OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

Audit of USAID's Financial Statements for Fiscal Years 2017 and 2016

AUDIT REPORT 0-000-18-004-C
November 15, 2017

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MEMORANDUM

DATE: November 15, 2017

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

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

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2017 and 2016 (0-000-18-004-C)

This memorandum transmits the final report on our audits of USAID's financial statements for fiscal years 2017 and 2016. 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, 2017. 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. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix C.

OIG has issued unmodified opinions on each of USAID's principal financial statements for fiscal years 2017 and 2016.

With respect to internal control, we identified one deficiency that we consider a material weakness and three 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, and (3) maintaining adequate records of property, plant, and equipment.

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.

The report contains three recommendations to improve USAID's internal control. After reviewing information you provided in response to the draft report, we consider the recommendations resolved but open pending completion of planned activities.

For these recommendations please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff extended to us during these audits.

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SUMMARY

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, 2017 and 2016, 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. Department of Treasury (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

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.

BACKGROUND

USAID was created in 1961to advance U.S. foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. In 2013, it launched a new mission statement to end extreme poverty and promote resilient, democratic societies. USAID fundamentally believes that ending extreme poverty requires enabling inclusive, sustainable growth; promoting free, peaceful, and self-reliant societies with effective, legitimate governments; and building human capital and creating social safety nets that reach the poorest and most vulnerable. USAID has employees in more than 100 countries, 46 of which have full accounting operations with controllers. For the fiscal year ended September 30, 2017, USAID reported total budgetary resources of approximately $29 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 fiscal year 2017, 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

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 fiscal years 2017 and 2016.

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, 2017 and 2016, and for the years then ended.

In accordance with "Government Auditing Standards,"[1] OIG has also issued reports, dated November 15, 2017, on its consideration of USAID's internal control over financial reporting and on its tests of USAID's compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

[1] 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, 2017 and 2016, 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 17-03, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 17-03 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, 2017 and 2016, 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 About This Report section, the USAID At A Glance section, the Message from the Administrator, the Message from the Chief Financial Officer, the Other Information section, and the appendixes in the Agency Financial Report are presented for the purpose 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, 2017, 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 /s/
November 15, 2017

REPORT ON INTERNAL CONTROL

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2017 and 2016, 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, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2017 and 2016, 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 17-03. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A 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 three 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.

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

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 made progress reconciling its Fund Balance With Treasury (FBWT) account with the fund balance reported by the Department of the Treasury (Treasury), the Agency still has large unreconciled differences related to legacy items that have not been resolved. As of September 30, 2017, these differences totaled approximately $214 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
2012	114	127
2013	121	1,915
2014	154	2,011
2015	198[a]	528
2016	195	356
2017	214	263

[a] The amount reported on the fiscal year 2015 USAID Agency Financial Report finding was understated and has been updated.

These differences persist because USAID did not reconcile the FBWT account with Treasury's fund balance each month and research and resolve those differences in a timely manner. USAID adjusted its FBWT account to agree with Treasury's fund balance without adequately researching the differences. The difference between USAID's general ledger and the amount reported by Treasury is $214 million, of which $83 million is due to outstanding unreconciled items and $131 million cannot be explained. The agency identified 13,747 transactions with a net worth of $83 million as outstanding unreconciled items. Six percent ($5.1 million net) of these transactions have been outstanding for more than three months and up to one year. An additional 2 percent ($1.4 million net) have been outstanding for more than one year.

Recognizing the importance of maintaining account balances consistent with Treasury's, USAID's management started a comprehensive review of its FBWT records in fiscal year 2014 to ascertain the reasons for the differences and take corrective action. It 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 difference between the subsidiary and general ledgers was approximately $445 million. However, as of September 30, 2017, that difference was reduced to approximately $1.6 million (net), $11.8 million (absolute), which is a significant reduction. USAID also made improvements to its web-based automated cash reconciliation system, eCART, by integrating third party transactions and automating the submission of appropriation reclassification to Treasury.

USAID management consulted with the Treasury and the Office of Management and Budget (OMB) to resolve these unexplained differences and submitted a plan for their approval. However, the plan has not yet been approved by OMB and the differences remain unresolved. The Agency anticipates that the differences will be resolved by the end of the first quarter of fiscal year 2018.

Fund Balance With Treasury, Reconciliation Procedures, a Supplement to the Treasury Financial Manual, Volume I, part 2-5100, section IV, states, "Federal agencies must reconcile their USSGL (U.S. Government Standard General Ledger) account 1010 and any related subaccounts with the GWA (Government-wide Accounting) Account Statement on a monthly basis (at minimum)."[1] The manual also states that the subsidiary report balances should agree with the general ledger and federal agencies should not permit prior-month differences to remain outstanding for more than 3 months.

We are not making a recommendation regarding the $131 million difference because the Office of Chief Financial Officer is currently working with the OMB and the US Treasury to clear this unexplained difference. However, we recommend:

Recommendation 1. The Office of the Chief Financial Officer continue to investigate the $83 million differences between the Agency's Fund Balance With Treasury Account and Treasury fund balance to identify the root cause and, if appropriate, modify its business process to mitigate future occurrences.

Recommendation 2. The Office of the Chief Financial Officer enhance its policies and procedures to ensure the subsidiary and general ledgers are completely reconciled and the causes of the differences are corrected.

SIGNIFICANT DEFICIENCIES

Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

As of September 30, 2017, USAID had $488 million in unreconciled intragovernmental transactions, according to Treasury. Of that amount, USAID was required to reconcile and confirm $455 million in accordance with OMB Circular A-136, "Financial Reporting Requirements," and Treasury's "Intragovernmental Transactions Guide." Although

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[1] Fund Balance With Treasury, Reconciliation Procedures, A Supplement to Treasury Financial Manual Volume 1, part 2, chapter 5100, section IV.A, March 2012, p. 2.

USAID has increased its efforts to resolve unreconciled amounts, the remaining differences are still significant.

USAID continually researches intragovernmental transactions to improve its reconciliation process and eliminate the differences. These current efforts are likely to resolve timing differences, created when agencies record transactions in different periods. 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.

In fiscal year 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 fiscal year 2016, USAID had differences amounting to $540 million and ranked as the 16th largest contributor out of 140. According to the scorecard for the end of the third quarter of fiscal year 2017, USAID's differences had decreased to $479 million, making the Agency the 18th largest contributor.

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.[2] Therefore, we are not making a recommendation, but we will continue to monitor USAID's progress in fiscal year 2018.

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 Federal GAAP).[3] In prior years OIG reported that the way USAID accounted for transactions under reimbursable agreements did not comply with Federal GAAP in three respects:

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. Federal GAAP requires that a liability (deferred revenue) be recorded until the services required by the agreement have been rendered.

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

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[2] "Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015" (0-000-17-001-C), November 15, 2016.

[3] 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.

uniform chart of accounts and technical guidance for standardizing Federal agency accounting.

USAID could not track incurred expenses or recognized revenue to specific reimbursable agreements because, according to agency officials, its accounting system did not have this functionality. To compensate for this deficiency, USAID recorded quarterly adjustments in its general ledger before preparing financial statements to accurately reflect the financial status and results of its reimbursable agreements. For fiscal year 2017, USAID recorded adjustments of approximately $508 million.

These types of noncompliance recurred in fiscal year 2017 because USAID did not complete the reconfiguration of its financial management system to account for reimbursable agreements in accordance with Federal GAAP and did not have a complete inventory of reimbursable agreements. As a result, USAID was unable to properly account for reimbursable agreement activities and provide reliable information from Phoenix[4] to the agency's decision makers. For example, USAID is unable to determine how much the agency has earned but not collected.

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

> 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.

In the beginning of fiscal year 2018, USAID activated the project cost accounting system (PCAS), a subsystem of its financial accounting system. According to USAID's management, 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 system has not yet been tested. Therefore, we will not make any recommendation but will monitor the implementation during fiscal year 2018.

USAID Did Not Maintain Adequate Records of Property, Plant, and Equipment (Repeat Finding)

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 did not follow established procedures for the acquisition and disposition of vehicles and other equipment.

[4] USAID's financial system.

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 send supporting documentation to the Overseas Management Division (OMD) of the Bureau for Management's Office of Management Services in Washington, DC.[5] The Office of the Chief Financial Officer (CFO) issues a quarterly data call to the missions for changes to PP&E and requires them to certify their responses. However, the OMD and CFO records we reviewed showed that missions did not comply with these requirements.

Missions made no entries in VMIS for 3 of the 17 vehicles marked as disposed in the fiscal year 2017 quarterly data calls and did not send documentation to OMD. Six of the 17 vehicles reported as disposed of in the data call did not have approved authorization for disposal. Another vehicle was disposed of and entered into VMIS, but was not identified as disposed of in the fiscal year 2017 quarterly data calls. Six other vehicles were identified as disposed of in the quarterly data calls, but personnel from the CFO's office made no change in USAID's subsidiary ledger. One vehicle was incorrectly marked as disposed in VMIS due to a similar plate and vehicle identification number (VIN) of another vehicle. In another case, a mission marked one vehicle as disposed in their quarterly data call when the vehicle was transferred to another mission. The receiving mission reported the vehicle as a new acquisition, which caused an overstatement of assets by $111,918 in the CFO's subsidiary ledger. In the fourth quarter of fiscal year 2017, personnel of the office of the CFO recorded an adjusting journal entry to update its general ledger for equipment that was acquired between 1993 and 2016, but never accounted for. The entry included 55 items with a current net book value of $2,535,893.

Moreover, reviews of data provided from 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. For example:

- One mission disposed of a forklift, but the disposal was not reported in the quarterly data call.
- One mission understated the cost of a new vehicle by $2,333 on a quarterly data call.
- One mission reported a vehicle costing $30,500 twice on the quarterly data call.
- One mission did not report 20 nonexpendable items, such as computer servers and copiers that cost $204,976 and were sold at auction, on the quarterly data call.
- One mission disposed of a generator originally costing $35,122 with no documented disposal authorization.
- The CFO's PP&E subsidiary ledger contained five duplicate vehicle records across four missions overstating the USAID's asset balance by $115,614.

[5] Department of State, "Foreign Affairs Manual," 14FAM437.1b, "Accountability, Use, and Maintenance Records," August 3, 2015.

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. Furthermore, the CFO's office does not reconcile the PP&E subsidiary ledger with VMIS to ensure the accuracy of their records and resolve any differences between the CFO's capital asset records and OMD's equipment records.

"Standards for Internal Control in the Federal Government" states that management should design control activities so that all transactions are completely and accurately recorded.[6] 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 recommend:

Recommendation 3. The Office of the Chief Financial Officer implement a quality assurance program to validate the quarterly information that missions submit, and ensure that there are no differences between vehicle management information system and the Chief Financial Officer's records.

THE AGENCY'S RESPONSE TO AUDIT FINDINGS

The Agency's responses to our findings and recommendations appear in appendix C. 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 /s/
November 15, 2017

[6] U.S. Government Accountability Office (GAO-14-704G), September 2014.

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, 2017 and 2016, 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, 2017.

The management of USAID is responsible for complying with laws, regulations, contracts, and grant agreements applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of USAID's 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 17-03, 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" and OMB Bulletin 17-03. Our objective was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements; accordingly, we do not express such an opinion.

COMPLIANCE WITH THE 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), Public Law 104-208, Title VIII (31 U.S.C. 3512 note), 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.

In the beginning of fiscal year 2018, the CFO's office, which is responsible for the noncompliance, activated 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 collected, expended, and available, and USAID will be able to recognize revenue and receivables based on the collections and expenditures under the agreements.

In our report on internal control, we identified the following areas for improvement in several financial system processes:

- 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.

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 report is not suitable for any other purpose.

USAID Office of Inspector General /s/
November 15, 2017

APPENDIX A. EVALUATION OF MANAGEMENT COMMENTS

We received USAID's management comments on the findings and recommendations included in our draft report. The report included three recommendations. We consider all of them resolved but open pending completion of planned activities for the reasons below. 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 the Office of the Chief Financial Officer will document the nature of the differences between the Agency's Fund Balance With Treasury Account and Treasury fund balance to assess the root cause and modify its business processes to prevent future occurrences. We acknowledge USAID's management decision on this recommendation and will review the agency's progress implementing it during our fiscal year 2018 Government Management Reform Act (GMRA) audit.

