

U.S. Army Corps of Engineers
Civil Works

Chief Financial
Officer
Annual Financial
Statement
FY 1997

February 27, 1998

***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 from 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 1997 funding by source and business program.

**Army Corps of Engineers
FY 97 Civil Works and Support For Others Program Funding**

Funding Source	\$ (000)
General Investigations ¹	153,872
Construction General ¹	1,081,942
Operation & Maintenance ^{1,4}	1,866,015
Mississippi River & Tributaries ^{1,4}	330,374
Regulatory ¹	101,000
General Expense ¹	149,000
Flood Control & Coastal Emergencies ^{1,4}	425,000
Other Civil Works ⁵ (Coastal Wetlands Restoration)	43,000
Non-Federal Contributions ³	198,800
Support for Others ²	760,000 ²
Total	5,109,003

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

2 Reimbursable work for other agencies. (Preliminary value.)

3 Non-Federal contributed funds (cash contributions required by law for budgeted work and work to be done on a reimbursable basis in conjunction with authorized project work).

4 Includes supplemental appropriations.

5 Other reports on Coastal Wetlands Restoration Trust Fund work.

FY 97 Funding By Business Program

Funding by Business Program	\$ Millions
Navigation	1,553
Flood & Coastal Storm Damage Reduction	1,383
Support for Others ¹	760 ¹
Environment	313
Regulatory	110
Hydropower	277
Emergency Management	468
Recreation	243
Water Supply	2
Total	5,109

*1 Reimbursable Work for Other Agencies (Preliminary).

BUSINESS PROGRAMS

The Civil Works Program will accomplish these strategic goals by providing important services in eight business programs: flood and coastal storm damage reduction, navigation, environment, hydropower, recreation, regulatory, emergency preparedness and disaster response, and support for others. Program performance goals are being established for each of the eight programs to demonstrate progress in achieving the strategic goals. Program performance measures being used in Fiscal Year 1997 to measure performance in achieving program goals are described below. Other measures, which will be used in Fiscal 1998 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 been benefits in excess of costs.
2. Existing Federal 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 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 94	FY 95	FY 96	FY 97
Flood Damages Prevented	\$17.0B	\$26.8B	\$22.6B	NA

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 400 smaller harbors. The Corps also has built an intracoastal and inland network of 12,000 miles of commercial navigation channels and over 200 locks and dams. Major improvements to inland waterway facilities are financed in part by the Inland Waterway Trust Fund. More than 600 million tons of commerce are moved every year on these waterways. 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 94	FY 95	FY 96	<u>FY 97</u>
Ton Miles of Commerce	265.0B	276.5B	266B	TBD
Cost per Ton Mile*	\$0.0018	\$0.0018	\$0.0018	TBD

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

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.

Performance Achieved:

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
Actual Availability	98%	99%	98%	TBD

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.

Performance Achieved:

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96(est)</u>	<u>FY 97</u>
Cubic Yards Removed*	264M	217M	234M	TBD
Cost Per Cubic Yard	\$1.61	\$1.88	\$1.81	TBD

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

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.

Performance Achieved:	FY 96	FY 97
-Total acres designated as Corps and administered mitigation acres	1,100,834	(Results
-Mitigation acres meeting requirements	577,068	under
-Percent of Corps administered mitigation lands (acres) achieving Corps mitigation requirements.	52%	analysis)

Performance Measure 2: Percent of Federally listed species with final Fish and Wildlife Service (FWS)/National Marine Fisheries Service (NMFS) Recovery Plans for which Corps is accomplishing ascribed FWS/NMFS Recovery Plan requirements. This measure is the number of species with final FWS/NMFS Recovery Plan requirements divided by the number of species for which the Corps has recovery requirements specified in final FWS/NMFS Recovery Plans.

Performance Target Number 2: Target is to accomplish Recovery Plan requirements for 30% of Federally listed species identified in those Recovery Plans.

Performance Achieved:	FY 96	FY 97
-Number of species with Final Recovery Plans for which Corps is accomplishing requirements.	N/A	(Results
-Number of species for which Corps has recovery requirements specified in final Recovery Plans.	N/A	under
-Percent of Federally listed species identified in those Recovery Plans where Corps is accomplishing Recovery Plan requirements	N/A	analysis)

Performance Measure 3: Percent of Corps acreage included within North America Waterfowl Management Plan (NAWMP) Joint Venture Implementation Plan (JVIP) is where work has been accomplished in support of Implementation Plan goals. This measure is the number of Corps land and water acres identified in NAWMP-JVIP where work has been accomplished in support of JVIP goals, divided by the total Corps land and water acres included in the NAWMP-JVIP.

Performance Target Number 3: Target is 30% of Corps acres identified in NAWMP-JVIPs have been improved in accordance with NAWMP-JVIP goals.

