14,568</b>	<b>\$ 4,972,777</b>	<b>\$ 3,549,757</b>	<b>\$ 8,029,177</b>	<b>\$ 27,684</b>	<b>\$ 35,155</b>	<b>\$ 3,571,370</b>	<b>\$ 3,060,986</b>	<b>\$ 1,682,584</b>	<b>\$ 27,230,842</b>
<b>Status of Budgetary Resources:</b>													
Obligations Incurred:	1,468,386	1,980	104,271	9,976	2,254,538	2,413,655	4,121,620	19,277	(1,198)	274,218	1,887,885	1,282,653	\$ 13,837,261
Unobligated Balance, End of Year:	—	—	—	—	—	—	—	—	—	—	—	—	—
Apportioned	102,456	2,592	459,774	3,554	2,668,160	1,134,930	3,884,815	5,803	29,142	253,826	552,157	283,736	9,380,945
Exempt from Apportionment	—	—	—	—	(3)	—	(1)	—	—	—	—	—	(4)
Unapportioned	147,289	(21)	57	1,038	50,082	1,172	22,743	2,604	7,211	3,043,326	620,944	116,195	4,012,640
<b>Total Unobligated Balance, End of Year</b>	<b>249,745</b>	<b>2,571</b>	<b>459,831</b>	<b>4,592</b>	<b>2,718,239</b>	<b>1,136,102</b>	<b>3,907,557</b>	<b>8,407</b>	<b>36,353</b>	<b>3,297,152</b>	<b>1,173,101</b>	<b>399,931</b>	<b>13,393,581</b>
<b>Total Budgetary Resources</b>	<b>1,718,131</b>	<b>4,551</b>	<b>564,102</b>	<b>14,568</b>	<b>4,972,777</b>	<b>3,549,757</b>	<b>8,029,177</b>	<b>27,684</b>	<b>35,155</b>	<b>3,571,370</b>	<b>3,060,986</b>	<b>1,682,584</b>	<b>27,230,842</b>

(continued on next page)

**REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES (continued)**

For the Year Ended September 30, 2016

(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	305	306	1010	1021	1035	1037	1093	1095				
<b>Change in Obligated Balance:</b>													
Unpaid Obligations, Brought Forward, October 1 (Gross)	707,355	874	66,760	4,538	4,401,732	2,189,658	10,823,849	10,071	8,894	4,317	973,766	846,912	\$20,038,726
Adjustment to Unpaid Obligations, Start of Year (+ or -)	—	—	—	—	—	—	—	—	—	—	—	—	—
Obligations Incurred	1,468,386	1,980	104,271	9,976	2,254,538	2,413,655	4,121,620	19,277	(1,198)	274,218	1,887,885	1,282,653	13,837,261
Outlays (Gross) (-)	(1,338,334)	(1,351)	(43,276)	(1,381)	(2,579,599)	(2,220,460)	(4,221,764)	(655)	891	(260,573)	(2,013,958)	(1,229,478)	(13,909,938)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	—	—	—	—	—	—	—	—	—	—	—	—	—
Recoveries of Prior Year Unpaid Obligations (-)	(168,432)	(240)	(10,683)	(11,330)	(112,867)	(128,297)	(183,272)	(22,297)	(990)	(140)	(33,025)	(49,466)	(721,039)
Unpaid Obligations, End of Year	668,975	1,263	117,072	1,803	3,963,804	2,254,556	10,540,433	6,396	7,597	17,822	814,668	850,621	19,245,010
<b>Uncollected Payments:</b>													
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(2,847)	—	—	—	71	(331)	—	(1)	(4,958)	17	(494,004)	—	(502,053)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in Uncollected Payments from Federal Sources (+ or -)	2,817	—	—	—	(70)	332	—	—	—	(18)	481,563	—	484,624
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	—	—	—	—	—	—	—	—	—	—	—	—	—
Uncollected Payments, Federal Sources, End of Year (-)	(30)	—	—	—	1	1	—	(1)	(4,958)	(1)	(12,441)	—	(17,429)
<b>Budget Authority and Outlays, Net:</b>													
Budget Authority, Gross (Discretionary and Mandatory)	1,328,637	—	533,938	—	2,781,438	2,756,211	3,594,713	—	—	567,832	1,457,581	914,968	13,935,318
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(46,100)	—	—	—	(1,235)	146	(17,707)	—	—	(564,945)	(1,408,269)	392	(2,037,718)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	2,817	—	—	—	(70)	332	—	—	—	(18)	481,563	—	484,624
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	—	—	—	—	—	—	—	—	—	—	—	—	—
Budget Authority, Net (Total) (Discretionary and Mandatory)	1,285,354	—	533,938	—	2,780,133	2,756,689	3,577,006	—	—	2,869	530,875	915,360	12,382,224
Outlays, Gross (Discretionary and Mandatory)	1,338,334	1,351	43,276	1,381	2,579,599	2,220,460	4,221,764	655	(891)	260,573	2,013,958	1,229,478	13,909,938
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(46,100)	—	—	—	(1,235)	146	(17,707)	—	—	(564,945)	(1,408,269)	392	(2,037,718)
Outlays, Net (Total) (Discretionary and Mandatory)	1,292,234	1,351	43,276	1,381	2,578,364	2,220,606	4,204,057	655	(891)	(304,372)	605,689	1,229,870	11,872,220
Distributed Offsetting Receipts (-)	—	—	—	—	—	—	—	—	—	—	(795,234)	—	(795,234)
<b>Agency Outlays, Net (Discretionary and Mandatory)</b>	<b>\$ 1,292,234</b>	<b>\$ 1,351</b>	<b>\$ 43,276</b>	<b>\$ 1,381</b>	<b>\$ 2,578,364</b>	<b>\$ 2,220,606</b>	<b>\$ 4,204,057</b>	<b>\$ 655</b>	<b>\$ (891)</b>	<b>\$ (304,372)</b>	<b>\$ (189,545)</b>	<b>\$ 1,229,870</b>	<b>\$ 11,076,986</b>

