

***U.S. ARMY CORPS OF ENGINEERS  
CIVIL WORKS***

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***U. S. ARMY CORPS OF  
ENGINEERS***

***CIVIL WORKS***

***OVERVIEW***

# U. S. ARMY CORPS OF ENGINEERS

## MISSION AND PROGRAM PERFORMANCE

### CIVIL WORKS MISSION STATEMENT

The mission of the Civil Works Program of the Army Corps of Engineers is to promote prosperity and democracy and to strengthen national security through the development, management, protection, and enhancement of the Nation's water and related land resources for flood damage reduction, commercial navigation, environmental restoration, and allied purposes. This program is accomplished by applying the Corps planning, engineering, scientific, and management skills, in cooperation with non-Federal sponsors, Federal, state, and local agencies, and other interested stakeholders, to achieve productive, efficient, responsible solutions to water resources problems. The program provides for responsible stewardship of its water resources infrastructure including the associated natural resources and provides emergency services to the Nation for disaster relief. The Civil Works Program also provides planning, engineering, environmental, recreation, research and real estate services to other Federal agencies and non-Federal customers, provides support to the Army in both peacetime pursuits and during national emergencies, and stands ready to adapt to evolving national needs and priorities. The Corps, moreover, plays a major role in the protection of waters of the United States, including wetlands, by regulating the discharge of dredge and fill material into the Nation's waters.

### STRATEGIC GOALS AND OBJECTIVES

We will shape the accomplishment of our Strategic Goals through deliberate strategies for success that take our key business drivers into account.

#### **Goal 1 - Water Resources (WR)**

**>Within available resources, provide the water resources infrastructure to enhance the Nation's economic well being.**

- WR1: Anticipate, identify, and address the water resource infrastructure problems and development opportunities of the Nations and its major river basins (e.g. Navigation, flood and coastal storm damage reduction, hydropower, recreation facilities, water supply, etc.).
- WR1a: Continue to satisfy the Nation's water resources infrastructure needs currently provided by existing projects.
- WR2: Provide justified levels of project services within available funds
- WR3: Implement a communications plan to update stakeholders on project progress, costs, and needs.

## **Goal 2. - Environmental Leadership (EL)**

**>Lead in the management, protection, and restoration of the Nation's land and water resources.**

- EL1: Reallocate resources from flood damage reduction and navigation to environmental missions.
- EL2: Increase the public's awareness of the Corp's environmental performance.
- EL3: Be recognized as the Nation's leader in environmental restoration.
- EL4: Continue to aggressively implement plans to ensure compliance with environmental laws on existing Corps projects.
- EL5: Improve the stewardship of 12 million acres of land and water managed by the Corps.
- EL6: Increase the overall performance and effectiveness of the Department of the Army regulatory program.

## **Goal 3: Disaster Response (DR)**

**>Provide timely, effective, and efficient disaster mitigation, response, and recovery.**

- DS1: Fully implement the Readiness 2000 program to reduce costs and increase responsiveness
- DS2: Aggressively address and utilize innovative methods to improve flood plain management practices

## **Goal 4: Engineering and Technical Expertise (ET)**

**>Leverage state-of-the-art expertise to improve the delivery of program results for current and future customers, and to maintain these capabilities for surge or related national security purposes.**

- ET1: Identify, market, and capitalize on growth opportunities
- ET2: Assess Civil Works mission requirements in 2004 and translate these to technology and technical expertise needs.
- ET3: Incorporate state-of-the-art technology and business practices in the field, labs, and center of expertise

## **Goal 5: Workforce (W)**

**>Develop, motivate, and retain an empowered, world-class workforce**

- W1: Develop and implement a plan to improve employee satisfaction.
- W2: Establish a process to identify, acquire and apply required skills to satisfy customer needs and improve customer satisfaction.
- W3: Increase professional development (certificates and advanced degrees).
- W4: Review and improve methods of internal communication.

## **Goal 6: Resource Stewardship (RS)**

**>Be recognized as the leading Army program in effectively and efficiently applying its resources to achieve its mission.**

- RS1: Prioritize and reengineer product delivery processes to optimize use of the single team/multiple location concept and increased technology use.
- RS2: Optimize outsourcing and privatization partnerships with the private sector to decrease costs, reduce cycle time, and increase productivity.
- RS3: Implement a leading-edge technology plan to exceed requirements for mission execution (customer and employee needs).

Meeting these goals and objectives will enhance the Nation's prosperity through capital investments in new economic and environmental infrastructure and operation and maintenance of its existing infrastructure. It will also provide a trained workforce, which can promote democracy and respond to natural and national emergencies, thereby enhancing security.

## **FUNDING**

The Civil Works Program receives Federal funding through the annual Energy and Water Development Appropriations Act. Program funding also comes from non-Federal project sponsors who share in project costs according to formulas established by project authorization acts. A third source of funding comes through the Support for Others Program, which is conducted under reimbursable agreements with Federal agencies. The tables on the following page show the amount of FY 1998 funding by source and business program.

**Army Corps of Engineers  
FY 98 Civil Works and Support For Others Program Funding**

<b>Funding Source</b>	<b>\$ (000)</b>
General Investigations <sup>1</sup>	156,804
Construction General <sup>1</sup>	1,473,373
Operation & Maintenance <sup>1,3</sup>	1,845,213
Mississippi River & Tributaries <sup>1</sup>	296,212
Regulatory <sup>1</sup>	106,000
General Expense <sup>1</sup>	148,000
Flood Control & Coastal Emergencies <sup>1</sup>	4,000
Other Civil Works <sup>4</sup> (Coastal Wetlands Restoration)	49,000
Formerly Used Sites Restoration Program	140,000
Support for Others <sup>2</sup>	801,500 <sup>2</sup>
<b>Total</b>	<b>5,020,102</b>

1 Energy and Water Development Appropriation Act. Includes Trust Fund contributions.

2 Reimbursable work for other agencies. (Preliminary; final figure available in February 1999)

3 Includes supplemental appropriations.

4 Other reports on Coastal Wetlands Restoration Trust Fund work.

**FY 98 Funding By Business Program**

<b>Funding by Business Program</b>	<b>\$ Millions</b>
Navigation	1,507
Flood & Coastal Storm Damage Reduction	1,404
Support for Others <sup>1</sup>	826 <sup>1</sup>
Environment	603
Regulatory	109
Hydropower	362
Emergency Management	6
Recreation	197
Water Supply	6
<b>Total</b>	<b>5,020</b>

\*1 Reimbursable Work for Other Agencies (Preliminary, final figure available February 1999).

## BUSINESS PROGRAMS

The Civil Works Program will accomplish these strategic goals by providing important services in nine business programs: flood and coastal storm damage reduction, navigation, environment, hydropower, recreation, regulatory, emergency preparedness and disaster response, water supply and support for others. Program performance goals are being established for each of the nine programs to demonstrate progress in achieving the strategic goals. Program performance measures being used in Fiscal Year 1998 to measure performance in achieving program goals are described below. Other measures, which will be used in Fiscal Year 1999 and beyond, are being developed.

### Flood and Coastal Storm Damage Reduction

**Description.** There are two general approaches to reducing flood damages. The first approach consists of constructing large scale engineering projects which operate to prevent flood waters from inundating property. The second approach consists of modifying property susceptible to flood damage to minimize the risk of flood damage. Frequently, a combination of approaches is used in Corps projects to prevent flood damages. Most of the Corps flood and coastal storm damage reduction projects are constructed as joint ventures between the Federal government and non-Federal sponsors. New projects, once built, are owned, operated and maintained by the non-Federal sponsor. The Corps, however, has older projects, mostly reservoirs, which it operates and maintains. The Nation has invested \$33 billion in flood damage reduction projects through FY 96 and has prevented \$319 billion in flood damages. The time stream of investment dollars and damages prevented can be compared when adjusted for different price levels. The program has yield a return of six dollars in flood damage reduction for every dollar invested.

**Strategy.** Two program strategies have been established to respond to the strategic goals. They are as follows:

1. New investments will be undertaken which meet criteria for Federal participation and have benefits in excess of costs.
2. Existing Federal infrastructure will be operated and managed to provide justified levels of service.