Performance Achieved:	FY 96	FY 97
-Corps land/water acres identified in NAWMP-JVIP where work has been accomplished in support of JVIP goals.	N/A	(Results under analysis)
-Corps land and water acres included in the NAWMP-JVIP	N/A	(Results under analysis)
-Percent of Corps acres identified in NAWMP-JVIP improved in accordance with NAWMP-JVIP goals.	N/A	

Performance Measure Number 1 (Compliance): Percent of all significant findings corrected annually and percent of major findings corrected annually.

Performance Target Number 1: Target for FY 97 is to correct 100% of all significant findings and correct 65% of all major findings.

Performance Achieved:	FY 97
Number of Significant Findings	11
% Corrected	100%
Number of Major Finding	798
% Corrected	49%

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 94	FY 95	FY 96	FY 97
Number of Permit Actions	58,391	73,515	71,870	80,613
% Completed within 60 days	91%	93%	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 94	FY 95	FY 96	FY 97
Number of Permit Actions	4,157	4,603	4,247	3,875
% Completed within 120 days	74%	78%	80%	79%

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

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 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 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
Kilowatt Hours Generated	68.2B	77.4B	TBD	TBD
Cost Per Kilowatt Hour	\$0.0025	\$0.0024	TBD	TBD

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.

Performance Achieved:

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
Performance Target	93%	90%	90%	TBD
Actual Availability	88.9%	87.9%	88.4%	TBD

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

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

PRINCIPAL STATEMENTS

SEPTEMBER 30, 1997

Principal Statements

**Department of Defense
U. S. Army Corps of Engineers
Statement of Financial Position
As of September 30, 1997
(Thousands)**

ASSETS	<u>1997</u>	<u>1996</u>
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$2,097,700	\$1,610,934
(2) Investments, Net (Note 4)	302,984	278,995
(3) Accounts Receivable, Net (Note 5)	280,160	355,616
(4) Interest Receivable	1,573	1,537
(5) Advances and Prepayments	(14,594)	
(6) Other Federal (Intragovernmental) (Note 6)		(12,555)
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)		
(2) Accounts Receivable, Net (Note 5)	614,238	20,901
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)		
(4) Interest Receivable, Net		
(5) Advances and Prepayments	7,011	2,821
(6) Other Non-Federal (Governmental) (Note 6)	(920)	(43,873)
c. Cash and Other Monetary Assets (Note 3)	2,401	
d. Inventory, Net (Note 8)	8,608	
e. Work in Process (Note 9)		
f. Operating Materials/Supplies, Net (Note 10)	643	9,185
g. Stockpile Materials, Net (Note 11)		
h. Seized Property (Note 12)		
i. Forfeited Property, Net (Note 13)		
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)		
k. Property, Plant and Equipment, Net (Note 15)	37,263,466	38,657,678
l. War Reserves		
m. Other Entity Assets	(216,048)	219,559
n. Total Entity Assets	<u>\$40,347,222</u>	<u>\$41,100,798</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
U. S. Army Corps of Engineers
Statement of Financial Position
As of September 30, 1997
(Thousands)**

ASSETS, Continued	<u>1997</u>	<u>1996</u>
2. Non-Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	\$76,146	\$54,311
(2) Accounts Receivable, Net (Note 5)		1,842
(3) Interest Receivable, Net		
(4) Other (Note 6)		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	130	550,331
(2) Interest Receivable, Net		
(3) Other (Note 6)		
c. Cash and Other Monetary Assets (Note 3)	215	
d. Other Non-Entity Assets		
e. Total Non-Entity Assets	<u>\$76,491</u>	<u>\$606,484</u>
3. Total Assets	<u><u>\$40,423,713</u></u>	<u><u>\$41,707,282</u></u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	\$659,034	\$167,978
(2) Interest Payable		
(3) Debt (Note 16)		
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	36,235	26,458

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
U. S. Army Corps of Engineers
Statement of Financial Position
As of September 30, 1997
(Thousands)**

LIABILITIES, Continued	<u>1997</u>	<u>1996</u>
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	\$432,594	\$423,838
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	(11,554)	80,889
(b) Annual Accrued Leave	295,900	168,866
(c) Severance Pay and Separation Allowance	(74)	
(3) Interest Payable		
(4) Liabilities for Loan Guarantees (Note 7)		
(5) Lease Liabilities (Note 18)		
(6) Pensions and Other Actuarial Liabilities (Note 19)		
(7) Other Non-Federal (Governmental) Liabilities (Note 17)	<u>272,979</u>	<u>131,669</u>
c. Total Liabilities Covered by Budgetary Resources:	<u>\$1,685,114</u>	<u>\$999,698</u>
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable		
(2) Debt (Note 16)		
(3) Other Federal (Intragovernmental) Liabilities (Note 17)		1,641
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable		
(2) Debt (Note 16)		
(3) Lease Liabilities (Note 18)		
(4) Pensions and Other Actuarial Liabilities (Note 19)		
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	<u>549,434</u>	<u>549,434</u>
c. Total Liabilities Not Covered by Budgetary Resources	<u>549,434</u>	<u>\$551,075</u>
6. Total Liabilities	<u>\$1,685,114</u>	<u>\$1,550,773</u>

The accompanying notes are an integral part of these statements.