## MAJOR FUNDS

### Operating Funds

1000 Operating Expenses of USAID

### Program Funds

1010 Assistance for Eastern Europe  
1021 Development Assistance  
1035 International Disaster Assistance  
1037 Economic Support Fund  
1093 Assistance for the N.I.S. of the Former Soviet Union  
1095 Child Survival and Disease Programs Funds

## CREDIT FINANCING FUNDS

4119 Israel Guarantee Financing Fund  
4137 Direct Loan Financing Fund  
4266 DCA Financing Fund  
4343 MSED Guarantee Financing Fund  
4344 UE Financing Fund  
4345 Ukraine Guarantees Financing Fund  
4491 Egypt Guarantee Financing Fund  
4493 Loan Guarantees to Middle East Northern  
Africa (MENA) – Financing Account

## CREDIT PROGRAM FUNDS

0301 Israel Program Fund  
0304 Egypt Program Fund  
0401 UE Program Fund  
0402 Ukraine Program Fund  
0409 Loan Guarantees to Middle East Northern  
Africa (MENA) – Program Account  
1264 DCA Program Fund

## CREDIT LIQUIDATING FUNDS

4103 Economic Assistance Loans – Liquidating Fund  
4340 UE Guarantee Liquidating Fund  
4341 MSED Direct Loan Liquidating Fund

## OTHER FUNDS

### Operating Funds

0300 Capital Investment Fund (CIF)  
0306 Assistance for Europe, Eurasia, and Central Asia  
0535 Acquisition and Maintenance of Buildings Abroad  
1007 Operating Expenses of USAID Inspector General  
1036 Foreign Service Retirement and Disability Fund  
1099 Fines, Penalties and Forfeitures – N.O.E.  
1435 Miscellaneous Interest Collections  
3220 Miscellaneous Recoveries

## OTHER FUNDS (continued)

### Program Funds

0305 Civilian Stabilization Initiative  
1012 Sahel Development Program  
1014 Development Fund for Africa  
1015 Complex Crisis Fund  
1023 Food and Nutrition Development Assistance  
1024 Population and Planning & Health, Development Assistance  
1025 Education and Human Resources, Development Assistance  
1027 Transition Initiatives  
1028 Global Fund to Fight HIV/AIDS  
1029 Tsunami Relief and Reconstruction Fund  
1033 HIV/AIDS Working Capital  
1038 Central American Reconciliation Assistance  
1040 Sub-Saharan Africa Disaster Assistance  
1096 Iraq Relief Fund  
1500 Demobilization and Transition Fund

### Trust Funds

8342 Foreign National Employees Separation Liability Fund  
8502 Technical Assistance – U.S. Dollars Advance from  
Foreign Governments  
8824 Gifts and Donations

### Revolving Funds

4175 Property Management Fund  
4513 Working Capital Fund  
4590 Acquisition of Property, Revolving Fund

## ALLOCATIONS TO OTHER AGENCIES

1010 Assistance for Eastern Europe  
1021 Development Assistance  
1035 International Disaster Assistance  
1037 Economic Support Fund  
1093 Assistance for the N.I.S. of the Former Soviet Union  
1095 Child Survival and Disease Program Funds

## ALLOCATIONS FROM OTHER AGENCIES

0113 Diplomatic and Consular Programs, State  
1030 Global HIV/AIDS Initiative – Carryover  
1031 Global Health/Child Survival and HIV/AIDS  
1121 Democracy Fund  
1154 Andean Counterdrug Initiative (ACI)  
2278 Commodity Credit Corporation  
2750 Millennium Challenge Corporation  
4336 Commodity Credit Corporation





## OTHER INFORMATION





◀ (Preceding page) Meet Madame Kaire, a leader helping rural women rise to the top as elected leaders in Senegal. Discover “A Voice for Senegal’s Women” at [stories.usaid.gov](https://stories.usaid.gov).