#### Performance Measures and Annual Performance Targets.

**Performance Measure Number 1:** Actual performance of Corps facilities in providing flood damage reduction where flooding would have otherwise been experienced.

**Performance Target Number 1:** Maintain Corps facilities to provide the design level of flood damage reduction.

**Performance Achieved:**

	FY 95	FY 96	FY 97	FY 98
Flood Damages Prevented	\$26.8B	\$22.6B	\$45.5B	*
10 year Rolling Average	\$14.6B	\$16.2B	\$15.7B	*

\* Data available 31 January 1999.

## Navigation

**Description:** The navigation program includes improvement and maintenance of harbors handling all of the Nation's seaborne commerce. The Corps combines direct appropriations with funds appropriated from the Harbor Maintenance Trust Fund to maintain navigability in 114 major deep draft harbors and over 800 smaller harbors. The Corps also has stewardship responsibilities for approximately 25,000 miles of commercially navigable waterways. That total includes 12,000 miles of intracoastal and inland commercially navigable channels and involves 237 lock chambers actively maintained by the Corps at 192 sites on the inland waterways. Major improvements to inland waterway facilities are financed in part by the Inland Waterway Trust Fund. 2.3 billion tons of commerce moved through these ports, harbors and navigable channels in 1996. The total includes 1.2 billion tons of foreign trade valued at \$627.4 billion and 1.1 billion tons of domestic traffic. Maintaining the navigation system, ports and inland waterways involves removing more than 230 million cubic yards of dredged material each year.

**Strategy.** Two program strategies have been established to respond to the strategic goals. They are as follows:

1. New investments will be undertaken which meet criteria for Federal participation and have benefits in excess of costs.
2. Existing navigation infrastructure will be operated and managed to maximize the value of the services provided within available funds.

### Performance Measures and Annual Performance Targets.

**Performance Measure Number 1:** Actual performance of Corps facilities in providing low cost transportation of commerce. This measure looks at the volume of commerce and the cost to operate the fuel taxed waterways component of the navigation system.

**Performance Target Number 1:** Maintain Corps facilities to provide low cost transportation of bulk commodities to world markets.

#### Performance Achieved:

	FY 95	FY 96	FY 97	FY 98
Ton Miles of Commerce carried (billions)*	265.5	266.0	264.3	<sup>a</sup>
Cost per Ton Mile*	\$0.0018	\$0.0018	\$0.0018	<sup>a</sup>

\* Ton-mile data is reported on a calendar year basis; costs are on a fiscal year basis.

<sup>a</sup> FY98 data is forecasted to be available by February 1999.

**Performance Measure Number 2:** Percent of time inland navigation infrastructure (waterways, harbors, channels, and structures) were available for acceptable level of service.

**Performance Target Number 2:** Maintain Corps facilities to be available 95% of the time they are scheduled to be available.



<b>Performance Achieved:</b>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
Actual Availability	99%	98%	95.6%	<sup>a</sup>

**Performance Measure Number 3:** Minimize costs of dredging while assuring safe and reliable harbor and channel availability.

**Performance Target Number 3:** The volume of material dredged are largely dependent upon acts of nature and factors beyond the control of man; so no performance target is established. Depth of material to be dredged and placement of dredged material influence cost of material dredged.

<b>Performance Achieved:</b>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
Cubic Yards Removed (M)*	217	234	253	<sup>a</sup>
Cost Per Cubic Yard	\$1.88	\$1.81	\$1.96	<sup>a</sup>

\*Volume of material dredged reflects maintenance dredging; it does not include dredging done for new construction projects.

<sup>a</sup> FY98 data is forecast to be available by February 1999.

## Environment

**Description:** The environment program is similar to the preceding two programs in having a new investment component and an operation and maintenance component for existing projects. Capital investment is directed into environmental restoration and mitigation features at existing and new projects. The Corps has authority to incorporate ecosystem restoration in plans for new projects, as a modification of existing projects, and in determining placement of dredged material from authorized navigation projects. It also has some authority to restore ecosystems where a Corps project contributed to degradation of the environment. At existing Corps operated projects, the Corps uses the Environmental Review Guide for Operations to locate and plan corrective action for environmental compliance deficiencies. District elements, regulatory agencies and private contractors offer support to facility managers who identify environmental compliance strengths and weaknesses in their own operations.

**Strategy:** Three program strategies have been established to respond to the strategic goals. They are as follows:

1. Investments in Corps mitigation and restoration projects or features make positive contributions to the environment resource base of the nation.
2. Investments in Corps mitigation and restoration projects and the operation of Corps facilities should assist in the recovery of Federally listed threatened and endangered species.
3. Assure that the operation of all Civil Works facilities and management of associated lands (including out granted areas) comply with environmental requirements contained in relevant Federal, state and local laws and regulations.

**Performance Measures and Annual Performance Targets.**

**Performance Measure Number 1:** Percent of Corps administered mitigation land (acres) meeting the requirements in the authorizing legislation or relevant Corps of Engineers decision document. This measure is the number of designated Corps administered mitigation land (acres) meeting mitigation requirements divided by the total number of designated Corps administered mitigation lands (acres).

**Performance Target Number 1:** Target is 70% of Corps administered mitigation lands (acres) achieving Corps mitigation requirements.

<b>Performance Achieved:</b>	FY 96	FY 97	FY 98
-Total acres designated as Corps administered mitigation acres	1,100,836	1,105,637	1,109,063
-Mitigation acres meeting requirements	576,068	591,446	618,535
-Percent of Corps administered mitigation lands (acres) achieving Corps mitigation requirements.	52%	53%	56%

New Performance Measure Number 2: Percent of Corps projects with potential to participate in the recovery of Federally listed species (with final Fish and Wildlife Service (FWS)/ National Marine Fisheries Service (NMFS) Recovery Plans in which the Corps is designated as an action agency) which are accomplishing the ascribed FWS/NMFS Recovery Plan requirements. This measure is the total number of opportunities seized in the recovery of Federally listed species divided by the total number of opportunities to participate as described, or in accordance with, the Final Recovery Plan for that species.

**Performance Target: Undertake or accomplish Recovery Plan requirements on 30% of the total Corps projects with potential to participate in those Recovery Plans for Federally listed species.**

<b>Performance Achieved:</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>
-Number of opportunities to participate in recovery of Federally listed species with final Recovery plans.	N/A	NA	465
-Number of opportunities seized as described, or in accordance with, the Final Recovery Plan for a species	N/A	NA	418
-Percent of project opportunities seized to assist in the recovery of Federally listed species.	N/A	NA	90%

**Performance Measure Number 4 (Compliance):** Percent of all significant findings corrected annually and percent of major findings corrected annually.

**Performance Target Number 4:** Target for FY 98 was to correct 100% of all significant findings and correct 65% of all major findings.

**Performance Achieved:**

	FY 97	FY 98
Number of Significant Findings	11	18
% Corrected	100%	72%
Number of Major Finding	798	597
% Corrected	49%	56%

## Regulatory

**Description:** The Corps operates a comprehensive regulatory program which, through extensive public interest review, protects navigation and regulates the deposit of dredged and fill materials into the Nation s waters.

**Strategies:** The following program strategies have been established to respond to the strategic goals.

1. Administer the Regulatory Program in a manner that renders fair and reasonable decisions for applicants.
2. Administer the Regulatory Program in a manner that provides for efficient decision making.

**Performance Measures and Annual Targets.**

**Performance Measure Number 1:** Percent of decisions completed within 60 days on requests to do work in U. S. waters. Number of all actions (individual permits, general permits, letters of permission, and denials) completed in 60 days divided by the total number of requests.

**Performance Target Number 1:** Target is to complete 85% of all actions in 60 days.

**Performance Achieved:**

	FY 95	FY 96	FY 97	FY 98
No. of Permit Actions < 60 days	73,515	71,870	80,613	84,598
% Completed within 60 days	93%	94%	94%	94%

**Program Performance Measure Number 2:** Percent of decisions completed within 120 days on requests to do work in the U.S. waters if the proposal needs a standard permit; that is, the project is a larger one requiring more extensive review.