Principal Statements

**Department of Defense
U. S. Army Corps of Engineers
Statement of Financial Position
As of September 30, 1997
(Thousands)**

NET POSITION (Note 20)	<u>1997</u>	<u>1996</u>
7. Balances:		
a. Unexpended Appropriations	\$1,190,904	\$2,242,060
b. Invested Capital	37,462,256	38,402,480
c. Cumulative Results of Operations	65,951	63,044
d. Other	19,488	
e. Future Funding Requirements		(551,075)
f. Total Net Position	<u>\$38,738,599</u>	<u>\$40,156,509</u>
8. Total Liabilities and Net Position	<u><u>\$40,423,713</u></u>	<u><u>\$41,707,282</u></u>

Department of Defense
U. S. Army Corps of Engineers
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

Principal Statements

REVENUES AND FINANCING SOURCES	<u>1997</u>	<u>1996</u>
1. Appropriated Capital Used	\$3,196,835	\$3,708,850
2. Revenues from Sales of Goods and Services		
a. To the Public	17,181	
b. Intragovernmental	2,500,524	3,301,497
3. Interest and Penalties, Non-Federal		14
4. Interest, Federal	17,021	15,519
5. Taxes (Note 21)		
6. Other Revenues and Financing Sources (Note 22)	723,571	262,072
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies	<u>(339,325)</u>	<u>(191,786)</u>
8. Total Revenues and Financing Sources	<u>\$6,115,807</u>	<u>\$7,096,166</u>
EXPENSES		
9. Program or Operating Expenses (Note 23)	\$4,108,984	\$5,945,585
10. Cost of Goods Sold (Note 24)		
a. To the Public	5,683	
b. Intragovernmental	323,611	812,971
11. Depreciation and Amortization	1,305,029	349,603
12. Bad Debts and Writeoffs		70
13. Interest		
a. Federal Financing Bank/Treasury Borrowing		
b. Federal Securities		
c. Other	372	
14. Other Expenses (Note 25)	<u>218,789</u>	
15. Total Expenses	<u>\$5,962,468</u>	<u>\$7,108,229</u>

The accompanying notes are an integral part of these statements.

Department of Defense
U. S. Army Corps of Engineers
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997
(Thousands)

Principal Statements

EXPENSES, Continued	<u>1997</u>	<u>1996</u>
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	\$153,339	(\$12,063)
17. Plus (Minus) Extraordinary Items (Note 26)	<u>(1,872)</u>	<u> </u>
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$151,467</u>	<u>(\$12,063)</u>
19. Net Position, Beginning Balance, as Previously Stated	\$40,156,509	\$40,230,122
20. Adjustments (Note 27)	<u>(325,650)</u>	<u> </u>
21. Net Position, Beginning Balance, as Restated	39,830,859	40,230,122
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	151,467	(12,063)
23. Plus (Minus) Non Operating Changes (Note 28)	<u>(1,243,727)</u>	<u>(61,550)</u>
24. Net Position, Ending Balance	<u>\$38,738,599</u>	<u>\$40,156,509</u>

Department of Defense
U. S. Army Corps of Engineers
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)

Principal Statements

CASH FLOWS FROM OPERATING ACTIVITIES	<u>1997</u>	<u>1996</u>
1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	<u>\$839,858</u>	<u>(\$12,063)</u>
Adjustments Affecting Cash Flow:		
2. Appropriated Capital Used		(46,868)
3. Decrease (Increase) in Accounts Receivable	7,517	27,502
4. Decrease (Increase) in Other Assets	(10,474)	8,842
5. Increase (Decrease) in Accounts Payable	21,410	7,295
6. Increase (Decrease) in Other Liabilities	(37,265)	(23,986)
7. Depreciation and Amortization	51,480	65,310
8. Other Unfunded Expenses		
9. Other Adjustments	<u>1,872</u>	<u>74,154</u>
10. Total Adjustments	<u>\$34,540</u>	<u>\$112,249</u>
11. Net Cash Provided (Used) by Operating Activities	<u>\$874,398</u>	<u>\$100,186</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
12. Sale of Property, Plant and Equipment	2,359,595	1,148
13. Purchase of Property, Plant and Equipment	(1,235,399)	(54,464)
14. Sale of Securities		
15. Purchase of Securities		
16. Collection of Loans Receivable		
17. Creation of Loans Receivable		
18. Other Investing Cash Provided (Used)	<u> </u>	<u> </u>
19. Net Cash Provided (Used) by Investing Activities	<u><u>\$1,124,196</u></u>	<u><u>(\$53,316)</u></u>

The accompanying notes are an integral part of these statements.