Management accepted recommendation 2 and stated that the Office of the Chief Financial Officer will update its policies and procedures to require the documentation of discrepancies between the general ledger (GL) and subsidiary ledger (SL) to assess the root cause and modify its business processes to mitigate future occurrences. We acknowledge USAID's management decision on this recommendation and will review the agency's progress implementing it during our fiscal year 2018 GMRA audit.

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Management acknowledged this finding and stated the Office of the Chief Financial Officer (M/CFO) will continue to reconcile the differences with our trading partners on a monthly basis and will also continue to review intragovernmental payment and collections (IPAC) on a regular basis to ensure transactions are coded correctly. M/CFO will also continue to monitor buy/sell transactions. Although OIG did not make a recommendation for this finding, we will continue to monitor the agency's progress resolving differences with its trading partners.

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

Management acknowledged this finding and stated that during fiscal year 2017, the Office of the Chief Financial Officer worked with stakeholders to develop new reimbursable agreement processes and to configure and implement the project cost accounting system (PCAS) module in the Agency's accounting system (Phoenix). Beginning in fiscal year 2018, the Agency will use PCAS to track new reimbursable agreements. The greater detail and flexibility of this module will allow USAID to monitor and report on the status of new agreements, including amounts available, collected, and expended, as well as to recognize revenue and receivables based on the status of the agreements. The successful implementation of PCAS will allow the Agency to be FFMIA and Federal Accounting Standards Advisory Board (FASAB) compliant when tracking reimbursable agreements at the transactional level. For those agreements established prior to PCAS implementation, current processes will be used until those agreements are closed or completed.

Although OIG did not make a recommendation for this finding, we will continue to monitor the agency's progress in accounting for reimbursable agreements in accordance with established Federal standards.

Significant Deficiency: USAID Did Not Maintain Adequate Records of Property, Plant, and Equipment (Repeat Finding)

Management accepted recommendation 3 and stated that during fiscal year 2017, management implemented a corrective action plan that included a signed memorandum of understanding (MOU) between both management/management services (M/MS) and M/CFO to enhance the property, plant and equipment (PPE) quality assurance framework. M/MS and M/CFO said it conducted quarterly meetings to coordinate efforts on upcoming PPE quarterly data calls and subsequently disseminated updated guidance on reporting of PPE and capital assets. We acknowledge USAID's management decision on this recommendation and will review the Agency's progress maintaining adequate records to support the property, plant, and equipment account.

APPENDIX B. SCOPE AND METHODOLOGY

USAID's management is responsible for (1) preparing the financial statements in accordance with U.S. 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 and reporting 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, advances, accrued expenditures, disbursements, payroll, accounts receivable, direct loans and 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(a)(1)(A),(B) and (C) and 1517(a)
- Improper Payments Elimination and Recovery Act, Public Law 112-248, sections 5 (a)(1) and (b)(4)
- Prompt Payment Act, Public Law 97-177 (codified at 31 U.S.C. 3901(a)(4)(A); 3903(a)(1)(A) and (B), 3902 (a),(b), and (f); and 3904)
- 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, Public Law 104-208
- Pay and Allowance System for Civilian Employees

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, 2017 and 2016. 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.

We conducted our work from February 2017 through November 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

We assessed whether USAID was substantially compliant with section 803(a) of the FFMIA, 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.

APPENDIX C. MANAGEMENT COMMENTS

Chief Financial Officer

November 15, 2017

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 2017 and 2016 (0-000-18-004-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2017 and 2016* and for the professionalism exhibited by your staff throughout this process.

Fiscal Year (FY) 2017 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: The Office of the Chief Financial Officer continue to investigate the $83 million differences between the Agency's Fund Balance With Treasury Account and Treasury fund balance to identify the root cause and, if appropriate, modify its business processes to mitigate future occurrences.

Management Decision: Management accepts this recommendation. The Office of the Chief Financial Officer will document the nature of the differences between the Agency's Fund Balance with Treasury Account and Treasury fund balance to assess the root cause and modify its business processes to prevent future occurrences.

Target Completion Date: December 31, 2017

Recommendation 2: We recommend that the Office of the Chief Financial Officer enhances its policies and procedures to ensure the subsidiary and general ledgers are completely reconciled and the causes of the differences are corrected.

Management Decision: Management accepts this recommendation. The Office of the Chief Financial Officer will update its policies and procedures to require the documentation of General Ledger (GL) to Subsidiary Ledger (SL) discrepancies to assess the root cause and modify its business processes to mitigate future occurrences.

Target Completion Date: December 31, 2017

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Management acknowledges this finding. To further address the Intragovernmental reconciliation issue, the Office of the Chief Financial Officer will continue to reconcile the differences with our trading partners on a monthly basis. We will also continue to review Intragovernmental Payment and Collections (IPAC) on a regular basis to ensure transactions are coded correctly, as well as monitor buy/sell transactions.

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

Management acknowledges this finding. During FY 2017, the Office of the Chief Financial Officer worked with stakeholders to develop new reimbursable agreement processes and to configure and implement the Project Cost Accounting System (PCAS) module in the Agency's accounting system (Phoenix). Going forward, beginning in FY 2018, the Agency uses PCAS to track new reimbursable agreements. The greater detail and flexibility of this module allows USAID to monitor and report on the status of new agreements, including amounts available, collected, and expended, as well as to recognize revenue and receivables based upon the status of the agreements. The successful implementation of PCAS will allow the Agency to be FFMIA and FASAB compliant with regards to tracking our reimbursable agreements at the transactional level. For those agreements established prior to PCAS implementation, current processes will be used until those agreements are closed.

Target Completion Date: December 31, 2017

Significant Deficiency: USAID Did Not Maintain Adequate Records of Property, Plant and Equipment (Repeat Finding)

Recommendation 3: We recommend that the Office of the Chief Financial Officer implement a quality assurance program to validate the quarterly information that missions submit, and ensure that there are no differences between VMIS and the CFO's records.

Management Decision: Management acknowledges this finding. During FY 2017, management implemented a corrective action plan which consisted of a signed Memorandum of Understanding (MOU) between both Management/Management Services (M/MS) and M/CFO. This MOU enhanced the Property, Plant and Equipment (PPE) quality assurance framework. M/MS and M/CFO conducted quarterly meetings to coordinate efforts on upcoming PPE quarterly data calls subsequently disseminating updated guidance on reporting of PPE and capital assets. We will continue with these quarterly meetings and update guidance as necessary to ensure the accuracy of PP&E records.

Target Completion Date: March 31, 2018

APPENDIX D. 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 2016 FINDINGS AND RECOMMENDATIONS

Recommendation1. 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.

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

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.

Status: This recommendation was closed on September 29, 2017.

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.

Status: This recommendation was closed on August 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.

Status: This recommendation was closed on August 30, 2017.

STATUS OF 2014 FINDINGS AND RECOMMENDATIONS

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, 2017.

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 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, 2017.

STATUS OF 2004 FINDINGS AND RECOMMENDATIONS

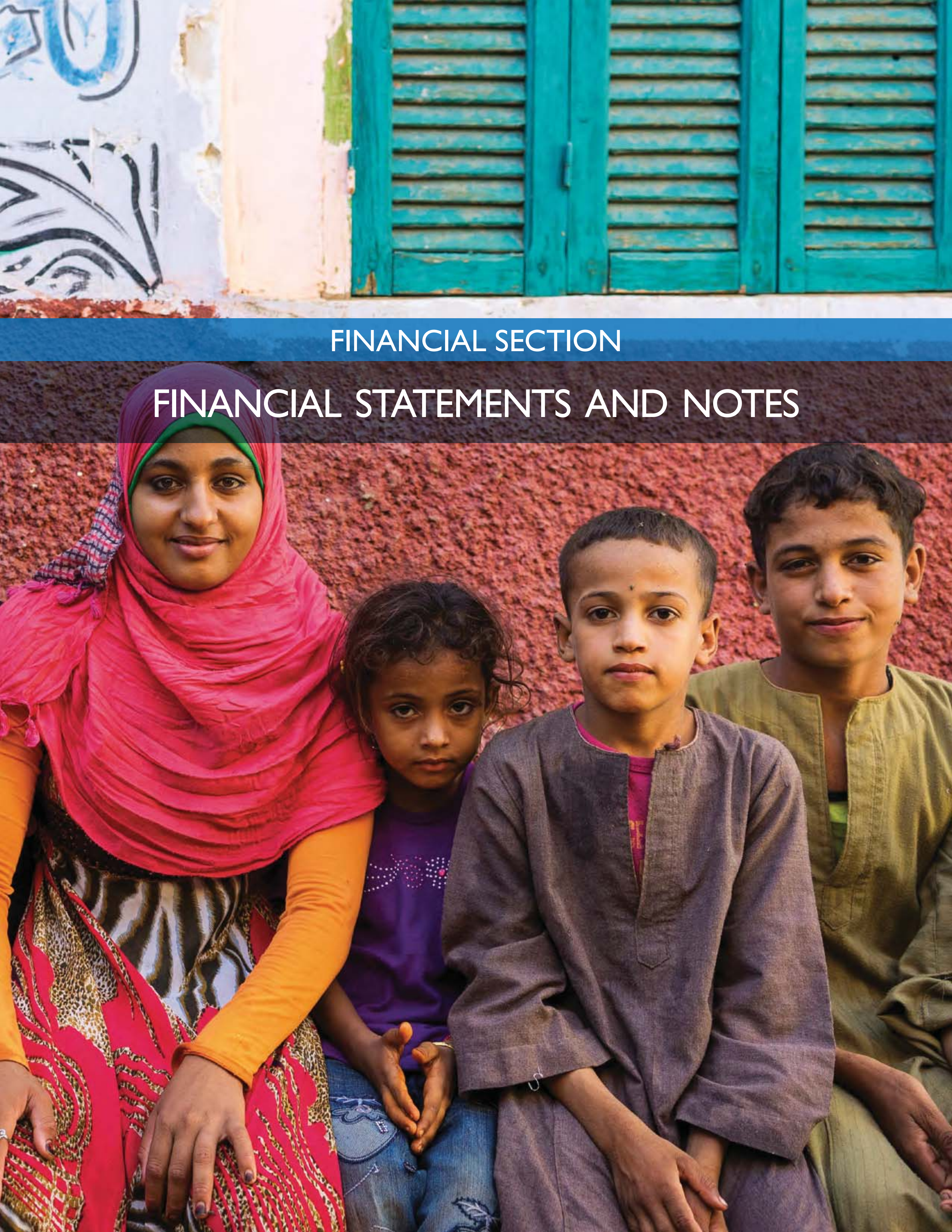
In the fiscal year 2004 audit report, OIG recommended that USAID's Chief Financial Officer direct the Financial Management Office to conduct quarterly intragovernmental reconciliations of activity and balances with its trading partners in accordance with the requirements of the "Federal Intragovernmental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

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

APPENDIX E. FINANCIAL STATEMENTS

FINANCIAL SECTION

FINANCIAL STATEMENTS AND NOTES



(Preceding page) **Doaa Mohamed Bakr, left, launched a duck farming business after winning a USAID-sponsored competition at her high school in Egypt. USAID encourages entrepreneurship to boost economic growth and youth employment. Meet Doaa at *stories.usaid.gov.***

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

(Above) **Sisters Najlae and Rajae Lakchar trained to be auto mechanics in Morocco as part of a USAID-backed internship. Meet them at *stories.usaid.gov.***

PHOTO: BOBBY NEPTUNE FOR USAID

INTRODUCTION TO PRINCIPAL FINANCIAL STATEMENTS

The **Principal Financial Statements** have been prepared to report the financial position and results of USAID's operations. The statements have been prepared from the books and records of the Agency in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*. The statements are produced in addition to other financial reports prepared by the Agency, in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. Subject to Appropriation Law, the Agency has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of a corresponding appropriation. The principal financial statements include comparative data for FY 2016 has been included. USAID's principal financial statements, footnotes, and other information for FY 2017 and FY 2016 consist of the following:

The **Consolidated Balance Sheet** presents those resources owned or managed by USAID that are available to provide current and future economic benefits (assets); amounts owed by USAID that will require payments from those resources or future resources (liabilities); and residual amounts retained by USAID, comprising the difference between future economic benefits and future payments (net position).