**Performance Target Number 2:** Target is to complete 70% of Individual Permits in 120 days.

**Performance Achieved:**

	FY 95	FY 96	FY 97	FY 98
Number of Permit Actions < 120 days	4,603	4,247	3,875	4,066
% Completed within 120 days	78%	80%	79%	80%

**Performance Measure Number 3:** Percent of pending permit applications over two years old.

**Performance Target Number 3:** Target is to have no more than 0.8% of pending individual permit applications over two years old.

**Performance Achieved:**

	FY 95	FY 96	FY 97	FY 98
Number of individual permits pending over two years at end of FY	39	22	25	24
% of individual permits pending over two years at end of FY	0.8%	0.4%	0.5%	0.4%

## **Hydropower**

**Description:** The Corps operates 75 hydroelectric power generating units at many of its multipurpose reservoirs. The generation of electricity from these units is done from a renewable energy source and results in a significant supply of electricity to the nation. The electricity is made available to Federal power marketing agencies which market the power.

**Strategy:** One program strategy has been established to respond to the strategic goals. It is to maintain hydroelectric power production with a high degree of generating unit availability at competitive cost.

**Performance Measures and Annual Targets.** Two program performance measures have been developed.

**Performance Measure Number 1:** Actual performance of hydroelectric generating units at multi-purpose reservoir projects in providing power at competitive cost.

**Performance Target Number 1:** Historical performance has been recorded without an explicit performance target.

**Performance Achieved:**

	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
Kilowatt Hours Generated	77.4B	98.9	a	a
Cost Per Kilowatt Hour	\$0.0024	a	a	a

a Data not available at time report went to press.

**Performance Measure Number 2:** Maintain a high degree of hydroelectric generating unit availability at multiple purpose projects.

**Performance Target Number 2:** Maintain generating unit availability at 90% of scheduled availability.

<b>Performance Achieved:</b>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
Performance Target	90%	90%	a	a
Actual Availability	87.9%	88.4%	a	a

<sup>a</sup> Data not available at time report went to press.

## Recreation

**Description.** There are 4,338 recreation areas at multipurpose reservoirs built by the Corps of Engineers. Of these 2,518 are operated and maintained by the Corps and the others are operated and maintained by non-Federal entities. These areas provide opportunities for camping, swimming, boating, picnicking and related activities. The operation and maintenance of the recreation areas must be compatible with and not in conflict with the underlying primary purposes for which the reservoirs were authorized; i.e., flood protection and/or navigation.

**Strategy:** The following program strategies have been established to respond to the strategic goals. They are as follows:

1. Provide outdoor recreation opportunities in an effective and efficient manner at Corps operated water resource projects.
2. Provide continued outdoor recreation opportunities to meet the needs of present and future generations.

**Program Performance Measures and Annual Targets.**

**Performance Measure Number 1:** Cost of visitor day in providing outdoor recreation services.

**Performance Target Number 1:** The cost per visitor day is determined in part by number of recreation visitors. The visitor day parameter is influenced by weather and economic conditions that are not under the management influence of the Corps of Engineers. The cost of providing recreation opportunities is a variable that can be managed by Corps managers. Historically, a management performance target has not been specified because of the inability to significantly influence the visitor day component of the measure. Actual statistical performance has instead been reported.

**Performance Achieved:**

	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
Visitor Days	205M	212M	213M	217 M
Cost Per Visitor Day	\$0.83	\$0.84	\$0.83	\$0.83

**Emergency Management**

**Description:** The Civil Works Program includes a disaster response and recovery program. The program is pursued under the Corps own authority under Public Law (P.L.) 84-99 and under the Federal Response Plan in coordination with the Federal Emergency Management Agency (FEMA) and others. Response activities are supplemental to state and local efforts. The Corps disaster response and recovery program is not limited to water resource related disasters. Disaster preparedness and response capabilities encompass a broad range of natural disasters and national emergencies because of the engineering skills and management capabilities that are maintained at a readiness state through peacetime Corps Civil Works Program support. The emergency preparedness planning and disaster response capability makes a significant and direct contribution to national security objectives.

**Strategy.** Two program strategies have been established to respond to the strategic goals. They are as follows:

1. Attain and maintain a high consistent state of preparedness.
2. Provide for a rapid, effective, efficient all-hazards response.

**Performance Measures and Annual Targets.** Performance measures for this program are being developed.

## **Support for Others**

**Description.** The Corps Support for Others Program provides technical and specialized contract management assistance to about 60 other Federal agencies, state, local, tribal and foreign governments, international organizations, and private firms. Support is provided on a reimbursable basis. The Corps considerable and far ranging environmental expertise is drawn upon by the Environmental Protection Agency and the Department of Energy to assist them in the Superfund Program and cleanup at nuclear production facilities, respectively. Corps support of other agency infrastructure programs includes designing and building border control facilities for the Immigration and Naturalization Service, drug testing laboratories for the Drug Enforcement Administration, and inspections of public housing renovations for the Department of Housing and Urban Development.

**Strategy:** Ensure customer satisfaction.

**Performance Measure and Annual Target.** Performance measures are being developed for this program.

***U.S. ARMY CORPS OF  
ENGINEERS***

***PRINCIPAL STATEMENTS***

***SEPTEMBER 30, 1998***





Department of Defense  
 US ARMY CORPS of ENGINEERS  
 CONSOLIDATED BALANCE SHEET  
 As of September 30, 1998  
 (\$ in Thousands)

FY  
1998

ASSETS

1. Entity Assets:

A. Intragovernmental	
1. Fund Balance With Treasury (Note 2)	\$2,505,599
2. Investments, Net (Note 4)	1,631,349
3. Accounts Receivable, Net (Note 5)	242,053
4. Other Assets (Note 6)	42
B. Total Intragovernmental	<u>\$4,379,043</u>
C. Investments, Net (Note 4)	0
D. Accounts Receivable, Net (Note 5)	738,097
E. Loans Receivable and Related Foreclosed Property, Net (Note	0
F. Cash and Other Monetary Assets (Note 3)	0
G. Inventory and Related Property, Net (Note 8)	51,391
H. General Property, Plant and Equipment, Net (Note 9)	32,649,563
I. Stewardship Assets (National Defense PP&E, etc.)	See Stewardship Statement
J. Other Assets (Note 6)	<u>967,269</u>
K. Total Entity Assets	<u>\$38,785,363</u>

2. Non-Entity Assets:

A. Intragovernmental	
1. Fund Balance With Treasury (Note 2)	46,116
2. Accounts Receivable, Net (Note 5)	2
3. Other Assets (Note 6)	0
B. Total Intragovernmental	<u>\$46,118</u>
C. Accounts Receivable, Net (Note 5)	324
D. Cash and Other Monetary Assets (Note 3)	12,004
E. Other Assets (Note 6)	<u>0</u>
F. Total Non-Entity Assets	<u>\$58,446</u>

3. Total Assets	<u>\$38,843,809</u>
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The accompanying notes are an integral part of these statements.