**Department of Defense
U. S. Army Corps of Engineers
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)**

Principal Statements

CASH FLOWS FROM FINANCING ACTIVITIES	<u>1997</u>	<u>1996</u>
20. Appropriations (Current Warrants)	\$1,025,381	
21. Add:		
a. Restorations		
b. Transfers of Cash from Others		
22. Deduct:		
a. Withdrawals		
b. Transfers of Cash to Others		
	<hr/>	
23. Net Appropriations	<u>\$1,025,381</u>	
24. Borrowing from the Public		
25. Repayments on Loans to the Public		
26. Borrowing from the Treasury and the Federal Financing Bank		
27. Repayments on Loans from the Treasury and the Federal Financing Bank		
28. Other Borrowings and Repayments		
	<hr/>	<hr/>
29. Net Cash Provided (Used) by Financing Activities		
	<hr/>	<hr/>
30. Net Cash Provided (Used) by Operating, Investing and Financing Activities	\$1,998,594	\$46,870
31. Fund Balance with Treasury, Cash, and Foreign Currency, Beginning	<u>590,616</u>	<u>543,746</u>
32. Fund Balance with Treasury, Cash, and Foreign Currency, Ending	<u><u>\$655,511</u></u>	<u><u>\$590,616</u></u>

The accompanying notes are an integral part of these statements.

**Department of Defense
U. S. Army Corps of Engineers
Statement of Cash Flows
For the Period Ended September 30, 1997
(Thousands)**

Principal Statements

Supplemental Disclosure of Cash Flow Information: 1,997 1,996

33. Total Interest Paid

Supplemental Schedule of Financing and Investing Activity: 1,997 1,996

34. Property and Equipment Acquired Under
Capital Lease Obligations

35. Property Acquired Under Long-Term Financing
Arrangements

36. Other Exchanges of Non-cash Assets or Liabilities

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

CIVIL WORKS

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

AS OF SEPTEMBER 30, 1997

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NOTE 1. Significant Accounting Policies:

A. **Basis of Presentation.** The Corps of Engineers Funds with Treasury balances have been adjusted to agree with Treasury's balances in accordance with Treasury policy.

B. **Reporting Entity.** The Corps of Engineers Management Information System (COEMIS) has not been programmed to capture data under GL 5700 (Appropriations Expensed) or GL 6100 (Program Operating Expenses) on the Statement of Operations. Therefore, Appropriations Expensed and Program Operating Expenses have been adjusted on all statements.

C. **Budgets and Budgetary Accounting.** The Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. 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 accounts used to prepare the principal statements are classified as entity/non-entity and by type of fund.

Entity Accounts:

General Funds

96X3112	Flood Control, Mississippi River and Tributaries
96X3121	General Investigations
96X3122	Construction, General
96X3123	Operation and Maintenance, General
963/73123	Operation and Maintenance, General (fiscal year)
96X3124	General Expenses
96953124	General Expenses (fiscal year)
96X3125	Flood Control and Coastal Emergencies
963/73125	Flood Control and Coastal Emergencies (fiscal year)
96X3126	Regulatory Program
96X3930	Consolidated Working Fund

Revolving Funds

96X4902	Revolving fund
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Special Funds

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

Trust Funds

96X8333	Coastal Wetlands Restoration Trust Fund
96X8861	Inland Waterways Trust Fund
96X8862	Rivers and Harbors Contributed and Advance Funds
96X8868	Oil Spill Research

Transfer Funds

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 89X0224	Energy supply, Department of Energy
96 89X4045	Bonneville Power Administration

Non-Entity:

Deposit Funds

96X6075	Withheld Allotment of Compensation for Payment of Employee Organization Dues
96X6094	Advances from the District of Columbia
96X6134	Amounts Withheld for Civilian Pay Allotments
96X6145	Technical Assistance, United States Dollars Advanced from Foreign Government
96X6302	Moneys Withheld from Contractors
96X6875	Suspense
96X6999	Accounts Payable, Check Issue Underdrafts

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

Receipt Accounts

960891	Miscellaneous fees for regulatory and judicial services, not otherwise classified
961099	Fines, Penalties, and forfeitures, not otherwise classified
961435	General Fund Proprietary Interest, Not Otherwise Classified
963220	General Fund Proprietary Receipts. Not Otherwise Classified, All Other
965007	Special Recreation Use Fees, Bureau of Land Management, Interior
965090	Receipts from leases of lands acquired for flood control, navigation, and allied purposes
965125	Licenses under Federal Power Act, Improvements of navigable water, maintenance and operation of dams, etc., (50%)

NOTE 2. Fund Balances with Treasury:

A. Fund and Account Balances:

	<u>Trust</u>	<u>Revolv-</u>	<u>Entity Assets</u> <u>Appro-</u>	<u>Other</u>	
	<u>Funds</u>	<u>ing</u>	<u>priated</u>	<u>Fund</u>	<u>Total</u>
		<u>Funds</u>	<u>Funds</u>	<u>Types</u>	
Unobligated Balance Available:					
Available	\$66,992	\$404,765	\$1,471,605		\$1,943,362
Restricted					
Reserve For Anticipated Resources					
Obligated (but not expensed)	104,308	250,746	(200,716)		154,338
Unfunded Contract Authority					
Unused Borrowing Authority					
Treasury Balance	<u>\$171,300</u>	<u>\$655,511</u>	<u>\$1,270,889</u>		<u>\$2,097,700</u>

B. Other Information: \$76,146k reflects the sum of the fund balances in deposit, suspense and budget clearing accounts. This amount is reported as a non-entity asset on the Statement of Financial Position, Line 2a(1). Appropriated Funds include \$3,055k in transfer appropriations which were not included on the FMS 2108 "Year End Closing Statement". Revolving Fund Unobligated Balance is adjusted for COEMIS sites by an amount of \$254,146k. General Ledgers are posting incorrectly in COEMIS.