The **Consolidated Statement of Net Cost** presents the net cost of USAID operations, which are comprised of the gross costs incurred by USAID less any exchange revenue earned from USAID activities. Due to the geographic and organizational complexity of USAID's operations, the classification of gross cost and exchange revenues by major program and sub-organization is presented in Note 16, *Schedule of Costs by Standardized Program Structure and Definition (SPSD)*.

The **Consolidated Statement of Changes in Net Position** presents the change in USAID's net position resulting from the net cost of USAID operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2017 and 2016. The components are separately displayed in two sections, namely Cumulative Results of Operations and Unexpended Appropriations.

The **Combined Statement of Budgetary Resources**, which presents the spending authority or budgetary resources available to USAID, the use or status of these resources at year-end, the change in obligated balance, and outlays of budgetary resources for the years ended September 30, 2017 and 2016. Information in this statement is reported on the budgetary basis of accounting.

The **Notes to Principal Financial Statements** are an integral part of the financial statements. They provide explanatory information or additional detail to help readers understand, interpret, and use the data presented. Comparative FY 2016 note data has been included.

HISTORY OF USAID'S FINANCIAL STATEMENTS

In accordance with the Government Management Reform Act (GMRA) of 1994, USAID has prepared consolidated fiscal year-end financial statements since FY 1996. The USAID Office of Inspector General (OIG) is required to audit these statements, related internal controls, and Agency compliance with applicable laws and regulations. From FY 1996 through FY 2000, the OIG was unable to express an opinion on USAID's financial statements because the Agency's financial management systems could not produce complete, reliable, timely, and consistent financial information.

In FY 2001, the OIG was able to express qualified opinions on three of the then five principal financial statements of the Agency, while continuing to issue a disclaimer of opinion on the remaining two statements. In FY 2002, the OIG expressed unqualified opinions on four of the then five principal financial statements and a qualified opinion on the fifth. This marked the first time since enactment of the GMRA that USAID received an opinion on all of its financial statements. The Agency continued to receive unqualified opinions on its principal financial statements until FY 2012, when an accounting error resulted in the first qualified opinion in nine years. USAID successfully executed corrective measures and regained an unmodified audit opinion on both the FY 2013 and FY 2012 principal financial statements. The OIG did not express an opinion on the FY 2014 financial statements, but rendered an unmodified opinion on the comparative FY 2015 and FY 2014 (Restated) principal financial statements. USAID received an unmodified opinion on the FY 2016 financial statements. The OIG rendered an unmodified opinion on the FY 2017 principal financial statements. The Agency remains committed to employing the systems, resources, and strategies necessary to ensure production of timely and accurate financial reports.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2017 and 2016

(In Thousands)

	2017	2016
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 34,226,053	$ 32,637,640
Accounts Receivable (Note 3)	118	111
Other Assets (Note 4)	84,179	26,242
Total Intragovernmental	34,310,350	32,663,993
Cash and Other Monetary Assets (Note 5)	204,959	332,673
Accounts Receivable, Net (Note 3)	40,619	57,454
Direct Loans and Loan Guarantees, Net (Note 6)	1,266,621	1,622,046
Inventory and Related Property, Net (Note 7)	25,171	47,770
General Property, Plant, and Equipment, Net (Note 8)	87,864	74,334
Other Assets (Note 4)	645,255	666,844
Total Assets	**$ 36,580,839**	**$ 35,465,114**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Note 10)	$ 70,557	$ 33,018
Debt (Note 11)	36,704	412,920
Liability for Capital Transfers to the General Fund of the Treasury (Notes 10 and 11)	1,465,210	1,636,238
Other Liabilities (Notes 10, 12 and 13)	761,377	1,056,347
Total Intragovernmental	2,333,848	3,138,523
Accounts Payable (Note 10)	1,841,552	1,670,342
Loan Guarantee Liability (Notes 6 and 10)	3,620,039	3,145,753
Federal Employee and Veteran's Benefits (Note 13)	26,938	22,543
Other Liabilities (Notes 10, 12 and 13)	426,739	545,918
Total Liabilities	**8,249,116**	**8,523,079**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations	28,126,624	26,603,696
Cumulative Results of Operations	205,099	338,339
Total Net Position	**28,331,723**	**26,942,035**
Total Liabilities and Net Position	**$ 36,580,839**	**$ 35,465,114**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2017 and 2016

(In Thousands)

Categories	2017	2016
DR–Democracy, Human Rights and Governance		
Gross Costs	$ 1,355,379	$ 1,356,389
Less: Earned Revenue	(10,010)	(152,747)
Net Program Costs	1,345,369	1,203,642
EG–Economic Growth		
Gross Costs	4,471,125	4,604,585
Less: Earned Revenue	(689,352)	(490,683)
Net Program Costs	3,781,773	4,113,902
ES–Education and Social Services		
Gross Costs	1,335,348	1,480,129
Less: Earned Revenue	(7,474)	(9,838)
Net Program Costs	1,327,874	1,470,291
HA–Humanitarian Assistance		
Gross Costs	3,023,343	2,452,244
Less: Earned Revenue	(19,961)	(8,787)
Net Program Costs	3,003,382	2,443,457
HL–Health		
Gross Costs	1,989,992	1,820,443
Less: Earned Revenue	(46,859)	(16,290)
Net Program Costs	1,943,133	1,804,153
PO–Program Development and Oversight		
Gross Costs	1,059,728	903,801
Less: Earned Revenue	(8,508)	(78,924)
Net Program Costs	1,051,220	824,877
PS–Peace and Security		
Gross Costs	608,474	633,205
Less: Earned Revenue	(2,729)	(2,994)
Net Program Costs	605,745	630,211
Net Cost of Operations (Notes 15 and 16)	**$ 13,058,496**	**$ 12,490,533**

The accompanying notes are an integral part of these statements.

Note: In FY 2017, USAID implemented the new Department of State's (State) Office of U.S. Foreign Assistance Resources (F) Standardized Program Structure and Definition (SPSD).

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2017 and 2016

(In Thousands)

	2017	2016
Cumulative Results of Operations:		
Beginning Balance	$ 338,339	$ 556,991
Adjustments – Correction of Errors	–	–
Beginning Balance, as Adjusted	338,339	556,991
Budgetary Financing Sources:		
Appropriations Used	13,106,908	12,243,944
Nonexchange Revenue	19	(114)
Donations and Forfeitures of Cash and Cash Equivalents	38,583	98,169
Transfers-in/out Without Reimbursement	76	–
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	18,470	32,143
Transfers-in/out Without Reimbursement	–	(14)
Imputed Financing	31,361	35,020
Other	(270,161)	(137,267)
Total Financing Sources	12,925,256	12,271,881
Net Cost of Operations (Notes 15 and 16)	(13,058,496)	(12,490,533)
Net Change	(133,240)	(218,652)
Cumulative Results of Operations	205,099	338,339
Unexpended Appropriations:		
Beginning Balance	26,603,696	26,339,211
Adjustments – Correction of Errors	–	–
Beginning Balance, as Adjusted	26,603,696	26,339,211
Budgetary Financing Sources:		
Appropriations Received	15,041,056	12,536,874
Appropriations Transferred in/out	(305,647)	66,982
Other Adjustments	(105,573)	(95,427)
Appropriations Used	(13,106,908)	(12,243,944)
Total Budgetary Financing Sources	1,522,928	264,485
Total Unexpended Appropriations	28,126,624	26,603,696
Net Position	**$ 28,331,723**	**$ 26,942,035**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2017 and 2016

(In Thousands)

	2017		2016	
	Budgetary	**Non-Budgetary Credit Reform Financing Accounts**	**Budgetary**	**Non-Budgetary Credit Reform Financing Accounts**
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 10,099,474	$ 3,297,152	$ 9,752,931	$ 3,074,660
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(3,045)	–	(2,076)	–
Unobligated Balance Brought Forward, October 1, as Adjusted	10,096,429	3,297,152	9,750,855	3,074,660
Recoveries of Unpaid Prior Year Obligations	655,848	17,596	720,899	140
Other Changes in Unobligated Balance (+ or -)	(113,921)	(376,216)	(178,342)	(71,262)
Unobligated Balance from Prior Year Budget Authority, Net	10,638,356	2,938,532	10,293,412	3,003,538
Appropriations (Discretionary and Mandatory)	14,792,117	(29)	12,235,537	(29)
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	2,899
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	386,852	707,247	1,130,523	564,962
Total Budgetary Resources	**$ 25,817,325**	**$ 3,645,750**	**$ 23,659,472**	**$ 3,571,370**
Status of Budgetary Resources:				
Obligations Incurred (Note 17)	$ 14,837,837	$ 157,153	$ 13,563,043	$ 274,218
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts (Note 2)	10,466,436	315,025	9,127,119	253,826
Exempt from Apportionment, Unexpired Accounts (Note 2)	(4)	–	(4)	–
Unapportioned, Unexpired Accounts (Note 2)	513,057	3,173,572	969,314	3,043,326
Unexpired Unobligated Balance, End of Year	10,979,488	3,488,597	10,096,429	3,297,152
Expired Unobligated Balance, End of Year	–	–	–	–
Unobligated Balance, End of Year (Total)	10,979,488	3,488,597	10,096,429	3,297,152
Total Budgetary Resources	**$ 25,817,325**	**$ 3,645,750**	**$ 23,659,472**	**$ 3,571,370**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*
For the Years Ended September 30, 2017 and 2016
(In Thousands)

	2017		2016	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 19,227,188	$ 17,822	$ 20,034,409	$ 4,317
Adjustment to Unpaid Obligations, Start of Year (+ or -)	–	–	–	–
Obligations Incurred	14,837,837	157,153	13,563,043	274,218
Outlays (Gross) (-)	(13,582,713)	(156,190)	(13,649,365)	(260,573)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–
Recoveries of Prior Year Unpaid Obligations (-)	(655,847)	(17,596)	(720,899)	(140)
Unpaid Obligations, End of Year	$ 19,826,465	$ 1,189	19,227,188	17,822
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1 (-)	(17,428)	(1)	(502,070)	17
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	–	–	–	–
Change in Uncollected Payments, Federal Sources (+ or -)	(4,566)	–	484,642	(18)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or -)	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(21,994)	(1)	(17,428)	(1)
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	$ 15,178,968	$ 707,218	$ 13,366,060	$ 567,832
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(654,654)	(707,247)	(1,472,773)	(564,945)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	(4,566)	–	484,642	(18)
Recoveries of Prior Year Paid Obligations (Discretionary and Mandatory) (+ or -)	(30,433)	–	(1,426)	–
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–
Budget Authority, Net (Total) (Discretionary and Mandatory)	$ 14,489,315	$ (29)	$ 12,376,503	$ 2,869
Outlays, Gross (Discretionary and Mandatory)	$ 13,582,713	$ 156,190	$ 13,649,365	$ 260,573
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(654,654)	(707,247)	(1,472,773)	(564,945)
Outlays, Net (Total) (Discretionary and Mandatory)	12,928,059	(551,057)	12,176,592	(304,372)
Distributed Offsetting Receipts (-)	(240,024)	–	(795,234)	–
Agency Outlays, Net (Discretionary and Mandatory)	**$ 12,688,035**	**$ (551,057)**	**$ 11,381,358**	**$ (304,372)**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. 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 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 of 1961, 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 by 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 $10.5 billion in notes issued. 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. In January 2017, Iraq under a guarantee (the "Guarantee") issued pursuant to (i) Section 7034(o)(1) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016 (Div. K, Pub. L. No. 114-113); (ii) Section 205(a) of the Further Continuing and Security Assistance Appropriations Act, 2017 (Pub. L. No. 114-254); and (iii) the regulations of USAID codified at 22 C.F.R. 241 (2017) (the "Guarantee Terms and Conditions"), was added to the MENA Loan Guarantee Program. Under this program, the U.S. Government guarantees total repayment of $6.24 billion in notes issued to date.

- *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 Pub. L. No. 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 to date. 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. As a sovereign entity, the Federal Government can abrogate the payment of all liabilities other than for contracts.

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 category 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 categories.