Department of Defense  
 US ARMY CORPS of ENGINEERS  
 CONSOLIDATED BALANCE SHEET  
 As of September 30, 1998  
 (\$ in Thousands)

FY  
 1998

LIABILITIES

4. Liabilities Covered by Budgetary Resources:

A. Intragovernmental:	
1. Accounts Payable	\$811,188
2. Environmental Cleanup (Note 11)	
3. Debt (Note 10)	
4. Other Liabilities (Notes 11, 12, and 15)	8,551
<b>B. Total Intragovernmental</b>	<u>819,739</u>
C. Accounts Payable	566,241
D. Liabilities for Loan Guarantees	0
E. Military Retirement Benefits and Other Employment Related Actuarial Liabilities (Note 13)	0
F. Environmental Cleanup (Note 11)	0
G. Other Liabilities (Notes 11, 12, and 15)	<u>299,975</u>
<b>H. Total Liabilities Covered by Budgetary Resources</b>	<u>\$1,685,955</u>

5. Liabilities Not Covered by Budgetary Resources:

A. Intragovernmental:	
1. Accounts Payable	0
2. Debt (Note 10)	0
3. Environmental Cleanup (Note 11)	0
4. Other Liabilities (Notes 11, 12, and 15)	0
<b>B. Total Intragovernmental</b>	<u>\$0</u>
C. Accounts Payable	0
D. Debt (Note 10)	0
E. Military Retirement Benefits and Other Employment Related Actuarial Liabilities (Note 13)	0
F. Environmental Cleanup (Note 11)	0
G. Other Liabilities (Notes 11, 12, and 15)	<u>0</u>
<b>H. Total Liabilities Not Covered by Budgetary Resources</b>	<u>\$0</u>

6. Total Liabilities 1,685,955

NET POSITION

7. Unexpended Appropriations (Note 14)	\$1,379,707
8. Cumulative Results of Operations	<u>35,778,147</u>
9. Total Net Position	<u>\$37,157,854</u>
10. Total Liabilities and Net Position	<u>\$38,843,809</u>

The accompanying notes are an integral part of these statements.

**Department of Defense**  
**US ARMY CORPS OF ENGINEERS**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
**For the period ending September 30, 1998**  
**(\$ in Thousands)**

**FY**  
**1998**

1. Net Cost of Operations	\$4,532,531
2. Financing Sources (Other than Exchange Revenues):	
A. Appropriations Used	3,461,594
B. Taxes (and Other Non-exchange Revenue)	822,470
C. Donations (Non-exchange Revenue)	251
D. Imputed Financing	0
E. Transfers-In	908,560
F. Transfers-Out	(1,814,416)
3. Net Results of Operations (Line 2 less Line 1)	<u>(\$1,154,072)</u>
4. Prior Period Adjustments (Note 18)	<u>(2,468,985)</u>
5. Net Change in Cumulative Results of Operations	(3,623,057)
6. Increase (Decrease) in Unexpended Appropriations	<u>1,427,467</u>
7. Change in Net Position	(2,195,590)
8. Net Position-Beginning of Period	<u>39,353,444</u>
9. Net Position-End of Period	<u><u>\$37,157,854</u></u>

Additional Information included in Note 18.

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The accompanying notes are an integral part of these statements.

**Department of Defense**  
**US ARMY CORPS of ENGINEERS**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
**For the period ending September 30, 1998**  
**(\$ in Thousands)**

**FY**  
**1998**

**BUDGETARY RESOURCES:**

1. Budget Authority	\$5,184,479
2. Unobligated Balance - Beginning of Period	2,120,547
3. Net Transfers Prior-Year Balance, Actual(+/-)	0
4. Spending Authority from Offsetting Collections	4,554,767
5. Adjustments	0
6. Total Budgetary Resources	<u><u>\$11,859,793</u></u>

**STATUS OF BUDGETARY RESOURCES:**

7. Obligations Incurred	8,986,598
8. Unobligated Balances - Available	2,870,530
9. Unobligated Balances - Not Available	2,665
10. Total, Status of Budgetary Resources	<u><u>\$11,859,793</u></u>

**OUTLAYS:**

11. Obligations Incurred	8,986,598
12. Less: Spending Authority From Offsetting Collections and Adjustments	<u>(4,554,767)</u>
13. Obligated Balance, Net - Beginning of Period	(19,489)
14. Obligated Balance Transferred, Net	0
15. Less: Obligated Balance, Net - End of Period	355,406
16. Total Outlays	<u><u>\$4,767,748</u></u>

Additional information included in Note 19.

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The accompanying notes are an integral part of these statements.

**Department of Defense**  
**US ARMY CORPS OF ENGINEERS**  
**COMBINED STATEMENT OF FINANCING**  
**For the period ending September 30, 1998**  
**(\$ in thousands)**

**FY**  
**1998**

**1. OBLIGATIONS AND NONBUDGETARY RESOURCES:**

A. Obligations Incurred	\$8,986,598
B. Less: Spending Authority for Offsetting Collections and Adjustments	(4,554,767)
C. Donations Not in the Entity's Budget	251
D. Financing Imputed for Cost Subsidies	0
E. Transfers-In (Out)	(905,856)
F. Exchange Revenue Not in the Entity's Budget	21,621
G. Other	0
H. Total Obligations as Adjusted and Nonbudgetary Resources	<u>\$3,547,847</u>

**2. RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS:**

A. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided	561,900
B. Costs Capitalized on the Balance Sheet	2,412,094
C. Financing Sources That Fund Costs of Prior Periods	42
D. Other	0
E. Total Resources That Do Not Fund Net Costs of Operations	<u>\$2,974,036</u>

**3. COSTS THAT DO NOT REQUIRE RESOURCES:**

A. Depreciation and Amortization	731,836
B. Revaluation of Assets and Liabilities	(2,468,985)
C. Other	47
D. Total Costs That Do Not Require Resources	<u>(\$1,737,102)</u>

4. Financing Sources Yet to be Provided (252,250)

5. Net Cost of Operations \$4,532,531

Additional Information included in Note 20.

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The accompanying notes are an integral part of these statements.

**Department of Defense**  
**US ARMY CORPS OF ENGINEERS**  
**CONSOLIDATED STATEMENT OF NET COST**  
**For the period ending September 30, 1998**  
**(\$ in Thousands)**

**FY**  
**1998**

1. Program Costs	
A. Intragovernmental	\$1,126,392
B. With the Public	6,000,196
C. Total Program Cost	<u>7,126,588</u>
D. Less: Earned Revenues	<u>(2,594,057)</u>
E. Net Program Costs	<u>\$4,532,531</u>
2. Costs Not Assigned to Programs	0
3. Less: Earned Revenues Not Attributable to Programs	0
4. Deferred Maintenance (Note 17)	
5. Net Costs of Operations	<u><u>\$4,532,531</u></u>

Additional information included in Note 16.

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The accompanying notes are an integral part of these statements.

***U.S. ARMY CORPS OF ENGINEERS***

***CIVIL WORKS***

***NOTES TO THE  
PRINCIPAL  
FINANCIAL STATEMENTS***

***AS OF SEPTEMBER 30, 1998***





**NOTE 1. Significant Accounting Policies:**

A. **Basis of Presentation.** These financial statements have been prepared to report the financial position and results of operations of the U. S. Army Corps of Engineers, as required by the Chief Financial Officers (CFO) Act expanded by the Government Management Reform Act (GMRA) of 1994, and other appropriate legislation. The report has also been prepared to provide information with which Congress, agency managers, the public and other interested parties can assess management performance and stewardship. The financial statements have been prepared from the books and records of the Corps in accordance with “Department of Defense Financial Management Regulation” “DoD FMR” Volume 6B, as adopted from the Office of Management and Budget (OMB) Bulletin No. 97-01, “Form and Content of Agency Financial Statements”. These statements, therefore, are different from the financial reports, also prepared by the Corps pursuant to OMB directives that are used to monitor and control DoD’s use of budgetary resources.

B. **Reporting Entity.** Congress initially established the U. S. Army Corps of Engineers on June 16, 1775 when they also established the Continental Army. After the war, the Corps was mustered out of service in 1783. It was permanently reestablished on March 16, 1812 in conjunction with the founding of West Point Military Academy. The Corps, which celebrates June 16, 1775 as its birthday, has provided engineering, management and technical support to the Nation in peacetime and in war for more than two centuries. The mission of the Civil Works Program of the Corps is to promote prosperity and democracy and to strengthen national security through the development, management, protection and enhancement of the Nation’s water and related land resources for flood damage reduction, commercial navigation, environmental restoration and allied purposes.

The accounts used to prepare the statements are classified as entity/non-entity. Entity accounts consists of resources that the Corps either has the authority to decide how to use or management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets that are held by an entity but are unavailable for use in operations.