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

	<u>Entity Assets</u>	Non-Entity Assets
A. Cash	\$2,401	\$215
B. Foreign Currency		
C. Other Monetary Assets:		
(1) Gold		
(2) Special Drawing Rights		
(3) U.S Reserves in the Inter- national Monetary Fund		
(4) Other		
(5) Total Other Monetary Assets		
D. Total Cash, Foreign Currency and Other Monetary Assets	<u>\$2,401</u>	<u>\$215</u>

NOTE 4. Investments, Net:

	(1)	(2)	(3)	(4)	(5)
	<u>Cost</u>	<u>Market Value</u>	<u>Amortization Method</u>	<u>Amortized Premium/ (Discount)</u>	<u>Investments Net</u>
A. Intragovernmental Securities:					
(1) Marketable	\$302,984				\$302,984
(2) Non-Marketable Par Value					
(3) Non-Marketable Market Based					
Subtotal	\$302,984				\$302,984
B. Governmental Securities:					
(1)					
(2)					
(3)					
Subtotal					
Total	<u>\$302,984</u>				<u>\$302,984</u>

C. Other Information: The above investments represent the invested portion of the Inland Waterways Trust Fund. This portion of the IWWTf is managed and accounted for by the Department of the Treasury.

NOTE 5. Accounts Receivable, Net:

	(1)	(2)	(3)	(4)
	Gross	Allowance	Allowance	Net
	Amount	For Estimated	Method	Amount
	<u>Due</u>	<u>Uncollectibles</u>	<u>Used</u>	<u>Due</u>
A. Entity Receivables:				
Intragovernmental	\$280,160			\$280,160
Governmental	614,238			614,238
B. Non-Entity Receivables:				
Intragovernmental				
Governmental	130			130

C. Other Information: A total of \$497,399k of governmental account receivables within our Southwest Division has been declared "Long Term". These receivables are associated with the "Water Shed" Program. L/T A/R, broken down by Districts, is as follows:

Fort Worth	\$367,683
Little Rock	9,436
Tulsa	<u>120,280</u>
Total	\$497,399

NOTE 6. Other Federal (Intragovernmental) and Non-Federal (Governmental) Assets

A. Other Entity Assets:

(1) Federal (Intragovernmental)

Total

(2) Non-Federal (Governmental)

(a) Contributed Funds Held in Escrow (\$920)Total (\$920)

C. Other Non-entity Assets:

(1) Federal (Intragovernmental)

Total

(2) Non-Federal (Governmental)

Total

NOTE 7. Loan and Loan Guarantees, Non-Federal Borrowers Not applicable

NOTE 8. Inventory, Net:

	(1) Inventory <u>Amount</u>	(2) Allowance <u>For Losses</u>	(3) Inventory, <u>Net</u>	(4) Valuation <u>Method</u>
A. Inventory Categories:				
(1) Held for Current Sale	\$8,877	\$259	\$8,618	
(2) Held in Reserve for Future Sale				
(3) Excess, Obsolete and Unserviceable				
(4) Held for Repair	<u>(10)</u>	<u></u>	<u>(10)</u>	
Total	<u>\$8,867</u>	<u>\$259</u>	<u>\$8,608</u>	

B. Restrictions on Inventory Use, Sale or Disposition: None

C. Other Information: None

NOTE 9. Work in Process: Not applicable

NOTE 10. Operating Materials and Supplies (OM&S), Net:

	(1) OM&S <u>Amount</u>	(2) Allowance for Losses	(3) OM&S, <u>Net</u>	(4) Valuation <u>Method</u>
A. OM&S Categories:				
(1) Held for Use	\$643		\$643	E
(2) Held in Reserve for Future Use				
(3) Excess, Obsolete and Unserviceable				
Total	<u>\$643</u>		<u>\$643</u>	

B. Restrictions on operating materials and supplies None

C. Other Information: The Revolving Fund maintains a warehouse activity to receive, store and issue common inventory items required by multiple civil works activities and activities of the Revolving Fund. Issues are based on average unit cost.