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2017 and 2016 consisted of the following *(in thousands)*:

Fund Balance	2017	2016
Trust Funds	$ 217,205	$ 253,271
Revolving Funds	3,543,126	3,370,319
General Funds	30,465,722	28,847,233
Other Funds	–	166,817
Total	$ 34,226,053	$ 32,637,640

Status of Fund Balance with Treasury	2017	2016
Unobligated Balance		
Available	$ 10,781,461	$ 9,380,941
Unavailable	3,686,625	4,012,640
Obligated and Other Balances Not Yet Disbursed (Net)	19,757,967	19,244,059
Total	$ 34,226,053	$ 32,637,640

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, 2017, the Agency's records reflect a historical difference of approximately $131.5 million in its Fund Balance with Treasury (FBWT), which could not be explained by normal timing reconciling items. USAID management has developed a plan to coordinate with Treasury and OMB to resolve the difference, and anticipates to finalize the process by December 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, 2017 and 2016 are as follows *(in thousands)*:

	Receivable Gross	Allowance Accounts	Receivable Net 2017	Receivable Net 2016
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ –	N/A	$ –	$ –
Accounts Receivable from Federal Agencies	619,878	N/A	619,878	370,864
Less: Intra-Agency Receivables	(619,760)	N/A	(619,760)	(370,753)
Total Intragovernmental Accounts Receivable	118	N/A	118	111
Accounts Receivable from the Public	44,791	(4,172)	40,619	57,454
Total Receivables	$ 44,909	$ (4,172)	$ 40,737	$ 57,565

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, 2017 and 2016 consisted of Advances, as follows *(in thousands)*:

	2017	2016
Intragovernmental		
Advances to Federal Agencies	$ 84,179	$ 26,242
Total Intragovernmental	84,179	26,242
With the Public		
Advances to Contractors/Grantees	395,823	421,942
Advances to Host Country Governments and Institutions	378,450	276,641
Advances, Other	(129,018)	(31,739)
Total with the Public	645,255	666,844
Total Other Assets	$ 729,434	$ 693,086

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 negative 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, 2017 and 2016 are as follows *(in thousands)*:

	2017	2016
Other Cash	$ (623)	$ (593)
Foreign Currencies	205,582	333,266
Total Cash and Other Monetary Assets	$ 204,959	$ 332,673

Foreign Currencies are related to Foreign Currency Trust Funds which totaled $205 million in FY 2017 and $333 million in FY 2016, as disclosed in Note 12. USAID does not have any non-entity cash or other monetary assets. The negative amounts 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
- Development Credit Authority Program (DCA)
- Middle East North Africa (MENA) Loan Guarantee Program (Tunisia, Jordan, and Iraq 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 the Office of Management and Budget (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, 2017 and 2016 are as follows *(in thousands)*:

	2017	2016
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 1,099,625	$ 1,402,239
Net Direct Loans Obligated After 1991 (Present Value Method)	(23,717)	28,624
Defaulted Guaranteed Loans from Pre-1992 (Allowance for Loss Method)	84,429	94,460
Defaulted Guaranteed Loans After 1991 (Present Value)	106,284	96,723
Total Loans Receivable, Net as reported on the Balance Sheet	$ 1,266,621	$ 1,622,046

DIRECT LOANS

Direct Loan amounts for loans obligated prior to 1992 and after 1991 as of September 30, 2017 and 2016 are as follows *(in thousands)*:

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2017:				
Direct Loans	$ 1,305,079	$ 339,219	$ (544,673)	$ 1,099,625
MSED	29	5	(34)	–
Total	$ 1,305,108	$ 339,224	$ (544,707)	$ 1,099,625
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2016:				
Direct Loans	$ 1,573,227	$ 323,148	$ (494,136)	$ 1,402,239
MSED	29	5	(34)	–
Total	$ 1,573,256	$ 323,153	$ (494,170)	$ 1,402,239

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991 as of September 30, 2017:				
Direct Loans	$ 744,512	$ 8,808	$ (777,037)	$ (23,717)
Total	$ 744,512	$ 8,808	$ (777,037)	$ (23,717)
Direct Loans Obligated After 1991 as of September 30, 2016:				
Direct Loans	$ 763,462	$ 7,050	$ (741,888)	$ 28,624
Total	$ 763,462	$ 7,050	$ (741,888)	$ 28,624

Total Amount of Direct Loans Disbursed as of September 30, 2017 and 2016 are as follows *(in thousands)*:

Direct Loan Programs	2017	2016
Direct Loans	$ 2,049,591	$ 2,336,689
MSED	29	29
Total	$ 2,049,620	$ 2,336,718

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) as of September 30, 2017 and 2016 are as follows *(in thousands)*:

	2017				2016			
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance of the Subsidy Cost Allowance	$ 741,888	$ 6	$ –	$ 741,894	$ 691,243	$ (1,895)	$ –	$ 689,348
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	20,797	–	–	20,797	21,051	–	–	21,051
(F) Other	14,352	(1,902)	–	12,450	31,061	1,901	–	32,962
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 777,037	$ (1,896)	$ –	$775,141	$ 741,888	$ 6	$ –	$ 52,546
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	$ 777,037	$ (1,896)	$ –	$775,141	$ 741,888	$ 6	$ –	$ 52,546

DEFAULTED GUARANTEED LOANS FROM PRE-1992 GUARANTEES

Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method) as of September 30, 2017 and 2016 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
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2017				
UE	$ 122,263	$ 7,164	$ (44,998)	$ 84,429
Total	$ 122,263	$ 7,164	$ (44,998)	$ 84,429
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2016				
UE	$ 131,457	$ 8,292	$ (45,289)	$ 94,460
Total	$ 131,457	$ 8,292	$ (45,289)	$ 94,460

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

Defaulted Guaranteed Loans from post-1991 as of September 30, 2017 and 2016 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
Defaulted Guaranteed Loans from Post-1991 Guarantees (2017):				
DCA	$ (259)	$ –	$ (6)	$ (265)
UE - Subrogated Claims	65,898	38,749	1,902	106,549
Total	$ 65,639	$ 38,749	$ $1,896	$ 106,284
Defaulted Guaranteed Loans from Post-1991 Guarantees (2016):				
DCA	$ (236)	$ –	$ (6)	$ (242)
UE - Subrogated Claims	62,933	34,032	–	96,965
Total	$ 62,697	$ 34,032	$ (6)	$ 96,723

GUARANTEED LOANS OUTSTANDING

Guaranteed Loans Outstanding as of September 30, 2017 and 2016 are as follows *(in thousands)*:

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2017):		
DCA	$ 1,588,962	$ 794,481
Israel	8,688,758	8,688,758
UE	405,318	405,318
Ukraine	3,000,000	3,000,000
MENA	6,235,000	6,235,000
Total	$ 19,918,038	$ 19,123,557
Guaranteed Loans Outstanding (2016):		
DCA	$ 1,509,797	$ 754,899
Israel	9,098,880	9,098,880
UE	478,103	478,103
Ukraine	3,000,000	3,000,000
MENA	5,235,000	5,235,000
Total	$ 19,321,780	$ 18,566,882
New Guaranteed Loans Disbursed (2017):		
DCA	$ –	$ –
Ukraine	–	–
MENA	1,000,000	1,000,000
Total	$ 1,000,000	$ 1,000,000
New Guaranteed Loans Disbursed (2016):		
DCA	$ 85,937	$ 42,968
Ukraine	1,000,000	1,000,000
MENA	500,000	500,000
Total	$ 1,585,937	$ 1,542,968

Liability for Loan Guarantees as of September 30, 2017 and 2016 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
Liability for Loan Guarantees (Estimated Future Default Claims for Pre and Post 1992 Guarantees) as of September 30, 2017:			
UE	$ 176	$ 156,953	$ 157,129
MSED	–	1	1
Israel	–	1,173,872	1,173,872
DCA	–	81,357	81,357
Ukraine	–	1,121,642	1,121,642
MENA	–	1,086,038	1,086,038
Total	$ 176	$ 3,619,863	$ 3,620,039
Liability for Loan Guarantees (Estimated Future Default Claims for Pre and Post 1992 Guarantees) as of September 30, 2016:			
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
MENA	–	552,553	552,553
Total	$ 176	$ 3,145,577	$ 3,145,753

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Subsidy Expense for Loan Guarantees by Program and Component as of September 30, 2017 and 2016 are as follows *(in thousands)*:

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2017):					
DCA	$ –	$ 15,268	$ (3,198)	$ –	$ 12,070
Ukraine	–	–	–	–	–
MENA	–	255,312	–	–	255,312
Total	$ –	$ 270,580	$ (3,198)	$ –	$ 267,382
Subsidy Expense for New Loan Guarantees (2016):					
DCA	$ –	$ 10,199	$ –	$ –	$ 10,199
Ukraine	–	289,959	–	–	289,959
MENA	–	28,354	–	–	28,354
Total	$ –	$ 328,512	$ –	$ –	$ 328,512

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Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2017):				
UE	$ –	$ –	$ –	$ –
Israel	–	–	–	–
DCA	–	506	6,331	6,837
Ukraine	–	2,176	40,000	42,176
MENA	–	24,295	276,434	300,729
Total	$ –	$ 26,977	$ 322,765	$ 349,742
Modifications and Reestimates (2016):				
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

Total Loan Guarantee Subsidy Expense as of September 30, 2017 and 2016 are as follows *(in thousands)*:

Loan Guarantee Programs	2017	2016
UE	$ –	$ 9,167
Israel	–	–
DCA	18,907	15,378
Ukraine	42,176	440,998
MENA	556,041	96,455
Total	$ 617,124	$ 561,998

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	–	6.66%	-1.71%	–	4.95%
Ukraine	–	0.00%	0.00%	–	0.00%
MENA (Iraq Only)	–	25.53%	0.00%	–	25.53%

Schedule for Reconciling Loan Guarantee Liability Balances as of September 30, 2017 and 2016 are as follows *(in thousands)*:

2017: 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	$ 91,175	$ 1	$ 150,444	$ 1,210,343	$ –	$1,141,061	$ 552,553	$ 3,145,577
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	3,444	–	1,908	–	–	–	–	5,352
(C) Interest Supplements Paid	–	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(12,569)	–	(9,864)	–	–	–	–	(22,433)
(F) Interest Accumulation on the Liability Balance	3,085	–	2,962	82,454	–	24,956	17,384	130,841
(G) Other	(17,314)	–	7,276	–	–	1	255,312	245,275
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 67,821	$ 1	$ 152,726	$ 1,292,797	$ –	$1,166,018	$ 825,249	$ 3,504,612
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	13,536	–	4,227	(118,925)	–	(44,376)	260,789	115,251
Total of the Above Reestimate Components	13,536	–	4,227	(118,925)	–	(44,376)	260,789	115,251
Ending Balance of the Loan Guarantee Liability	$ 81,357	$ 1	$ 156,953	$ 1,173,872	$ –	$1,121,642	$ 1,086,038	$ 3,619,863

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

Administrative Expense as of September 30, 2017 and 2016 are as follows *(in thousands)*:

Loan Guarantee Programs	2017	2016
DCA	$ 28,498	$ 26,499
Total	$ 28,498	$ 26,499

Administrative expense of $7.7 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, that is more than six months delinquent. Five countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $496.8 million that is more than one year delinquent.

2. Reestimate amounts are subject to approval by the Office of Management and Budget (OMB), and any adjustments, if necessary, will be made in FY 2018.

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 $8.7 billion, Ukraine Loan $3 billion and MENA (Tunisia, Jordan, and Iraq) $6.2 billion. The Israel program 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 $585.9 million in debt of some loans on October 23, 2014. 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. As of September 30, 2017, $19.2 billion in loan guarantees remain outstanding.

5. The MENA loan guarantee program is updated to include the new Iraq Sovereign loan guarantee. 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, 2017 and 2016 are as follows *(in thousands)*:

	2017	2016
Items Held for Use		
Office Supplies	$ 2,364	$ 3,634
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	6,666	12,896
Birth Control Supplies	16,141	31,239
Total Inventory and Related Property	$ 25,171	$ 47,770

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, 2017 and 2016 are as follows *(in thousands)*:

	Useful Life	Cost	Accumulated Depreciation/ Amortization	Net Book Value 2017	Net Book Value 2016
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 59,757	$ (47,300)	$ 12,457	$ 10,773
Buildings, Improvements, and Renovations	5 to 20 years	115,133	(53,258)	61,875	47,547
Land and Land Rights	N/A	7,203	N/A	7,203	7,203
Construction in Progress	N/A	5	–	5	3
Internal Use Software	3 to 5 years	124,625	(118,301)	6,324	8,808
Total PP&E		$ 306,723	$ (218,859)	$ 87,864	$ 74,334

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.