The Civil Works Program uses the following deposit fund and budget clearing accounts which are classified as non-entity accounts:

Deposit Funds

96X6075	Withheld Allotment of Compensation for Payment of Employee Organization Dues
96X6094	Advances from the District of Columbia
96X6145	Technical Assistance, United States Dollars Advanced from Foreign Government
96X6302	Moneys Withheld from Contractors
96X6875	Suspense

Clearing Accounts

96F3875	Budget Clearing Account
96F3878	Deposits in Transit Differences
96F3879	Undistributed and Letter of Credit Differences
96F3880	Unavailable Check Cancellations and Overpayments
96F3886	TSP

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

The following Civil Works Funds are used to record financial transactions arising under congressional appropriations:

96X3112	Flood Control, Mississippi River and Tributaries
96X3121	General Investigations
96X3122	Construction, General
96X3123	Operation and Maintenance, General
96 93/97 3123	Operation and Maintenance, General (fiscal year)
96X3124	General Expenses
96 95 3124	General Expenses (fiscal year)
96X3125	Flood Control and Coastal Emergencies
96 93/97 3125	Flood Control and Coastal Emergencies (fiscal year)
96X3126	Regulatory Program
96X3130	FUSRAP

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

The Corps also has two accounts to reflect partnering through cost-share projects:

96X3930	Consolidated Working Fund
96X8862	Rivers and Harbors Contributed and Advance Funds

The following special fund accounts are used to record receipts that are earmarked for a specific purpose:

96X5007	Special Recreation Use Fees
96X5066	Hydraulic Mining in California, Debris
96X5090	Payments to States, Flood Control Act of 1954
96X5125	Maintenance and Operation of Dams and Other Improvements of Navigable Waters

The following trust fund accounts are used to record the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the trust agreement or statute:

96X8861	Inland Waterways Trust Fund
96X8863	Harbor Maintenance Trust Funds
96X8868	Oil Spill Research

The Corps receives transfer funds from other agencies to perform specific services for that agency. During 1998, the Corps reported the following transfer fund accounts:

96 12X1105	State and Private Forestry, Forest Service
96 13X2050	Economic Development Administration
96 14X1039	Construction National Park Service
96 21X2020	OMA, American Samoa Projects
96 46X0200	Appalachian Regional Development Program
96 47X4542	GSA Building Delegation Program
96 89X4045	Bonneville Power Administration

Financial data for collections made to receipt accounts are excluded from our financial statements since these funds are returned to the Department of the Treasury at fiscal year end. However, the Corps reports collections throughout the fiscal year into the following receipt accounts:

96 0891	Miscellaneous fees for regulatory and judicial services, not otherwise classified
96 1099	Fines, Penalties, and Forfeitures, not otherwise classified
96 1435	General Fund Proprietary Interest, Not Otherwise Classified
96 3220	General Fund Proprietary Receipts. Not Otherwise Classified, All Other
96 5007	Special Recreation Use Fees, Bureau of Land Management, Interior
96 5090	Receipts from leases of lands acquired for flood control, navigation, and allied purposes
96 5125	Licenses under Federal Power Act, Improvements of navigable water, maintenance and operation of dams, etc., (50%)

The Revolving Fund, 96X4902, was established by Congress in 1953 and replaced the Plant Allotment Account. The Revolving Fund is used by the Corps for expenses necessary for the maintenance and operation of the plant and equipment used in civil works functions and the temporary financing of services finally chargeable to appropriations authorized for civil works functions.

In addition to the above funding, the Civil Works Program receives transfer authority from the Aquatic Resources Trust Fund 96X8333 (Coastal Wetlands Restoration Trust Fund). Since, the Department of Transportation is the lead agency responsible for financial reporting of this account; we have omitted financial data for the Coastal Wetlands Restoration Trust Fund in our fiscal year 1998 statements.

D. Basis of Accounting. Transactions are generally recorded on an accrual accounting bases and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds.

During fiscal year 1998, the Corps completed the deployment of the Corps of Engineers Financial Management System (CEFMS) to all its divisions, districts, centers, laboratories and field offices. CEFMS is a fully automated, comprehensive financial management system that simplifies the management of all aspects of the Corps business, including civil, military revolving fund and reimbursable activity.

E. Funds with the U. S. Treasury and Cash. The Corps' fund resources are maintained in U. S. Treasury accounts. Its cash receipts and disbursements are processed by the Treasury Department and the balance with the Treasury represents the aggregate of all unexpended balances. Material disclosures are provided at Note 2.

F. Investments in U. S. Government Securities. Investments in U. S. Government securities are reported at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment. Amounts reported reflect the value of investments in the Inland Waterways and Harbor Maintenance Trust Fund accounts, which are managed by the Treasury Department. The Treasury's intent is to hold investments to maturity unless they are needed to finance claims or otherwise sustain operations. Therefore, no provision is made for unrealized gains or losses on these securities.

**NOTE 2. Fund Balances with Treasury:**

(\$ in Thousands)

	Trust Funds	Revolving Funds	Appropriated Funds	Fund Types	Total
A. Entity Fund and Account Balances:					
Unobligated Balance Available:					
Available	121,959	519,413	2,185,189	12,392	2,838,953
Restricted					
Reserve For Anticipated Resources					
Obligated (but not expensed)	82,068	254,107	(712,108)	18,882	(357,051)
Unfunded Contract Authority					
Unused Borrowing Authority				23,697	23,697
<b>Total Entity Treasury Balance</b>	<b>204,027</b>	<b>773,520</b>	<b>1,473,081</b>	<b>54,971</b>	<b>2,505,599</b>
B. Non-Entity Fund and Account Balance					
					<b>46,116</b>

C. Other Information: Other Funds represent Borrowing Authority for Capital Improvements to the Washington Aqueduct and authority received for special fund accounts established for Payments to States, Hydraulic Mining in California and Maintenance and Operations of Dams and Other Improvements of Navigable Waters.

The following adjustments are required in order to reconcile the Funds Balance with Treasury in our financial statements to the FMS 2108 "Year End Closing Statement":

<u>Trust Funds</u>	
-\$7,592	Coastal Wetlands Restoration reported by Department of Transportation
\$14,124	IWW obligation authority
-\$5,243	IWW and HMTF funds recorded by Treasury but reported by the Corps as lead agency
<u>Appropriated Funds</u>	
\$18,741	Transfer authority
-\$1,996	Outstanding Travel Advances
<u>Other Funds</u>	
-\$18,036	FY 99 authority for special funds recorded by Treasury in September
\$40,393	Available borrowing authority for Washington Aqueduct
<u>Non-Entity</u>	
\$46,116	Deposit, Suspense and Budget Clearing Account Balances

**NOTE 3. Cash, Foreign Currency and Other Monetary Assets:**

(\$ in Thousands)

	<u>Entity Assets</u>	<u>Non-Entity Assets</u>
A. Cash		\$ 11,868
B. Foreign Currency		\$ 136
C. Other Monetary Assets		
D. Total Cash, Foreign Currency, and Other Monetary Assets		<u>\$ 12,004</u>

E. Other Information: Unconfirmed deposits in the amount of \$9,271 were reported to the Treasury by the North Atlantic Division, Rock Island, Baltimore, Los Angeles, New England and New York Districts.

**NOTE 4. Investments, Net:**

(\$ in Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Cost</u>	<u>Amortization Method</u>	<u>Amortized Premium/ (Discount)</u>	<u>Investments, Net</u>	<u>Other Adjustments</u>	<u>Market Value Disclosure</u>
<b>A. Intragovernmental</b>						
Securities:						
(1) Marketable	\$1,620,678		\$6,037	\$1,626,715		\$1,626,715
(2) Non-Marketable, Par Value						
(3) Non-Marketable, Market-Based						
Subtotal	\$1,620,678		\$6,037	\$1,626,715		\$1,626,715
(4) Accrued Interest	\$4,634					\$4,634
Total	<u>\$1,625,312</u>					<u>\$1,631,349</u>
<b>B. Governmental</b>						
Other Securities:						
(1) Commercial Paper						
(2) Other						
Subtotal						
(4) Accrued Interest						
C Total	<u>\$1,625,312</u>					<u>\$1,631,349</u>

D. Other Information: Investments for the Inland Waterways and Harbor Maintenance Trust Funds are reported by the Department of Treasury and included in our financial statements as the lead reporting agency.