NOTE 11. Stockpile Materials, Net: Not applicable

NOTE 12. Seized Property: Not applicable

NOTE 13. Forfeited Property, Net: Not applicable

NOTE 14. Goods Held Under Price Support and Stabilization Programs, Net: Not applicable

NOTE 15. Property, Plant and Equipment, Net:

	(1) Depreci- ation Method	(2) Service Life	(3) Acquisition Value	(4) Accumulated Depreciation	(5) Net Book Value
Classes of Fixed Assets					
A. Land			\$7,590,776		\$7,590,776
B. Structures, Facilities, & Leasehold Improvements	IN	>20	29,181,196	5,578,131	23,603,065
C. Military Equipment	SL	1-5	883,641	328,275	555,366
D. ADP Software	SL	1-5	1,852	318	1,534
E. Equipment					
F. Assets Under Capital Lease					
G. Other					
H. Natural Resources			338		338
I. Construction-in-Progress			<u>5,512,387</u>		<u>5,512,387</u>
Total			<u>\$43,170,190</u>	<u>\$5,906,724</u>	<u>\$37,263,466</u>

***Keys:**

Depreciation Methods	Range of Service Life	
SL - Straight Line	1-5	1 to 5 years
DD - Double-Declining Balance	6-10	6 to 10 years
SY - Sum of the Years' Digits	11-20	11 to 20 years
IN - Interest (sinking fund)	>20	Over 20 years
PR - Production (activity or use method)		
OT - Other (describe)		

NOTE 16. Debt: Not applicable

NOTE 17. Other Liabilities:

A. Other Liabilities Covered by Budgetary Resources:

	Noncurrent Liability	Current Liability	Total
1. Intragovernmental			
(a) Cash on Deposit in Designated Depository		\$213	\$213
(b) Cash in Custody of Government Cashiers		2,188	2,188
(c) Cash on Hand		215	215
(d) Advances from Other Federal Activities		14,648	14,648
(e) Budget Clearing Account Liabilities		<u>18,971</u>	<u>18,971</u>
Total		<u>\$36,235</u>	<u>\$36,235</u>

	Noncurrent Liability	Current Liability	Total
2. Governmental			
(a) Advances from the Public		\$215,709	\$215,709
(b) Deposit Fund Liabilities		<u>57,270</u>	<u>57,270</u>
Total		<u>\$272,979</u>	<u>\$272,979</u>

B. Other Information: None

C. Other Liabilities Not Covered by Budgetary Resources:

	Noncurrent Liability	Current Liability	Total
1. Intragovernmental			

	Noncurrent Liability	Current Liability	Total
2. Governmental			

D. Other Information: None

NOTE 18. Leases: Not applicable

NOTE 19. Pensions and Other Actuarial Liabilities: Not applicable

NOTE 20. Net Position:

	<u>Revolving Funds</u>	<u>Trust Funds</u>	<u>Appro- priated Funds</u>	<u>Total</u>
A. Unexpended				
Appropriations:				
(1) Unobligated,				
a. Available		\$66,992	\$692,840	\$759,832
b. Unavailable			76,146	76,146
(2) Undelivered Orders		82,127	272,799	354,926
B. Invested Capital	829,766	952,611	35,679,879	37,462,256
C. Cumulative Results				
of Operations	249,302	181,148	(364,499)	65,951
D. Other	19,487		1	19,488
E. Future Funding				
Requirements				
F. Total	<u>\$1,098,555</u>	<u>\$1,282,878</u>	<u>\$36,357,166</u>	<u>\$38,738,599</u>

G. Other Information: None

NOTE 21. Taxes: Not applicable

NOTE 22. Other Revenues and Financing Sources:

	<u>1997</u>	<u>1996</u>
A. Other Revenues and Financing Sources:		
(1) Plant Increment		\$31,039
(2) Unavailable Receipts (General Funds)	\$119,303	191,787
(3) Misc Reimbursements/Gains	416,995	
(4) Insurance Premiums		16,348
(5) CSRS/FERS Retirement	92,640	
(6) Health	87,327	
(7) Life Insurance	339	
(8) Trust Fund Revenue	<u>6,967</u>	<u>22,898</u>
Total	<u><u>\$723,571</u></u>	<u><u>\$262,072</u></u>

B. Other Information: General Fund receipts in the amount of \$119,303k are unavailable receipts returned to the Treasury. The \$180,306k, items (5), (6) and (7), represents the imputed expense for pensions and other retirement benefits (ORB). The Office of Personnel Management (OPM) is the administrative entity for pensions and other retirement benefits. OPM accounts for and reports the pension liability in their financial statements while the employer discloses the imputed expenses. OPM actuaries provide the normal cost rates which are used to calculate the imputed expenses. Trust Fund revenues in the amount of \$6,967k are accounted for by the Treasury. The Treasury can provide any additional information needed.