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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

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.

As of September 30, 2017 Leases consisted of the following *(in thousands)*:

Operating Leases:

Future Payments Due: Fiscal Year	2017 Future Costs
2018	$ 117,662
2019	102,919
2020	93,635
2021	24,208
2022	14,137
2023 and Beyond	6,413
Total Future Lease Payments	$ 358,974

Future operating lease payments total $359 million in future lease payments, of which $213 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, 2017 and 2016 Liabilities Covered and Not Covered by Budgetary Resources were as follows *(in thousands)*:

	2017	2016
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	$ 70,557	$ 33,018
Debt (Note 11)	36,704	412,920
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	1,465,210	1,636,238
Other Liabilities (Note 12)	745,258	1,055,916
IPAC Suspense (Note 12)	5,896	(9,563)
Total Intragovernmental	2,323,625	3,128,529
Accounts Payable	1,841,552	1,670,342
Total Accounts Payable with Public	1,841,552	1,670,342
Loan Guarantee Liability (Note 6)	3,619,863	3,145,577
Other Liabilities with Public	371,200	485,191
Total Liabilities Covered by Budgetary Resources	$ 8,156,240	$ 8,429,639
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
Unfunded FECA Liability (Note 13)	$ 8,205	$ 8,214
Other Unfunded Employment Related Liability	296	58
Other Liabilities (Note 12)	1,722	1,722
Total Intragovernmental (Note 12)	$ 10,223	$ 9,994
Accrued Annual Leave	55,539	60,727
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	55,539	60,727
Future Workers' Compensation Benefits (Note 13)	26,938	22,543
Debt – Contingent Liabilities for Loan Guarantees (Note 6)	176	176
Total Liabilities Not Covered by Budgetary Resources	92,876	93,440
Total Liabilities	$ 8,249,116	$ 8,523,079

NOTE 11. INTRAGOVERNMENTAL DEBT

USAID Intragovernmental Debt as of September 30, 2017 and 2016 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt *(in thousands)*:

Debt Due to Treasury	2016 Beginning Balance	Net Borrowing	2016 Ending Balance	Net Borrowing	2017 Ending Balance
Direct Loans	$ 478,291	$ (68,466)	$ 409,825	$(373,749)	$ 36,076
DCA	2,992	103	3,095	(2,467)	628
Total Treasury Debt	$ 481,283	$ (68,363)	$ 412,920	$(376,216)	$ 36,704

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. There were debt repayments of $373.7 million and $2.5 million for direct loans financing account and Development Credit Authority (DCA) program respectively, during the year.

In FY 2017, no interest was accrued for 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 $1.195 billion, which under the Act is required to be recorded as Liability for Capital Transfers to the General Fund of the Treasury and $270 million represents other Liabilities for General Fund Receipt Accounts. All debt shown is intragovernmental debt.

NOTE 12. OTHER LIABILITIES

As of September 30, 2017 and 2016 Other Liabilities consisted of the following *(in thousands)*:

	2017	2016
Intragovernmental		
IPAC Suspense	$ 5,896	$ (9,563)
Unfunded FECA Liability (Note 13)	8,205	8,214
Custodial Liability	4,570	4,665
Employer Contributions & Payroll Taxes Payable	5,083	4,988
Other Unfunded Employment Related Liability	296	58
Liability for Advances and Prepayments	735,605	1,046,263
Other Liabilities (Note 10)	1,722	1,722
Total Intragovernmental	$ 761,377	$ 1,056,347
With the Public		
Accrued Funded Payroll and Leave	20,808	(3,951)
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	55,539	60,727
Advances From Others	61,466	41,882
Foreign Currency Trust Fund	205,582	333,266
Other Liabilities	83,344	113,994
Total Liabilities With the Public	$ 426,739	$ 545,918
Total Other Liabilities	$ 1,188,116	$ 1,602,265

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

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2017 and 2016 are indicated in the table below *(in thousands)*:

Accrued Unfunded Workers' Compensation Benefits	2017	2016
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 26,938	$ 22,543
Unfunded FECA Liability	8,205	8,214
Total Accrued Unfunded Workers' Compensation Benefits	$ 35,143	$ 30,757

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 2017 fourth quarter, USAID's total FECA liability was $35.1 million, comprised of unpaid FECA billings for $8.2 million and estimated future FECA costs of $26.9 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, 2017, there are two cases pending with no change in status between FY 2016 fourth quarter ending September 30, 2016 and FY 2017 fourth quarter ending September 30, 2017. The following are the details regarding the pending cases:

- The first 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 second 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.

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 Program Categories and Responsibility Segments, as of September 30, 2017. These categories are consistent with the new State-USAID Standardized Program Structure and Definition (SPSD).

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 Program Categories, Responsibility Segments and 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, 2017 and 2016 are indicated in the table on the following pages *(in thousands)*:

Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2017 Consolidated Total	2016 Consolidated Total
DR–Democracy, Human Rights and Governance												
Intragovernmental Costs	$ 6,254	$ 6,440	$ 2,933	$ 104	$ 11,961	$ –	$ 334	$ 17,983	$ 8,596	$ 13,843	$ 68,448	$ 67,678
Public Costs	192,707	119,276	35,130	11,105	153,647	–	1,283	279,606	164,417	329,760	1,286,931	1,288,711
Total Program Costs	198,961	125,716	38,063	11,209	165,608	–	1,617	297,589	173,013	343,603	1,355,379	1,356,389
Intragovernmental Earned Revenue	(524)	(506)	(254)	–	(1,010)	–	(29)	(1,294)	(549)	(1,154)	(5,320)	(151,909)
Public Earned Revenue	–	(80)	(40)	–	(161)	–	(5)	(206)	(88)	(4,110)	(4,690)	(838)
Total Earned Revenue	(524)	(586)	(294)	–	(1,171)	–	(34)	(1,500)	(637)	(5,264)	(10,010)	(152,747)
Net Program Costs	**198,437**	**125,130**	**37,769**	**11,209**	**164,437**	**–**	**1,583**	**296,089**	**172,376**	**338,339**	**1,345,369**	**1,203,642**
EG–Economic Growth												
Intragovernmental Costs	66,043	33,300	681	93,984	12,385	–	36,401	40,325	36,995	28,950	349,064	345,921
Public Costs	790,982	441,251	11,459	701,967	119,755	–	179,046	252,522	1,197,193	427,886	4,122,061	4,258,664
Total Program Costs	857,025	474,551	12,140	795,951	132,140	–	215,447	292,847	1,234,188	456,836	4,471,125	4,604,585
Intragovernmental Earned Revenue	(2,433)	(2,056)	(36)	(160,787)	(765)	–	(3,145)	(1,310)	(454,098)	(19,690)	(644,320)	(462,468)
Public Earned Revenue	(804)	(328)	(6)	(22,465)	(123)	–	(502)	(20,333)	(471)	–	(45,032)	(28,215)
Total Earned Revenue	(3,237)	(2,384)	(42)	(183,252)	(888)	–	(3,647)	(21,643)	(454,569)	(19,690)	(689,352)	(490,683)
Net Program Costs	**853,788**	**472,167**	**12,098**	**612,699**	**131,252**	**–**	**211,800**	**271,204**	**779,619**	**437,146**	**3,781,773**	**4,113,902**
ES–Education and Social Services												
Intragovernmental Costs	12,845	6,637	2,496	843	805	25	715	5,888	15,477	7,107	52,838	72,746
Public Costs	401,929	127,253	69,877	30,006	9,493	75	16,220	108,445	313,215	205,997	1,282,510	1,407,383
Total Program Costs	414,774	133,890	72,373	30,849	10,298	100	16,935	114,333	328,692	213,104	1,335,348	1,480,129
Intragovernmental Earned Revenue	(1,088)	(550)	(217)	(3,032)	(70)	(2)	(62)	(508)	(1,052)	(316)	(6,897)	(8,641)
Public Earned Revenue	(173)	(88)	(35)	(11)	(11)	–	(10)	(81)	(168)	–	(577)	(1,197)
Total Earned Revenue	(1,261)	(638)	(252)	(3,043)	(81)	(2)	(72)	(589)	(1,220)	(316)	(7,474)	(9,838)
Net Program Costs	**413,513**	**133,252**	**72,121**	**27,806**	**10,217**	**98**	**16,863**	**113,744**	**327,472**	**212,788**	**1,327,874**	**1,470,291**
HA–Humanitarian Assistance												
Intragovernmental Costs	5	4,893	125,173	–	–	–	–	498	1,585	560	132,714	121,663
Public Costs	251	26,697	2,794,966	–	–	–	–	11,081	47,347	10,287	2,890,629	2,330,581
Total Program Costs	256	31,590	2,920,139	–	–	–	–	11,579	48,932	10,847	3,023,343	2,452,244
Intragovernmental Earned Revenue	–	(113)	(1,532)	–	–	–	–	(43)	(138)	(49)	(1,875)	(7,173)
Public Earned Revenue	–	(18)	–	–	–	–	–	(18,038)	(22)	(8)	(18,086)	(1,614)
Total Earned Revenue	–	(131)	(1,532)	–	–	–	–	(18,081)	(160)	(57)	(19,961)	(8,787)
Net Program Costs	**256**	**31,459**	**2,918,607**	**–**	**–**	**–**	**–**	**(6,502)**	**48,772**	**10,790**	**3,003,382**	**2,443,457**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2017 Consolidated Total	2016 Consolidated Total
HL–Health												
Intragovernmental Costs	98,908	19,777	384	91	2,147	99,578	1,253	5,625	10,955	4,832	243,550	166,560
Public Costs	422,457	80,675	8,865	11,132	8,208	722,629	5,435	18,696	241,415	226,930	1,746,442	1,653,883
Total Program Costs	521,365	100,452	9,249	11,223	10,355	822,207	6,688	24,321	252,370	231,762	1,989,992	1,820,443
Intragovernmental Earned Revenue	(8,460)	(1,680)	(26)	(8)	(187)	(1,963)	(109)	(490)	(824)	(421)	(14,168)	(13,296)
Public Earned Revenue	(31,886)	(268)	(4)	(1)	(30)	(207)	(17)	(78)	(132)	(68)	(32,691)	(2,994)
Total Earned Revenue	(40,346)	(1,948)	(30)	(9)	(217)	(2,170)	(126)	(568)	(956)	(489)	(46,859)	(16,290)
Net Program Costs	**481,019**	**98,504**	**9,219**	**11,214**	**10,138**	**820,037**	**6,562**	**23,753**	**251,414**	**231,273**	**1,943,133**	**1,804,153**
PO–Program Development and Oversight												
Intragovernmental Costs	42,577	11,941	40,914	59,236	6,957	–	16,656	15,176	7,511	11,347	212,315	192,784
Public Costs	157,093	58,675	126,851	179,740	23,453	–	60,718	80,630	43,650	116,603	847,413	711,017
Total Program Costs	199,670	70,616	167,765	238,976	30,410	–	77,374	95,806	51,161	127,950	1,059,728	903,801
Intragovernmental Earned Revenue	(788)	(389)	(425)	(3,207)	(177)	–	(986)	(448)	(153)	(321)	(6,894)	(78,062)
Public Earned Revenue	(159)	(62)	(877)	(512)	(28)	–	(157)	(71)	(24)	276	(1,614)	(862)
Total Earned Revenue	(947)	(451)	(1,302)	(3,719)	(205)	–	(1,143)	(519)	(177)	(45)	(8,508)	(78,924)
Net Program Costs	**198,723**	**70,165**	**166,463**	**235,257**	**30,205**	**–**	**76,231**	**95,287**	**50,984**	**127,905**	**1,051,220**	**824,877**
PS–Peace and Security												
Intragovernmental Costs	2,502	375	4,268	560	2,142	–	–	6,702	6,033	7,100	29,682	36,070
Public Costs	69,784	10,545	148,923	1,704	35,104	–	–	115,114	98,300	99,318	578,792	597,135
Total Program Costs	72,286	10,920	153,191	2,264	37,246	–	–	121,816	104,333	106,418	608,474	633,205
Intragovernmental Earned Revenue	(195)	(34)	(367)	(45)	(187)	–	–	(503)	(274)	(257)	(1,862)	(2,542)
Public Earned Revenue	(31)	(5)	(629)	(7)	(30)	–	–	(80)	(44)	(41)	(867)	(452)
Total Earned Revenue	(226)	(39)	(996)	(52)	(217)	–	–	(583)	(318)	(298)	(2,729)	(2,994)
Net Program Costs	**72,060**	**10,881**	**152,195**	**2,212**	**37,029**	**–**	**–**	**121,233**	**104,015**	**106,120**	**605,745**	**630,211**
Net Cost of Operations	**$ 2,217,796**	**$ 941,558**	**$ 3,368,472**	**$ 900,397**	**$ 383,278**	**$ 820,135**	**$313,039**	**$ 914,808**	**$1,734,652**	**$1,464,361**	**$ 13,058,496**	**$ 12,490,533**

NOTE 16. SCHEDULE OF COST BY STANDARDIZED PROGRAM STRUCTURE AND DEFINITION (SPSD)

The Schedule of Costs by Responsibility Segment categorizes costs and revenues by Program Categories, Program Areas, which is consistent with the new State-USAID SPSD 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 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 2017 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 have been merged as IDEA & LAB for Statement of Net Cost reporting purposes.