PHOTO: DAVE COOPER FOR USAID



(Above) Meet Ako, a young African leader amplifying voices of peace to promote violence-free elections. Discover “Ako’s Radio” at [stories.usaid.gov](https://stories.usaid.gov).

PHOTO: KENDRA HELMER FOR USAID

# COMBINED SCHEDULE OF SPENDING

The **Combined Schedule of Spending** (SOS) is an annual statement designed to present an overview of Agency spending and to satisfy the public's desire for a transparent view of how federal monies are spent. Specifically, it outlines the total amount of federal monies available to spend by the Agency and how those monies were spent. The SOS enables the reader to clearly review USAID's spending and provides the public with a high level view of who benefits from federal spending. The spending referred to in this report represents money disbursed on legally binding obligations. The SOS presents a detailed view of the underlying data used to populate the Statement of Budgetary Resources (SBR). The SOS and SBR are required to be in agreement.

The public can access [USASpending.gov](https://USASpending.gov) to obtain a more detailed view of USAID's partners and obtain some general information about individual awards. The SOS and [USASpending.gov](https://USASpending.gov) will not be in agreement due to different reporting requirements. All information entered in the SOS is not necessarily a requirement for the website. For instance, obligations under \$3.5 thousand are not required to be reported in [USASpending.gov](https://USASpending.gov) however, there are no monetary limitations placed on obligations for SOS and SBR reporting. Consequently, a percentage of USAID obligations will not be reported on the [USASpending.gov](https://USASpending.gov) website.

## COMBINED SCHEDULE OF SPENDING

For the Years Ended September 30, 2016 and 2015

(in thousands)

	2016	2015
<b>What Money is Available to Spend?</b>		
Total Resources	\$ 27,230,842	\$ 27,149,433
Less Amount Available but Not Agreed to be Spent	(9,380,941)	(8,643,483)
Less Amount Not Available to be Spent	(4,012,640)	(4,182,032)
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 13,837,261</b>	<b>\$ 14,323,918</b>
<b>How was the Money Spent/Issued?</b>		
<b>Category:</b>		
<b>Personnel Compensation and Benefits</b>		
Benefits for Former Personnel	\$ 7,183	\$ 7,315
Other Personnel Compensation	69,387	73,148
Personnel Benefits	240,136	239,933
Personnel Compensation, Full-Time Permanent	414,637	395,545
Personnel Compensation, Other Than Full-Time Permanent	187,392	192,241
Special Personal Services Payments	17,240	26,462
<b>Total Personnel Compensation and Benefits</b>	<b>\$ 935,975</b>	<b>\$ 934,644</b>
<b>Contractual Services and Supplies</b>		
Advisory and Assistance Services	\$ 320,204	\$ 396,042
Communication, Utilities, and Miscellaneous Charges	17,930	31,242
Medical Care	912	184
Operation and Maintenance of Equipment and Storage of Goods	56,855	18,444
Operation and Maintenance of Facilities	8,368	10,273
Other Services	94,309	71,938
Printing and Reproduction	386	1,985
Purchase of Goods and Services from Government Accounts	249,401	283,927
Rental Payments to GSA	50,950	54,528
Rental Payments to Others	55,138	58,961
Research and Development Contracts	25,267	38,567
Subsistence and Support of Persons	3	—
Supplies and Materials	6,992	11,080
Transportation of Things	19,530	18,750
Travel and Transportation of Persons	96,929	109,210
<b>Total Contractual Services and Supplies</b>	<b>\$ 1,003,174</b>	<b>\$ 1,105,131</b>
<b>Acquisition of Assets</b>		
Equipment	\$ 55,647	\$ 56,828
Investments and Loans	(3)	(6)
Land and Structures	164,438	116,439
<b>Total Acquisition of Assets</b>	<b>\$ 220,082</b>	<b>\$ 173,261</b>
<b>Grants and Fixed Charges</b>		
Claims and Indemnities	\$ 713	\$ 3,605
Grants, Subsidies, and Contributions	10,178,779	10,145,461
Interest and Dividends	24,829	7
Refunds	5	416
<b>Total Grants and Fixed Charges</b>	<b>\$ 10,204,326</b>	<b>\$ 10,149,489</b>
Other Funds	1,473,704	1,961,393
<b>Total Other Funds</b>	<b>\$ 1,473,704</b>	<b>\$ 1,961,393</b>
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 13,837,261</b>	<b>\$ 14,323,918</b>
<b>Who did the Money go to?</b>		
<b>Category:</b>		
Educational Institutions	\$ 167,429	\$ 262,267
For Profit	3,242,139	2,913,636
Government	1,999,749	1,471,119
Individuals	792,930	841,718
Not-For-Profit	5,598,367	6,530,546
Other	2,036,647	2,304,632
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 13,837,261</b>	<b>\$ 14,323,918</b>

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