NOTE 23. Program or Operating Expenses:

	<u>1997</u>	<u>1996</u>
A. Operating Expenses by Object Classification:		
(1) Personal Services and Benefits	\$1,592,811	\$1,019,978
(2) Travel and Transportation	44,216	57,246
(3) Rental, Communication and Utilities	136,831	103,808
(4) Printing and Reproduction	13,132	19,464
(5) Contractual Services	1,779,413	4,528,298
(6) Supplies and Materials	117,647	210,146
(7) Equipment not Capitalized	42,446	
(8) Grants, Subsidies and Contributions		5,600
(9) Insurance Claims and Indemnities	2,165	1,045
(10) Other (describe):		
(a) Plant Replacement Increment	692,505	
(b) Intra - Revolving Fund Sales	(312,182)	
(c) Benefit Program		
(11) Total Expenses by Object Class	<u>\$4,108,984</u>	<u>\$5,945,585</u>

NOTE 24. Cost of Goods Sold:

A. Cost of Services Sold	
(1) Beginning Work-in-Process	\$0
(2) Plus: Operating Expenses	329,294
(3) Minus: Ending Work-in-Process	0
(4) Minus: Completed Work for Activity Retention	<u>0</u>
Cost of Services Sold	<u>\$329,294</u>

NOTE 25. Other Expenses:

	<u>1997</u>	<u>1996</u>
A. Other Expenses:		
(1) Losses on Disposition of Assets	\$21,183	\$0
(2) CSRS/FERS Retirement	92,640	0
(3) Health	87,327	0
(4) Life Insurance	339	0
(5) Other Miscellaneous Losses	17,300	0
Total	<u>\$218,789</u>	<u>\$0</u>

B. Other Information: The \$180,306k, items (2), (3) and (4), represents the imputed expense for pensions and other retirement benefits (ORB). The Office of Personnel Management (OPM) is the administrative entity for pensions and other retirement benefits. OPM accounts for and reports the pension liability in their financial statements while the employer discloses the imputed expenses. OPM actuaries provide the normal cost rates which are used to calculate the imputed expenses.

NOTE 26. Extraordinary Items:

A. Extraordinary Items:	
(1) Casualty Losses	<u>(\$1,872)</u>
Total	<u>(\$1,872)</u>

NOTE 27. Prior Period Adjustments:

A. Prior Period Adjustments:	
(1) Plant Increment Income	(\$852,458)
(2) SWD Audit Adjustments	880,569
(3) COEMIS Adjustments	<u>(353,761)</u>
Total	<u>(\$325,650)</u>

NOTE 28. Non-Operating Changes - (Transfers and Donations):

A. Increases:	<u>1997</u>	<u>1996</u>
(1) Transfers-In:		
(a) Other (COEMIS)	\$4,545,014	\$0
(b) Other Corps	1,726,243	0
(c) Other	(4,321,302)	0
(d) Revolving Fund	102,179	0
(e) Other Government Agencies	490,681	0
(2) Unexpended Appropriations	2,168,119	0
(3) Donations Received		0
(4) Other Increases	<u>18,716,391</u>	<u>0</u>
(5) Total Increases	<u><u>\$23,427,325</u></u>	<u><u>\$0</u></u>
B. Decreases:	<u>1997</u>	<u>1996</u>
(1) Transfers-Out:		
(a) Other (COEMIS)	\$4,403,025	\$0
(b) Other Gov't Agencies (COEMIS)	4,291,158	0
(c) Other Gov't Agencies	(494,938)	0
(d) Other Corps	419,347	0
(e) Others	5,248,489	0
(f) Capital Investments (COEMIS)	40,424,458	0
(g) Capital Investments	(29,060,165)	0
(h) Plant Replacement	(122,595)	0
(i) Plant Depreciation	49,559	0
(j) Interest on Gov't Investments	(3,697,238)	0
(k) Capital Investment Depreciation	2,473,792	0
(l) Capital Investment Revolving Fund		0
(m) Capital Investment Trust Fund		0
(n) Capital Investment Special Fund		0
(o) Abandoned Projects	113,567	0
(2) Donations	622,731	0
(3) Other Decreases	<u>(138)</u>	<u>0</u>
(4) Total Decreases	<u><u>\$24,671,052</u></u>	<u><u>\$0</u></u>
C. Net Non-Operating Changes (Transfers):	<u><u>(\$1,243,727)</u></u>	<u><u>\$0</u></u>

NOTE 29: Intrafund Eliminations:

Schedule A: The following schedule shows the values of sales and services within the Civil Works activity by transactions. It is presumed that an equal amount of accounts payable, expenses, advances and disbursements have been entered on the accounting records of the purchasing COE District.

Selling Activity:	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>
	Reimb <u>Source Code</u>	Accounts <u>Receivable</u>	Revenue	Unearned <u>Revenue</u>
Civil Works Funds		\$24,084	\$291,855	\$274,531
Unearned Revenue			5,488	
Total		<u>\$24,084</u>	<u>\$291,855</u>	<u>\$5,488</u>

Customer Activity:	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>
		Accounts <u>Payable</u>	<u>Expenses</u>	<u>Advances</u>
Civil Works Funds		\$24,084	\$291,855	\$274,531
Advances			5,488	
Total		<u>\$24,084</u>	<u>\$291,855</u>	<u>\$5,488</u>

Schedule B: Not applicable

Schedule C: The value of sales or services between the Department of the Army and the COE are shown below. It is presumed that an equal amount of accounts payable, expenses, advances and disbursements have been entered by the Department of the Army on their accounting records.