Schedule of Costs by SPSD for the years ended September 30, 2017 and 2016 are indicated in the table on the following pages *(in thousands)*:

Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2017 Consolidated Total	2016 Consolidated Total
DR–Democracy, Human Rights and Governance												
DR.1–Rule of Law (ROL)												
Gross Costs	$ 32,119	$ 27,214	$ 2,970	$ 2,790	$ 24,247	$ –	$ 327	$ 75,680	$ 32,645	$ 10,276	$ 208,268	$ 135,404
Less: Earned Revenue	(112)	(129)	(23)	–	(167)	–	(4)	(369)	(142)	(38)	(984)	(32,184)
Net Program Costs	**32,007**	**27,085**	**2,947**	**2,790**	**24,080**	**–**	**323**	**75,311**	**32,503**	**10,238**	**207,284**	**103,220**
DR.2–Good Governance												
Gross Costs	57,868	40,815	17,146	474	60,662	–	–	155,057	85,869	275,243	693,134	782,877
Less: Earned Revenue	(238)	(182)	(77)	–	(427)	–	–	(791)	(289)	(5,038)	(7,042)	(109,659)
Net Program Costs	**57,630**	**40,633**	**17,069**	**474**	**60,235**	**–**	**–**	**154,266**	**85,580**	**270,205**	**686,092**	**673,218**
DR.3–Political Competition and Consensus-Building												
Gross Costs	48,336	17,412	8,592	1,791	15,959	–	–	17,222	15,507	20,932	145,751	159,183
Less: Earned Revenue	(143)	(84)	(128)	–	(120)	–	–	(98)	(63)	(77)	(713)	(776)
Net Program Costs	**48,193**	**17,328**	**8,464**	**1,791**	**15,839**	**–**	**–**	**17,124**	**15,444**	**20,855**	**145,038**	**158,407**
DR.4–Civil Society												
Gross Costs	51,706	32,708	8,529	5,378	57,671	–	1,199	28,584	29,913	34,294	249,982	241,267
Less: Earned Revenue	–	(156)	(59)	–	(410)	–	(29)	(139)	(103)	(100)	(996)	(1,175)
Net Program Costs	**51,706**	**32,552**	**8,470**	**5,378**	**57,261**	**–**	**1,170**	**28,445**	**29,810**	**34,194**	**248,986**	**240,092**
DR.5–Independent Media and Free Flow of Information												
Gross Costs	–	–	–	–	326	–	–	–	–	–	326	–
Less: Earned Revenue	–	–	–	–	(1)	–	–	–	–	–	(1)	–
Net Program Costs	**–**	**–**	**–**	**–**	**325**	**–**	**–**	**–**	**–**	**–**	**325**	**–**
DR.6–Human Rights												
Gross Costs	8,932	7,568	826	776	6,743	–	91	21,046	9,078	2,858	57,918	37,658
Less: Earned Revenue	(31)	(36)	(7)	–	(46)	–	(1)	(103)	(39)	(11)	(274)	(8,953)
Net Program Costs	**8,901**	**7,532**	**819**	**776**	**6,697**	**–**	**90**	**20,943**	**9,039**	**2,847**	**57,644**	**28,705**
Total Democracy, Human Rights and Governance	**198,437**	**125,130**	**37,769**	**11,209**	**164,437**	**–**	**1,583**	**296,089**	**172,376**	**338,339**	**1,345,369**	**1,203,642**
EG–Economic Growth												
EG.1–Macroeconomic Foundation for Growth												
Gross Costs	3,975	3,182	–	61,023	2,363	–	–	11,230	1,058,198	10,700	1,150,671	1,020,094
Less: Earned Revenue	(1)	(14)	–	(84,278)	(12)	–	–	(37)	(2,843)	(34)	(87,219)	(87,935)
Net Program Costs	**3,974**	**3,168**	**–**	**(23,255)**	**2,351**	**–**	**–**	**11,193**	**1,055,355**	**10,666**	**1,063,452**	**932,159**
EG.2–Trade and Investment												
Gross Costs	55,837	20,616	–	33,463	10,857	–	4,518	8,726	3,360	33,348	170,725	164,027
Less: Earned Revenue	–	(95)	–	(704)	(78)	–	(109)	(45)	(8)	(112)	(1,151)	(157,823)
Net Program Costs	**55,837**	**20,521**	**–**	**32,759**	**10,779**	**–**	**4,409**	**8,681**	**3,352**	**33,236**	**169,574**	**6,204**
EG.3–Agriculture												
Gross Costs	457,915	120,396	–	332,618	4,350	–	–	80,450	9,509	101,284	1,106,522	1,255,321
Less: Earned Revenue	(2,131)	(654)	–	(10,679)	(33)	–	–	(471)	(26)	–	(13,994)	(8,053)
Net Program Costs	**455,784**	**119,742**	**–**	**321,939**	**4,317**	**–**	**–**	**79,979**	**9,483**	**101,284**	**1,092,528**	**1,247,268**
EG.4–Financial Sector												
Gross Costs	358	4,460	–	82,861	7,371	–	–	2,181	27,424	19,832	144,487	198,279
Less: Earned Revenue	(2)	(20)	–	(82,427)	(48)	–	–	(5)	(81)	(69)	(82,652)	(82,250)
Net Program Costs	**356**	**4,440**	**–**	**434**	**7,323**	**–**	**–**	**2,176**	**27,343**	**19,763**	**61,835**	**116,029**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2017 Consolidated Total	2016 Consolidated Total
EG.5–Private Sector Productivity												
Gross Costs	30,726	52,799	–	56,248	66,062	–	192,324	36,756	86,646	55,385	576,946	553,983
Less: Earned Revenue	(95)	(236)	–	(1,093)	(441)	–	(3,301)	–	(347,624)	(2,629)	(355,419)	(84,310)
Net Program Costs	**30,631**	**52,563**	**–**	**55,155**	**65,621**	**–**	**189,023**	**36,756**	**(260,978)**	**52,756**	**221,527**	**469,673**
EG.6–Workforce Development												
Gross Costs	5,522	10,545	–	2,839	15,509	–	4,073	6,882	18,634	12,326	76,330	66,505
Less: Earned Revenue	(16)	(46)	–	(61)	(104)	–	(58)	(34)	(103,894)	(629)	(104,842)	(16,368)
Net Program Costs	**5,506**	**10,499**	**–**	**2,778**	**15,405**	**–**	**4,015**	**6,848**	**(85,260)**	**11,697**	**(28,512)**	**50,137**
EG.7–Modern Energy Services												
Gross Costs	80,915	6,013	–	587	11,178	–	9,441	11,439	17,138	144,659	281,370	344,797
Less: Earned Revenue	(270)	(29)	–	(13)	(77)	–	(116)	(56)	(52)	(10,536)	(11,149)	(596)
Net Program Costs	**80,645**	**5,984**	**–**	**574**	**11,101**	**–**	**9,325**	**11,383**	**17,086**	**134,123**	**270,221**	**344,201**
EG.8–Information and Communications Technology Services												
Gross Costs	1,495	111	–	11	207	–	174	211	317	2,673	5,199	6,370
Less: Earned Revenue	(5)	(1)	–	–	(1)	–	(2)	(1)	(1)	(195)	(206)	(11)
Net Program Costs	**1,490**	**110**	**–**	**11**	**206**	**–**	**172**	**210**	**316**	**2,478**	**4,993**	**6,359**
EG.9–Transport Services												
Gross Costs	42,142	3,132	–	306	5,822	–	4,917	5,957	8,926	75,341	146,543	179,091
Less: Earned Revenue	(141)	(15)	–	(7)	(40)	–	(61)	(29)	(27)	(5,487)	(5,807)	(1,703)
Net Program Costs	**42,001**	**3,117**	**–**	**299**	**5,782**	**–**	**4,856**	**5,928**	**8,899**	**69,854**	**140,736**	**177,388**
EG.10–Environment												
Gross Costs	178,140	253,296	12,140	225,995	8,420	–	–	129,015	4,036	1,290	812,332	816,118
Less: Earned Revenue	(576)	(1,273)	(42)	(3,990)	(53)	–	–	(20,965)	(13)	(1)	(26,913)	(51,634)
Net Program Costs	**177,564**	**252,023**	**12,098**	**222,005**	**8,367**	**–**	**–**	**108,050**	**4,023**	**1,289**	**785,419**	**764,484**
Total Economic Growth	**853,788**	**472,167**	**12,098**	**612,699**	**131,252**	**–**	**211,800**	**271,204**	**779,619**	**437,146**	**3,781,773**	**4,113,902**
ES–Education and Social Services												
ES.1–Basic Education												
Gross Costs	410,528	122,230	11,661	25,981	9,987	–	16,935	80,670	195,289	209,524	1,082,805	1,193,816
Less: Earned Revenue	(1,246)	(587)	(31)	(82)	(81)	–	(72)	(440)	(711)	(300)	(3,550)	(5,097)
Net Program Costs	**409,282**	**121,643**	**11,630**	**25,899**	**9,906**	**–**	**16,863**	**80,230**	**194,578**	**209,224**	**1,079,255**	**1,188,719**
ES.2–Higher Education												
Gross Costs	–	–	–	–	–	–	–	–	44	–	44	–
Less: Earned Revenue	–	–	–	–	–	–	–	–	–	–	–	–
Net Program Costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**44**	**–**	**44**	**–**
ES.3–Social Policies, Regulations, and Systems												
Gross Costs	404	1,109	5,776	463	30	9	–	3,203	12,687	341	24,022	27,240
Less: Earned Revenue	(1)	(5)	(21)	(282)	–	–	–	(14)	(48)	(2)	(373)	(451)
Net Program Costs	**403**	**1,104**	**5,755**	**181**	**30**	**9**	**–**	**3,189**	**12,639**	**339**	**23,649**	**26,789**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2017 Consolidated Total	2016 Consolidated Total
ES.4–Social Services												
Gross Costs	1,347	3,700	19,264	1,545	99	32	–	10,681	42,315	1,136	80,119	90,847
Less: Earned Revenue	(6)	(16)	(70)	(939)	–	(1)	–	(48)	(162)	(5)	(1,247)	(1,505)
Net Program Costs	**1,341**	**3,684**	**19,194**	**606**	**99**	**31**	**–**	**10,633**	**42,153**	**1,131**	**78,872**	**89,342**
ES.5–Social Assistance												
Gross Costs	2,495	6,851	35,672	2,860	182	59	–	19,779	78,357	2,103	148,358	168,226
Less: Earned Revenue	(8)	(30)	(130)	(1,740)	–	(1)	–	(87)	(299)	(9)	(2,304)	(2,785)
Net Program Costs	**2,487**	**6,821**	**35,542**	**1,120**	**182**	**58**	**–**	**19,692**	**78,058**	**2,094**	**146,054**	**165,441**
Total Education and Social Service	**413,513**	**133,252**	**72,121**	**27,806**	**10,217**	**98**	**16,863**	**113,744**	**327,472**	**212,788**	**1,327,874**	**1,470,291**
HA–Humanitarian Assistance												
HA.1–Protection, Assistance and Solutions												