**NOTE 5. Accounts Receivable, Net:**

(\$ in Thousands)

	(1)	(2)	(3)
		<u>Allowance for</u>	
	<u>Gross Amount</u>	<u>Estimated</u>	<u>Net Amount</u>
	<u>Due</u>	<u>Uncollectables</u>	<u>Due</u>
A. Entity Receivables:			
Intragovernmental	\$242,053	N/A	\$242,053
With the Public	\$738,097		\$738,097
B. Non-Entity Receivables:			
Intragovernmental	\$2	N/A	\$2
With the Public	\$324		\$324

C. Allowance Method Used: The Corps of Engineers has no established method for estimating uncollectible accounts receivable.

D. Other Information: Accounts receivable with the public includes adjusting entries in the amount of \$19 to correct erroneous FSN's reflected on the original transactions. Therefore, the financial statement exceeds the Schedule 9 by this amount. An additional difference of \$36 in the revolving fund is being researched for corrective action. The remaining difference of \$132,154 is due to receivables established in receipt accounts, which are included in the Schedule 9 report but are not included in the financial statements.

**NOTE 6. Other Assets:**

(\$ in thousands)

A. Other Entity Assets						
1. Intragovernmental						
(a) Assets Returned for Credit						
(b) Other (Revolving Fund Advances to Others)					\$42	
Total Intragovernmental					\$42	
2. Other						
(a) Assets Awaiting Disposal					\$15,962	
(b) Travel Advances					\$1,652	
(c) Advances - All Others - Public					\$8,901	
(d) Deferred & Undistributed Items					\$7,723	
(e) Intangible Assets					\$903,100	
(f) Other Assets					\$29,931	
Total Other					\$967,269	

B. Other information related to entity assets: Not applicable.

C. Other Non-Entity Assets: Not applicable.

D. Other information: Not applicable.

**NOTE 7. Direct Loans and Loan Guarantees, Non-Federal Borrowers:**

Not Applicable



**NOTE 8A. Inventory:**

(\$ in Thousands)

	(1)	(2)	(3)	(4)
		<u>Allowance</u>		
	<u>Inventory</u>	<u>for (Gains)</u>		<u>Valuation</u>
	<u>Amount</u>	<u>Losses</u>	<u>Inventory, Net</u>	<u>Method</u>
1. Inventory Categories:				
(a) Held for Current Sale	\$72,808	\$21,627	\$51,181	AC
(b) Held in Reserve For Future Sale				
(c) Excess, Obsolete, and Unserviceable	\$28		\$28	AC
(d) Held for Repair				
<b>Total</b>	<b>\$72,836</b>	<b>\$21,627</b>	<b>\$51,209</b>	

2. Restrictions on Inventory Use, Sale or Disposition: Not applicable

3. Other information: Not applicable

## Legend: Valuation Methods

LAC = Latest Acquisition Cost

SP = Standard Price

AC = Actual Cost

NRV = Net Realizable Value

O = Other

**NOTE 8B. Operating Materials and Supplies (OM&S):**

(\$ in Thousands)

	(1)	(2)	(3)	(4)
		<u>Allowance</u>		<u>Valuation</u>
		<u>for (Gains)</u>		<u>Method</u>
	<u>OM&amp;S Amount</u>	<u>Losses</u>	<u>OM&amp;S, Net</u>	
1. OM&S Categories:				
(a) Held for Use	\$182		\$182	AC
(b) Held in Reserve For Future Use				
(c) Excess, Obsolete, and Unserviceable				
Total	<u>\$182</u>		<u>\$182</u>	

2. Restrictions on operating materials and supplies: Not applicable

3. Other Information: Not applicable

Legend: Valuation Methods

LAC = Latest Acquisition Cost

NRV = Net Realizable Value

SP = Standard Price

O = Other

AC = Actual Cost

**NOTE 8C. Stockpile Materials:** Not applicable**NOTE 8. Recap of Inventory and Other Related Property:**

(\$ in Thousands)

	<u>Amount</u>
Inventory, Net	\$51,209
Operating Materials and Supplies, Net	182
Stockpile, Net	
Seized Property, Net	
Forfeited Property, Net	<u>          </u>
Total	\$51,391

**NOTE 9. General Property, Plant and Equipment (PP&E), Net:**

(\$ in Thousands)

	(1)	(2)	(3)	(4)	(5)
	<u>Depreciation</u>	<u>Service</u>	<u>Acquisition</u>	<u>Accumulated</u>	<u>Net Book</u>
	<u>Method</u>	<u>Life</u>	<u>Value</u>	<u>Depreciation</u>	<u>Value</u>
<b>Major Classes of Assets</b>					
A. Land			\$ 6,388,377		\$ 6,388,377
B. Structures, Facilities, and Leasehold Improvements	SL	>20	\$ 28,300,468	\$ 9,186,339	\$ 19,114,129
C. ADP Software	SL	2-3	\$ 1,600	\$ 669	\$ 931
D. Equipment	SL	3-10	\$ 1,100,015	\$ 459,796	\$ 640,219
E. Assets Under Capital Lease					\$ 0
F. Construction-in-Progress			\$ 6,505,560		\$ 6,505,560
G. Other - Natural Resources			\$ 347		\$ 347
<b>Total</b>			<b>\$ 42,296,367</b>	<b>\$ 9,646,804</b>	<b>\$ 32,649,563</b>

H. Other Information: Since there is no known decline in the value of land, construction-in-progress or natural resources structures, these assets are not depreciated. Personal property having an estimated useful life of 2 or more years and an acquisition cost which equals or exceeds the current monetary capitalization threshold of \$25,000 will be capitalized. Real property has an inherent useful life of 2 or more years and will be capitalized regardless of monetary value.

Legends:

Column (1) Above Depreciation Methods:

SL = Straight Line

**NOTE 10. Debt:** Not applicable

**NOTE 11A. Environmental Cleanup:** Not applicable.

**NOTE 11B. Other Liabilities:**

(\$ in Thousands)

1. Other Liabilities Covered by Budgetary Resources					
			<u>Noncurrent Liability</u>	<u>Current Liability</u>	<u>Total</u>
<b>a. Intragovernmental</b>					
(1)	Advances from Others			\$5,818	\$5,818
(2)	Deferred Credits				
(3)	Deposit Funds and Suspense Account Liabilities				
(4)	Liability for Borrowings to be Received				
(5)	Liability for Subsidy Related to Undisbursed Loans				
(6)	Other Liabilities - Advances to Agents			\$2,733	\$2,733
(7)	Resources Payable to Treasury				
	Total			<u>\$8,551</u>	<u>\$8,551</u>
<b>b. With the Public</b>					
(1)	Accrued Funded Payroll and Benefits			\$63,671	
(2)	Advances from Others			\$43,536	\$43,536
(3)	Deferred Credits				
(4)	Deposit Funds and Suspense Accounts			\$40,657	\$40,657
(5)	Other Liabilities			\$152,111	\$152,111
	Total			<u>\$299,975</u>	<u>\$299,975</u>

2. Other Information: Other liabilities with the public consists of \$9,271 in unconfirmed deposits, \$45,343 in contingent liabilities, a \$97,461 adjustment to Revolving Fund's funding authorization and \$36 in unidentified revolving fund liabilities.

3. Other Liabilities not Covered by Budgetary Resources: Not applicable.

4. Other Information: Not applicable.

**NOTE 12. Leases:** Not applicable.

**NOTE 13. Pensions and Other Actuarial Liabilities:** Not Applicable.

**NOTE 14. Unexpended Appropriations:**

(\$ in Thousands)

A. Unexpended Appropriations				
(1) Unobligated				
a. Available				\$984,093
b. Unavailable				
(2) Undelivered Orders				\$395,614
		Total		<u>\$1,379,707</u>

B. Other Information: Unobligated and undelivered orders represent that portion that is direct funded. It excludes unobligated balances and undelivered orders that are reimbursable.

**NOTE 15. Contingencies:** Contingent liabilities in the amount of \$45,343 are reserve funds in the Revolving Fund account which are set aside to cover loss or damage to major plant assets such as barges and dredges.

**NOTE 16A. Suborganization Program Costs:** Not applicable.

**NOTE 16B. Cost of National Defense PP&E:** Not applicable.

**NOTE 16C. Cost of Stewardship Assets:** Not applicable.

**NOTE 16D. Stewardship Assets Transferred:** Not applicable.

**NOTE 16E. Exchange Revenue:** Not applicable.

**NOTE 16F. Revenue and Expense Amounts for Foreign Military Sales (FMS) Program Procurements from Contractors:** Not applicable.

**NOTE 16G. Benefit Program Expense:**

Reporting Entity

For the year ended September 30, 1998

(\$ in thousands)

1. Service Cost				\$200,257
2. Period Interest on the Benefit Liability				
3. Prior (or Past) Service Cost				
4. Period Actuarial Gains or losses				

**NOTE 16H. Gross Cost and Earned Revenue by Budget Functional Classification:**

(\$ in Thousands)

	<u>Budget Function Code</u>	<u>Gross Cost</u>	<u>Earned Revenue</u>	<u>Net Cost</u>
A. Department of Defense Military	051			
B. Water Resources by US Army Corps of Engineers	301	\$6,955,258	\$2,584,075	\$4,371,183
C. Pollution Control and Abatement by US Army Corps of Engineers	304	\$171,330	\$9,982	\$161,348
D. Federal Employee Retirement and Disability by Department of Defense Military Retirement Trust Fund	602			
E. Veterans Education, Training, and Rehabilitation by Department of Defense Education Benefits trust Fund				
Total		\$7,126,588	\$2,594,057	\$4,532,531

**NOTE 16I. Other Disclosures to the Statement of Net Cost:** Imputed financing for CSRS Pension Liability is \$112,295. Imputed financing for Employment Health Insurance is \$83,839. Imputed financing for Other Retirement Benefits-Life Insurance is \$4,123.

**NOTE 17A. Summary of Deferred Maintenance Amounts by Category of Property, Plant and Equipment:** Not applicable

**NOTE 17B. General Property, Plant and Equipment Deferred Maintenance Amounts:** Not applicable.

**NOTE 17C. National Defense Property, Plant and Equipment Deferred Maintenance Amounts:** Not applicable.

**NOTE 18. Footnote Disclosures Related to the Statement of Changes in Net Position:**

**NOTE 18A. Prior Period Adjustments:**

(\$ in Thousands)

A. Prior Period Adjustments:							
1. Changes in Accounting Standards							
2. Errors and Omission in Prior Year Accounting Reports						(\$1,854,140)	
3. Other							
	Total					(\$1,854,140)	

B. Other Information: Prior period adjustments of (\$2,468,985) were made in order to record and report prior years' depreciation expense on capitalized assets transferred from work-in-progress to plant-in-service during the current fiscal year. \$614,845 in prior period adjustments were made due to improved reporting of Trust funds, Transfer appropriations, and Special accounts as well as full deployment of CEFMS, a comprehensive, automated financial management system.

**NOTE 18B. Other Disclosures to the Statement of Changes in Net Position:** Imputed financing for CSRS Pension Liability is \$112,295. Imputed financing for Employment Health Insurance is \$83,839. Imputed financing for Other Retirement Benefits-Life Insurance is \$4,123.

**NOTE 19. Disclosures Related to the Statement of Budgetary Resources:**

(\$ in Thousands)

1. Net amount of Budgetary Resources Obligated for Undelivered	\$1,219,454	
Orders at the End of Period		
2. Available Borrowing and Contract Authority at the End of Period	\$23,697	

3. Other Information: The Statement of Budgetary Resources is a combining statement, and, as such, intra-entity transactions have not been eliminated.

The net amount of budgetary resources obligated for undelivered orders at the end of the period includes \$823,841 in reimbursable undelivered orders and \$395,614 in direct.

Adjustments to the beginning balances were necessitated by first time compilation from the general ledger.

The Statement of Budgetary Resources will not reconcile to the SF133's reported to the Office of Management and Budget (OMB) because of differences in reporting responsibilities. Agencies that receive transfer appropriations from other agencies must report an Adjusted Trial Balance (ATB) for each Treasury appropriation they receive as well as transfer funds that they receive from other agencies. Since the CFO statements must reconcile to the ATBs, we have included transfer appropriation financial data in the Statement of Budgetary Resources. However, submission of the SF133, Report on Budget Execution, is the responsibility of the parent agency rather than the receiving agency. Consequently, there are no SF133's for comparison purposes. In addition, the Statement of Budgetary Resources includes revolving fund activity for the Corps of Engineers. However, DFAS submits the SF133 for revolving funds. Finally, the Corps submitted the SF133 for the Coastal Wetlands Restoration Trust Fund but the Department of Transportation is the lead agency for reporting the CFO statements and the ATB.

**NOTE 20. Disclosures Related to the Statement of Financing:** Adjustments made in Civil Works funds in order to record and report prior year's depreciation expense on capitalized assets erroneously affected the Costs Capitalized on the Balance Sheet. Therefore, adjusting entries were made to the standard general ledger to reflect current fiscal year capitalized costs only. Further research is being done to ensure that capitalized costs are accurately stated.

**NOTE 21. Disclosures Related to the Statement of Custodial Activity:** Not applicable.

**NOTE 22. Inter-Agency Eliminations:**

(\$ in Thousands)

		Column A	Column B	Column C
Part A. DoD Eliminations of Seller Activity With Other Federal Agencies Arrayed by DOD Entities	Treasury Index	Accounts Receivable With Other Federal Entities	Revenue With Other Federal Entities	Unearned Revenue From Other Federal Entities
Department of the Army, General Funds	21			
Department of the Navy, General Funds	17			
Department of the Air Force, General Funds	57			
Department of the Army, WCF	97X4930.01			
Department of the Navy, WCF	97X4930.02			
Department of the Air Force, WCF	97X4930.03			
Defense Logistics Agency, WCF	97X4930.05xx			
Defense Finance and Accounting Service, WCF	97X4930.05xx			
Other Defense Organizations, General Funds	97-xxxx			
Other Defense Organizations, WCF	97X4930.04 97X4930.05xx			
DOD Military Retirement Trust Fund	97-8097			
U.S. Army Corps of Engineers	96	\$242,052	\$408,888	\$47,625
Total		\$242,052	\$408,888	\$47,625

		Column A	Column B	Column C
Part B. DoD Eliminations of Seller Activity Arrayed by Other Federal Agencies	Treasury Index	DoD Accounts Receivable Arrayed by Customer:	DoD Revenue Arrayed by Customer:	DoD Unearned Revenue by Customer:
Executive Office of the President, Defense Security Assistance Agency	11			
Department of Agriculture*	12	\$2,311	\$1,914	
Department of Commerce*	13	\$1,313	\$1,489	
Department of the Interior*	14	\$9,615	\$12,804	
Department of Justice*	15	\$36,208	\$47,089	
Department of Labor*	16	\$11	\$9	
Department of State*	19	\$481	\$436	
Department of the Treasury*	20	\$18,064	\$42,790	
Office of Personnel Management*	24	\$1	\$2	
Nuclear Regulatory Commission*	31	\$40	\$168	
Department of Veterans Affairs*	36			
General Service Administration*	47	\$23,444	\$36,244	
National Science Foundation*	49	\$64	\$684	
Federal Emergency Management Agency*	58	\$12,011	\$29,454	
Environmental Protection Agency*	68	\$40,797	\$79,176	
Department of Transportation	69	\$17,664	\$27,559	
Agency for International Development*	72	\$301	\$298	
Small Business Administration*	73		\$3	
Department of Health and Human Services*	75	\$2,680	\$1,841	
National Aeronautics and Space Administration*	80	\$109	\$227	
Department of Housing and Urban Development*	86	\$15	\$16	
Department of Energy*	89	\$4,181	\$16,981	
Department of Education*	91			
Social Security Administration*	28			
Unidentifiable Federal Agency Entity	00	\$72,742	\$109,704	\$47,625
Miscellaneous Identifiable Federal Agencies Not Required to Prepare CFO Audited Financial Statements	00			
Total		\$242,052	\$408,888	\$47,625