Gross Costs	256	26,158	2,903,998	–	–	–	–	11,577	48,932	10,847	3,001,768	2,296,540
Less: Earned Revenue	–	(107)	(1,092)	–	–	–	–	(18,081)	(160)	(57)	(19,497)	(8,208)
Net Program Costs	**256**	**26,051**	**2,902,906**	**–**	**–**	**–**	**–**	**(6,504)**	**48,772**	**10,790**	**2,982,271**	**2,288,332**
HA.2–Disaster Readiness												
Gross Costs	–	5,431	16,142	–	–	–	–	2	–	–	21,575	152,668
Less: Earned Revenue	–	(23)	(441)	–	–	–	–	–	–	–	(464)	(511)
Net Program Costs	**–**	**5,408**	**15,701**	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**21,111**	**152,157**
HA.3–Migration Management												
Gross Costs	–	–	–	–	–	–	–	–	–	–	–	3,036
Less: Earned Revenue	–	–	–	–	–	–	–	–	–	–	–	(68)
Net Program Costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,968**
Total Humanitarian Assistance	**256**	**31,459**	**2,918,607**	**–**	**–**	**–**	**–**	**(6,502)**	**48,772**	**10,790**	**3,003,382**	**2,443,457**
HL–Health												
HL.1–HIV/AIDS												
Gross Costs	257,214	49,548	4,563	5,535	5,108	565,518	3,276	11,997	124,484	114,319	1,141,562	897,949
Less: Earned Revenue	(19,902)	(961)	(15)	(4)	(107)	(1,118)	(62)	(281)	(471)	(241)	(23,162)	(8,006)
Net Program Costs	**237,312**	**48,587**	**4,548**	**5,531**	**5,001**	**564,400**	**3,214**	**11,716**	**124,013**	**114,078**	**1,118,400**	**889,943**
HL.2–Tuberculosis												
Gross Costs	1,937	373	34	42	38	1,882	25	90	938	861	6,220	6,768
Less: Earned Revenue	(150)	(7)	–	–	(1)	(8)	–	(2)	(4)	(2)	(174)	(61)
Net Program Costs	**1,787**	**366**	**34**	**42**	**37**	**1,874**	**25**	**88**	**934**	**859**	**6,046**	**6,707**
HL.3–Malaria												
Gross Costs	9,282	1,789	165	200	184	9,019	118	433	4,494	4,127	29,811	32,417
Less: Earned Revenue	(718)	(35)	(1)	–	(4)	(37)	(2)	(10)	(17)	(9)	(833)	(291)
Net Program Costs	**8,564**	**1,754**	**164**	**200**	**180**	**8,982**	**116**	**423**	**4,477**	**4,118**	**28,978**	**32,126**
HL.4–Pandemic Influenza and Other Emerging Threats (PIOET)												
Gross Costs	13,497	2,601	239	291	268	13,144	172	630	6,534	6,001	43,377	47,136
Less: Earned Revenue	(1,045)	(50)	(1)	–	(6)	(54)	(3)	(15)	(25)	(13)	(1,212)	(425)
Net Program Costs	**12,452**	**2,551**	**238**	**291**	**262**	**13,090**	**169**	**615**	**6,509**	**5,988**	**42,165**	**46,711**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2017 Consolidated Total	2016 Consolidated Total
HL.5–Other Public Health Threats												
Gross Costs	19,925	3,840	354	429	396	19,360	298	930	9,646	8,859	64,037	69,583
Less: Earned Revenue	(1,542)	(74)	(1)	–	(8)	(79)	(6)	(22)	(37)	(19)	(1,788)	(625)
Net Program Costs	**18,383**	**3,766**	**353**	**429**	**388**	**19,281**	**292**	**908**	**9,609**	**8,840**	**62,249**	**68,958**
HL.6–Maternal and Child Health												
Gross Costs	70,579	13,601	1,252	1,519	1,402	68,577	900	3,293	34,170	31,380	226,673	246,482
Less: Earned Revenue	(5,462)	(264)	(4)	(1)	(29)	(281)	(17)	(77)	(129)	(66)	(6,330)	(2,214)
Net Program Costs	**65,117**	**13,337**	**1,248**	**1,518**	**1,373**	**68,296**	**883**	**3,216**	**34,041**	**31,314**	**220,343**	**244,268**
HL.7–Family Planning and Reproductive Health												
Gross Costs	31,594	6,088	561	680	628	30,698	403	1,474	15,296	14,047	101,469	110,334
Less: Earned Revenue	(2,445)	(118)	(2)	(1)	(13)	(126)	(8)	(34)	(58)	(30)	(2,835)	(991)
Net Program Costs	**29,149**	**5,970**	**559**	**679**	**615**	**30,572**	**395**	**1,440**	**15,238**	**14,017**	**98,634**	**109,343**
HL.8–Water Supply and Sanitation												
Gross Costs	113,028	21,781	2,006	2,433	2,245	109,823	1,441	5,274	54,722	50,253	363,006	394,727
Less: Earned Revenue	(8,748)	(422)	(7)	(2)	(47)	(450)	(27)	(123)	(207)	(106)	(10,139)	(3,544)
Net Program Costs	**104,280**	**21,359**	**1,999**	**2,431**	**2,198**	**109,373**	**1,414**	**5,151**	**54,515**	**50,147**	**352,867**	**391,183**
HL.9–Nutrition												
Gross Costs	4,308	830	76	93	86	4,186	55	201	2,086	1,916	13,837	15,047
Less: Earned Revenue	(333)	(16)	–	–	(2)	(17)	(1)	(5)	(8)	(4)	(386)	(133)
Net Program Costs	**3,975**	**814**	**76**	**93**	**84**	**4,169**	**54**	**196**	**2,078**	**1,912**	**13,451**	**14,914**
Total Health	**481,019**	**98,504**	**9,219**	**11,214**	**10,138**	**820,037**	**6,562**	**23,753**	**251,414**	**231,273**	**1,943,133**	**1,804,153**
PO–Program Development and Oversight												
PO.1–Program Design and Learning												
Gross Costs	78,014	15,878	16,846	161,352	6,019	–	13,597	33,174	19,915	45,430	390,225	283,593
Less: Earned Revenue	(304)	(102)	(50)	(2,971)	(41)	–	(185)	(181)	(72)	–	(3,906)	(39,788)
Net Program Costs	**77,710**	**15,776**	**16,796**	**158,381**	**5,978**	**–**	**13,412**	**32,993**	**19,843**	**45,430**	**386,319**	**243,805**
PO.2–Administration and Oversight												
Gross Costs	121,655	54,738	150,251	77,624	24,391	–	63,778	62,632	31,246	82,520	668,835	620,208
Less: Earned Revenue	(642)	(349)	(1,250)	(748)	(164)	–	(959)	(338)	(105)	(45)	(4,600)	(39,136)
Net Program Costs	**121,013**	**54,389**	**149,001**	**76,876**	**24,227**	**–**	**62,819**	**62,294**	**31,141**	**82,475**	**664,235**	**581,072**
PO.3–Evaluation												
Gross Costs	–	–	668	–	–	–	–	–	–	–	668	–
Less: Earned Revenue	–	–	(2)	–	–	–	–	–	–	–	(2)	–
Net Program Costs	**–**	**–**	**666**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**666**	**–**
Total Program Development and Oversight	**198,723**	**70,165**	**166,463**	**235,257**	**30,205**	**–**	**76,231**	**95,287**	**50,984**	**127,905**	**1,051,220**	**824,877**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2017 Consolidated Total	2016 Consolidated Total
PS–Peace and Security												
PS.1–Counterterrorism												
Gross Costs	20,484	278	19,694	–	–	–	–	–	824	–	41,280	42,142
Less: Earned Revenue	(66)	(1)	(57)	–	–	–	–	–	(2)	–	(126)	(161)
Net Program Costs	**20,418**	**277**	**19,637**	**–**	**–**	**–**	**–**	**–**	**822**	**–**	**41,154**	**41,980**
PS.2–Combating Weapons of Mass Destruction (WMD)												
Gross Costs	–	–	–	–	23,136	–	–	–	–	–	23,136	35,440
Less: Earned Revenue	–	–	–	–	(101)	–	–	–	–	–	(101)	(365)
Net Program Costs	**–**	**–**	**–**	**–**	**23,035**	**–**	**–**	**–**	**–**	**–**	**23,035**	**35,075**
PS.3–Counternarcotics												
Gross Costs	–	–	–	–	–	–	–	101,358	–	36,285	137,643	145,727
Less: Earned Revenue	–	–	–	–	–	–	–	(495)	–	(116)	(611)	(737)
Net Program Costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**100,863**	**–**	**36,169**	**137,032**	**144,990**
PS.5–Trafficking in Persons												
Gross Costs	163	10,620	1,146	–	1,731	–	–	1,200	–	1,957	16,817	14,613
Less: Earned Revenue	(1)	(38)	(4)	–	(15)	–	–	(3)	–	(3)	(64)	(63)
Net Program Costs	**162**	**10,582**	**1,142**	**–**	**1,716**	**–**	**–**	**1,197**	**–**	**1,954**	**16,753**	**14,550**
PS.6–Conflict Mitigation and Stabilization												
Gross Costs	51,639	22	132,352	2,264	12,080	–	–	16,325	101,489	68,175	384,346	390,248
Less: Earned Revenue	(159)	–	(936)	(52)	(99)	–	–	(69)	(310)	(178)	(1,803)	(1,638)
Net Program Costs	**51,480**	**22**	**131,416**	**2,212**	**11,981**	**–**	**–**	**16,256**	**101,179**	**67,997**	**382,543**	**388,610**
PS.7–Conventional Weapons Security and Explosive Remnants of War (ERW)												
Gross Costs	–	–	–	–	78	–	–	767	529	–	1,374	1,318
Less: Earned Revenue	–	–	–	–	–	–	–	(4)	(2)	–	(6)	(6)
Net Program Costs	**–**	**–**	**–**	**–**	**78**	**–**	**–**	**763**	**527**	**–**	**1,368**	**1,312**
PS.8–Strengthening Military Partnerships and Capabilities												
Gross Costs	–	–	–	–	49	–	–	481	331	–	861	825
Less: Earned Revenue	–	–	–	–	–	–	–	(3)	(1)	–	(4)	(4)
Net Program Costs	**–**	**–**	**–**	**–**	**49**	**–**	**–**	**478**	**330**	**–**	**857**	**821**
PS.9–Citizen Security and Law Enforcement												
Gross Costs	–	–	–	–	171	–	–	1,685	1,161	–	3,017	2,892
Less: Earned Revenue	–	–	–	–	(1)	–	–	(9)	(4)	–	(14)	(19)
Net Program Costs	**–**	**–**	**–**	**–**	**170**	**–**	**–**	**1,676**	**1,157**	**–**	**3,003**	**2,873**
Total Peace and Security	**72,060**	**10,881**	**152,195**	**2,212**	**37,029**	**–**	**–**	**121,233**	**104,015**	**106,120**	**605,745**	**630,211**
Net Cost of Operations	**$2,217,796**	**$ 941,558**	**$3,368,472**	**$ 900,397**	**$ 383,278**	**$820,135**	**$313,039**	**$ 914,808**	**$ 1,734,652**	**$1,464,361**	**$ 13,058,496**	**$ 12,490,533**