**NOTE 23. Other Disclosures:** None.



***U.S. ARMY CORPS OF ENGINEERS***

***CIVIL WORKS***

***REQUIRED  
SUPPLEMENTARY  
STEWARDSHIP  
REPORTING***

***AS OF SEPTEMBER 30, 1998***



HERITAGE ASSETS  
For Fiscal Year Ended September 1998  
(Quantities in Actual Amounts Except for Battlefields,  
Cemeteries, and Land Which Are in the Number of Sites and (Thousands of Acres))

(a)	(b) As of <u>10/01/97</u>	(c) <u>Additions</u>	(d) <u>Deletions</u>	(e) As of <u>9/30/98</u>
<u>Collection Type</u>				
1. Documents				
2. Works of Art				
3. Military Artifacts				
4. Non-Military Artifacts	886			886
5. Classic Weapon Systems				
6. Other (Archeological - cubic feet)				
Total Collection Type	886			886
<u>Noncollection Type</u>				
7. Buildings	49			49
8. Structures	47			47
9. Monuments				
10. Battlefields				
11. Cemeteries				
12. Indian Tribal Burial Grounds				
13. Land	95	3		98
14. Other (Historic/Prehistoric Arch Sites)				
Total Noncollection Type	191	3		194
Total Heritage Assets	1,077	3		1,080

Narrative Statement

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

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

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

# ***U.S. ARMY CORPS OF ENGINEERS***

## ***CIVIL WORKS***

### ***AUDIT REPORT***



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202

March 1, 1999

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER) AND  
CHIEF FINANCIAL OFFICER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE

SUBJECT: Endorsement of the Disclaimer of Opinion on the FY 1998 Financial  
Statements of the U.S. Army Corps of Engineers, Civil Works Program  
(Project No. 8FI-2026)

The Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994, requires financial statement audits by the Inspectors General. We delegated to the Army Audit Agency (AAA) the audit of the FY 1998 Financial Statements of the U.S. Army Corps of Engineers, Civil Works Program. Summarized below are the AAA opinion letter on the FY 1998 financial statements and the results of our review of the AAA audit. We endorse the disclaimer of opinion expressed by the AAA (Enclosure).

**Disclaimer of Opinion.** The AAA disclaimer of opinion on the FY 1998 Financial Statements of the U.S. Army Corps of Engineers, Civil Works Program, February 8, 1999, stated that AAA was unable to express an opinion on the financial statements. We concur with the AAA disclaimer of opinion. The information provided contains AAA reasons for disclaimer and is based on previous versions of these financial statements. Some numbers may have changed; however, the concerns expressed also relate to the version of the financial statements contained herein. The AAA could not express an opinion on the financial statements for the reasons summarized below.

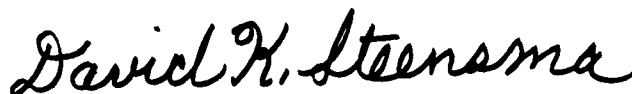
- Disbursing stations had material variances in Fund Balance with Treasury accounts.
- Accounts receivable were materially incomplete and did not have an allowance for estimated uncollectible amounts. Accounts receivable was materially understated because of partial reporting of long-term receivables from water storage contracts. In addition, accounts receivable were not reduced by an allowance for estimated uncollectibles.
- Real property general and subsidiary ledgers were not in agreement.
- Support for beginning balances in the Statement of Budgetary Resources was inadequate. The Corps Finance Center made undocumented adjustments to the beginning balances of the FY 1998 Statement of Budgetary Resources.
- The format and substance of the Statement of Net Cost were not in compliance with Federal accounting standards. Because of system problems, the Corps could not prepare the Statement of Net Cost by business programs.

**Internal Controls.** The AAA performed limited tests of controls, not enough to provide assurance that the internal controls over financial reporting contained no material errors. Consequently, the AAA did not provide an opinion on internal controls. However, AAA identified significant problems associated with financial reporting of fund balance with Treasury, accounts receivable, real property, the Statement of Net Cost, and the Statement of Budgetary Resources. Details on this matter are discussed in the significant matters section of the AAA audit report.

**Compliance With Laws and Regulations.** The AAA also identified areas of noncompliance with laws and regulations, which are discussed in more detail in the laws and regulations section of the AAA audit report. Under the Federal Financial Management Improvement Act of 1996 and OMB Bulletin No. 98-08, "Audit Requirements for Federal Financial Systems," August 24, 1998, as amended January 25, 1999, the AAA work disclosed that the financial management system did not comply with applicable Federal accounting standards related to accounting for selected assets, liabilities, revenue, and other financing sources. For example, the Corps needed to make changes to its financial management system to record long-term accounts receivable and long-term accounts payable and to estimate and record allowance for loss on accounts receivable and the corresponding bad-debt expense. Also, the real property values in the Corps financial management system general and subsidiary ledgers did not agree. In addition, there were about 29,000 real property assets in the financial management system with no recorded book value.

**Review of Army Audit Agency Work.** To fulfill our responsibilities for determining the accuracy and completeness of the independent audit conducted by the AAA, we reviewed the audit approach and planning and monitored the progress at key points. We also performed other procedures to determine the fairness and accuracy of the audit approach and conclusions.

We reviewed the AAA work on the FY 1998 Financial Statements of the U.S. Army Corps of Engineers, Civil Works Program, from March 19, 1998, to March 1, 1999, in accordance with generally accepted Government auditing standards. We found no indication that we could not rely on the AAA disclaimer of opinion or its related evaluation of internal controls and compliance with laws and regulations.



David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

Enclosure



## AUDITOR'S REPORT

DEPARTMENT OF THE ARMY  
U.S. ARMY AUDIT AGENCY  
OFFICE OF THE AUDITOR GENERAL  
3101 PARK CENTER DRIVE  
ALEXANDRIA, VA 22302-1596

Secretary of the Army  
Commander, U.S. Army Corps of Engineers

In accordance with the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, the U.S. Army Corps of Engineers prepared the accompanying financial statements for fiscal year 1998. The Corps engaged us to audit its Balance Sheet as of 30 September 1998, and the Statements of Net Cost, Budgetary Resources, Financing, and Changes in Net Position for the fiscal year ended 30 September 1998. The financial statements are the responsibility of Corps management. Our responsibility is to express an opinion on these financial statements based on our audit.

We were unable to express an opinion on these financial statements because:

- Disbursing stations had material variances in their fund balance with Treasury.
- Accounts receivable were materially incomplete and did not have an allowance for estimated uncollectible amounts.
- Real property general and subsidiary ledgers were not in agreement.
- The format and substance of the Statement of Net Costs was not in compliance with Federal accounting standards requirements.
- Statement of Budgetary Resources' beginning balances were not adequately supported.

Therefore, we caution users that the information presented in the financial statements may not be reliable.

We performed limited tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Budgetary Resources and selected lines on other financial statements, not to provide assurance on the internal control over financial reporting. Consequently, we do not provide an opinion on internal controls.

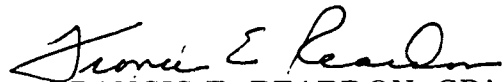
However, our review of those controls showed that once corrections are made to the longstanding problems identified above, the controls would be effective to ensure that there are no material misstatements in the financial statements for those accounts.

We found instances of noncompliance with laws and regulations. The Corps needed to make changes in accounting procedures as they relate to fund balance with Treasury, accounts receivable, and accounts associated with the Statement of Net Cost.

As a result, the risk of material misstatement in the financial statements is high. We will present details of these matters in this report.

We also reviewed the information presented in the Corps overview section accompanying its financial statements. We found some weaknesses in the performance measures. The Corps didn't discuss the financial statement limitations or address Year 2000 issues as required by DOD guidance.

We performed our work in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin 98-08 (Audit Requirements for Federal Financial Statements).

  
FRANCIS E. REARDON, CPA  
The Auditor General

8 February 1999