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, 2017 and 2016. USAID's total budgetary resources were $29.5 billion and $27.2 billion as of September 30, 2017 and 2016, 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)*:

	2017	2016
Category A, Direct	$ 1,507,128	$ 1,494,580
Category B, Direct	12,885,091	12,244,590
Category A, Reimbursable	51,703	46,362
Category B, Reimbursable	551,068	51,729
Total	$ 14,994,990	$ 13,837,261

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

The Agency had $0 million and $2.9 million in borrowing authority in FY 2017 and FY 2016, respectively. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, Pub. L. No. 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 2017, there is $3.5 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. No. 112-74 provides to 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:

Budgetary Resources obligated for Undelivered Orders as of September 30, 2017 and 2016, were $18.5 billion and $18.2 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, 2016 because submission of the Budget for FY 2018, which presents the execution of the FY 2017 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 2018.

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 $9.3 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.

2016	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 27,230,842	$ 13,837,261	$ (795,234)	$ 11,076,986
Funds Reported in SBR, Not Attributed to USAID in the President's Budget	(9,358,000)	(6,028,000)	–	(5,957,000)
Other Differences	(405,842)	722,739	795,234	1,277,014
Budget of the U.S. Government	$ 17,467,000	$ 8,543,000	$ –	$ 6,397,000

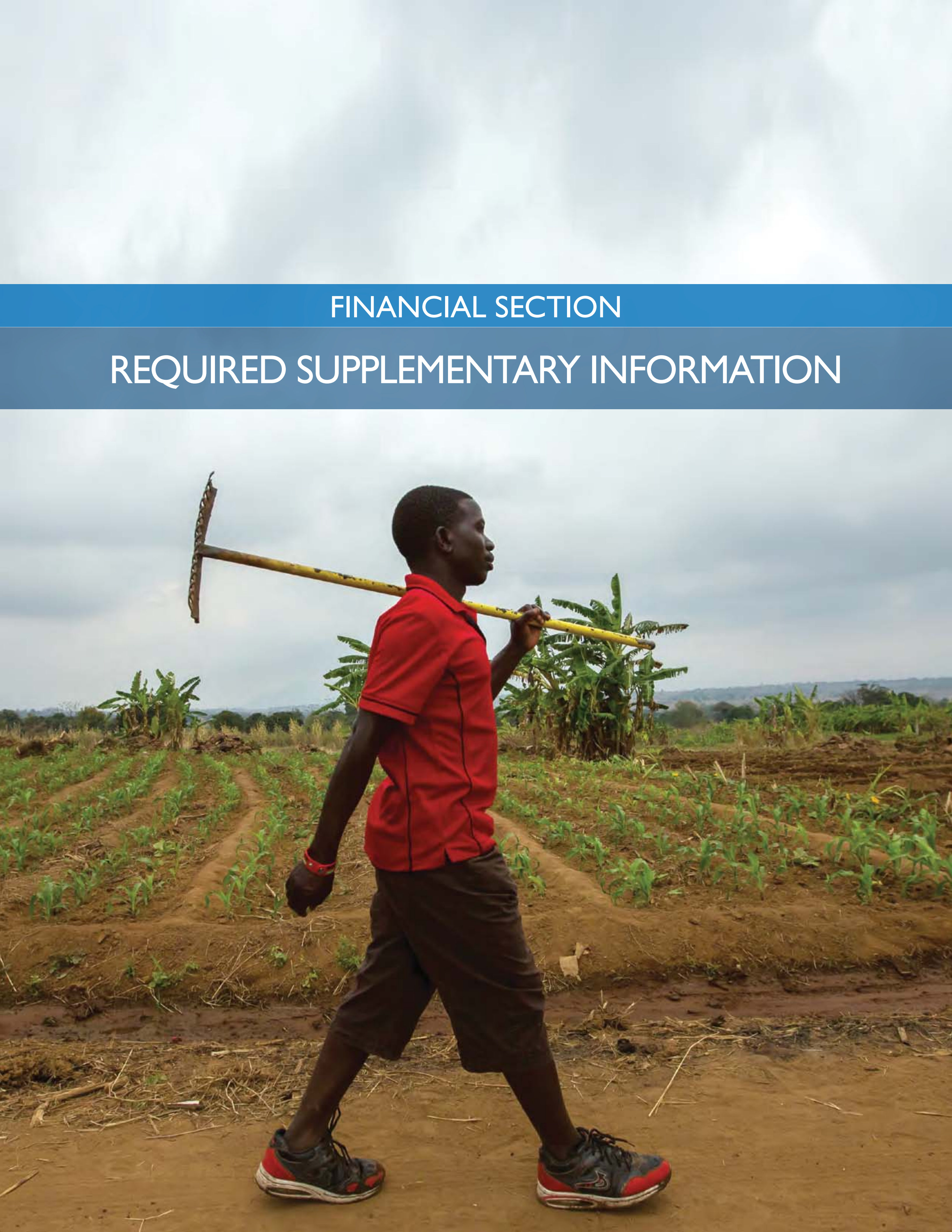
NOTE 18. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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, 2017 and 2016 are indicated in the table below *(in thousands)*:

	2017	2016
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 14,994,990	$ 13,837,261
Spending Authority From Offsetting Collections	(1,094,099)	(1,695,485)
Downward Adjustments of Obligations	(673,444)	(721,039)
Offsetting Receipts	(240,024)	(795,234)
Net Obligations	12,987,423	10,625,503
Other Resources Used to Finance Activities	17,429	502,053
Resources Used to Finance Activities	13,004,852	11,127,556
Resources Used to Finance Items Not Part of Net Cost of Operations	338,820	1,895,399
Total Resources Used to Finance Net Cost of Operations	13,343,672	13,022,955
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(66,317)	(317,634)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(218,859)	(214,788)
Net Cost of Operations (Notes 15 and 16)	$ 13,058,496	$ 12,490,533

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION



(Preceding page) **Wilfred Charles is a Malawi farmer and pastor who built an irrigation system to bring water to his drought-starved community. The village is now thriving thanks to the USAID-funded project. Meet Wilfred at *stories.usaid.gov*.**

PHOTO: MORGANA WINGARD FOR USAID

(Above) **Food aid recipients in West Bank and Gaza receive electronic food vouchers instead of direct food assistance. This allows families like Neimat Faqih's to purchase locally produced food at nearby shops. Meet Neimat at *stories.usaid.gov*.**

PHOTO: BOBBY NEPTUNE FOR USAID

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2017

(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**				
Budgetary Resources:													
Unobligated Balance, Brought Forward, October 1	$ 252,790	$ 2,571	$ 459,831	$ 4,592	$ 2,718,239	$ 1,136,102	$ 3,907,557	$ 8,407	$ 36,353	$ 3,297,152	$ 1,173,101	$ 399,931	$ 13,396,626
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(3,045)	–	–	–	–	–	–	–	–	–	–	–	(3,045)
Unobligated Balance Brought Forward, October 1, as Adjusted	249,745	2,571	459,831	4,592	2,718,239	1,136,102	3,907,557	8,407	36,353	3,297,152	1,173,101	399,931	13,393,581
Recoveries of Prior Year Unpaid Obligations	79,585	539	27,511	872	120,740	93,554	238,734	1,219	462	17,596	46,138	46,494	673,444
Other Changes in Unobligated Balance (+ or -)	23,872	–	(86,781)	(1,537)	(60,475)	(483)	(689,502)	(971)	(3,624)	(376,216)	(32,974)	738,554	(490,137)
Unobligated Balance from Prior Year Budget Authority, Net	353,202	3,110	400,561	3,927	2,778,504	1,229,173	3,456,789	8,655	33,191	2,938,532	1,186,265	1,184,979	13,576,888
Appropriations (Discretionary and Mandatory)	1,361,689	–	902,334	–	2,995,465	4,427,786	4,675,558	–	–	(29)	429,285	–	14,792,088
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	–	–	–	–	–	–	–	–	–	–
Contract Authority (Discretionary and Mandatory)	–	–	–	–	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	45,401	–	(196,762)	–	1,513	(301,446)	(489,167)	–	–	707,247	820,088	507,225	1,094,099
Total Budgetary Resources	**$ 1,760,292**	**$ 3,110**	**$ 1,106,133**	**$ 3,927**	**$ 5,775,482**	**$ 5,355,513**	**$ 7,643,180**	**$ 8,655**	**$ 33,191**	**$ 3,645,750**	**$ 2,435,638**	**$ 1,692,204**	**$ 29,463,075**
Status of Budgetary Resources:													
Obligations Incurred:	1,477,130	1,195	424,811	(70)	2,638,121	3,931,665	3,339,759	(8)	(872)	157,153	1,825,007	1,201,099	14,994,990
Unobligated Balance, End of Year:	–	–	–	–	–	–	–	–	–	–	–	–	–
Apportioned	109,766	1,706	677,686	3,748	3,110,992	1,375,038	4,254,779	6,417	29,105	315,025	454,741	442,458	10,781,461
Exempt from Apportionment	–	–	–	–	(3)	–	(1)	–	–	–	–	–	(4)
Unapportioned	173,396	209	3,636	249	26,372	48,810	48,643	2,247	4,958	3,173,572	155,890	48,647	3,686,629
Unexpired Unobligated Balance, End of Year	**283,162**	**1,915**	**681,322**	**3,997**	**3,137,361**	**1,423,848**	**4,303,421**	**8,663**	**34,063**	**3,488,597**	**610,631**	**491,105**	**14,468,085**
Expired Unobligated Balance, End of Year	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Unobligated Balance, End of Year	**283,162**	**1,915**	**681,322**	**3,997**	**3,137,361**	**1,423,848**	**4,303,421**	**8,663**	**34,063**	**3,488,597**	**610,631**	**491,105**	**14,468,085**
Total Budgetary Resources	**$ 1,760,292**	**$ 3,110**	**$ 1,106,133**	**$ 3,927**	**$ 5,775,482**	**$ 5,355,513**	**$ 7,643,180**	**$ 8,655**	**$ 33,191**	**$ 3,645,750**	**$ 2,435,638**	**$ 1,692,204**	**$ 29,463,075**

(continued on next page)

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

For the Year Ended September 30, 2017

(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**				
Change in Obligated Balance:													
Unpaid Obligations, Brought Forward, October 1 (Gross)	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
Adjustment to Unpaid Obligations, Start of Year (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Obligations Incurred	1,477,130	1,195	424,811	(70)	2,638,121	3,931,665	3,339,759	(8)	(872)	157,153	1,825,007	1,201,099	14,994,990
Outlays (Gross) (-)	(1,381,696)	(1,343)	(118,618)	(400)	(2,599,696)	(2,586,320)	(4,319,483)	(598)	(830)	(156,190)	(1,529,477)	(1,044,252)	(13,738,903)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Recoveries of Prior Year Unpaid Obligations (-)	(79,585)	(538)	(27,511)	(872)	(120,740)	(93,554)	(238,734)	(1,219)	(462)	(17,596)	(46,138)	(46,494)	(673,443)
Unpaid Obligations, End of Year	684,824	576	395,754	461	3,881,489	3,506,347	9,321,975	4,571	5,433	1,189	1,064,060	960,974	19,827,654
Uncollected Payments:					–	–	–	–	–	–	–	–	–
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(30)	–	–	–	1	1	–	(1)	(4,958)	(1)	(12,441)	–	(17,429)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in Uncollected Payments from Federal Sources (+ or -)	–	–	–	–	–	–	800	–	–	–	(1,450)	(3,916)	(4,566)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	–	–	–	–	–	–	–	–	–	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(30)	–	–	–	1	1	800	(1)	(4,958)	(1)	(13,891)	(3,916)	(21,995)
Budget Authority and Outlays, Net:													
Budget Authority, Gross (Discretionary and Mandatory)	1,407,089	–	705,572	–	2,996,978	4,126,340	4,186,391	–	–	707,218	1,249,373	507,225	15,886,186
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(73,447)	–	–	–	(1,513)	(54)	(3,984)	–	–	(707,247)	(562,827)	(12,829)	(1,361,901)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	–	–	–	–	–	–	800	–	–	–	(1,450)	(3,916)	(4,566)
Recoveries of prior year paid obligations (discretionary and mandatory) (+ or -)	(29,546)	–	–	–	–	–	–	–	–	–	–	(887)	(30,433)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Budget Authority, Net (Total) (Discretionary and Mandatory)	1,304,096	–	705,572	–	2,995,465	4,126,286	4,183,207	–	–	(29)	685,096	489,593	14,489,286
Outlays, Gross (Discretionary and Mandatory)	1,381,696	1,343	118,618	400	2,599,696	2,586,320	4,319,483	598	830	156,190	1,529,477	1,044,252	13,738,903
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(73,447)	–	–	–	(1,513)	(54)	(3,984)	–	–	(707,247)	(562,827)	(12,829)	(1,361,901)
Outlays, Net (Total) (Discretionary and Mandatory)	1,308,249	1,343	118,618	400	2,598,183	2,586,266	4,315,499	598	830	(551,057)	966,650	1,031,423	12,377,002
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	(240,024)	–	(240,024)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,308,249**	**$ 1,343**	**$ 118,618**	**$ 400**	**$ 2,598,183**	**$ 2,586,266**	**$ 4,315,499**	**$ 598**	**$ 830**	**$ (551,057)**	**$ 726,626**	**$1,031,423**	**$12,136,978**

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
0400 MSED 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
5318 Israel Program Fund – Administrative Expense

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
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

APPENDIX F. MAJOR CONTRIBUTORS TO THIS REPORT

The following made major contributions to this report:

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