Selling Activity:	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>
Reimb	Accounts		Unearned	
<u>Source Code</u>	<u>Receivable</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Collections</u>
Department of the Army	<u>(\$8,168)</u>	<u>\$1,679,211</u>		<u>\$950,290</u>
Total	<u>(\$8,168)</u>	<u>\$1,679,211</u>		<u>\$950,290</u>

Customer Activity:	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>
	Accounts			
	<u>Payable</u>	<u>Expenses</u>	<u>Advances</u>	<u>Disbursements</u>
Department of the Army	<u>(\$8,168)</u>	<u>\$1,679,211</u>		<u>\$950,290</u>
Total	<u>(\$8,168)</u>	<u>\$1,679,211</u>		<u>\$950,290</u>

Schedule D: The following schedule shows the value of sales and services between the COE and other U.S. Government entities. It is presumed that an equal amount of accounts payable, expenses, advances and disbursements have been entered on the accounting records of the purchasing entity.

Selling Activity:	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>
Reimb Source Code	Accounts <u>Receivable</u>	<u>Revenue</u>	Unearned <u>Revenue</u>	<u>Collections</u>
Other US Govt/Non-Defense	<u>(\$5,210)</u>	<u>\$795,244</u>		<u>\$774,679</u>
Total	<u>(\$5,210)</u>	<u>\$795,244</u>		<u>\$774,679</u>

Customer Activity:	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>
	Accounts <u>Payable</u>	<u>Expenses</u>	<u>Advances</u>	<u>Disbursements</u>
Other US Govt/Non-Defense	<u>(\$5,210)</u>	<u>\$795,244</u>		<u>\$774,679</u>
Total	<u>(\$5,210)</u>	<u>\$795,244</u>		<u>\$774,679</u>

NOTE 30. Contingencies: Not applicable

NOTE 31. Other Disclosures:

Previously recorded intangible assets in the amount of \$585,918k were determined to be land and were reclassified. Accumulated amortization in the amount of \$201,098k, recorded when the asset was classified as intangible, was reversed. A net decrease of \$384,820k was recorded against the value of Other Assets to reflect the asset reclassification and reversal of amortization. Consequently, the resulting balance of Other Assets was a negative \$216,048k.

We have reported abnormal account balances for Advances and Prepayments, Salaries and Wages and Severance Pay and Separation Allowance. In addition, we have reported differences between Revenues from the Sales of Goods or Services and the Cost of Goods Sold. We are currently operating under two automated systems and are unable to explain these balances at this time. However, the accounts are being reviewed and corrective action will be taken.

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

CIVIL WORKS

AUDIT OPINION

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

February 27, 1998

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 1997 U.S Army
Corps of Engineers, Civil Works Program, Financial Statements
(Project No. 7FI-2032)

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 FYs 1997 and 1996 financial statements of the U.S. Army Corps of Engineers, Civil Works Program. Summarized below are the AAA opinion letter and the results of our review of the AAA audit. We endorse the disclaimer of opinion expressed by the AAA (see the Enclosure).

Disclaimer of Opinion. The AAA disclaimer of opinion on the FYs 1997 and 1996 financial statements of the U.S. Army Corps of Engineers, Civil Works Program, dated February 13, 1998, states that AAA was unable to express an opinion on the financial statements. We concur with the AAA disclaimer of opinion for the reasons summarized below.

- o The U.S. Army Corps of Engineers, Civil Works Program, used a legacy financial system possessing a number of fundamental weaknesses. The single-entry system is not based on the U.S. Government Standard General Ledger, lacks revenue and expense accounts, and does not provide an adequate audit trail.

- o Because the Corps had not implemented a fully integrated financial system, no reasonable assurance existed that data reported in the financial statements were reliable.

The financial statements of the U.S. Army Corps of Engineers, Civil Works Program, were audited by the General Accounting Office in FYs 1991 and 1992 and by the AAA in FY 1993 as part of the Army General Fund financial statements. Opinions were disclaimed each of those years. Beginning in FY 1994, DoD required separate financial statements and a separate audit opinion for the U.S. Army Corps of Engineers, Civil Works Program. The AAA issued a disclaimer of opinion on the FYs 1994 and 1996 U.S. Army Corps of Engineers, Civil Works Program, Statement of Operations and Changes in Net Position. The AAA did not attempt to render an opinion on the FY 1995 financial statements of the U.S. Army Corps of Engineers, Civil Works Program. Generally, the disclaimers were the result of inadequate accounting systems.

Internal Controls. Internal controls did not ensure that the FYs 1997 and 1996 financial statements of the U.S. Army Corps of Engineers, Civil Works Program, were free of material misstatements. As a result, the risk of material misstatement is high. Details on internal controls and compliance with laws and regulations will be discussed in a separate report.

Compliance With Laws and Regulations. The AAA also identified areas of noncompliance with laws and regulations. Under the Federal Financial Management Improvement Act of 1996 and OMB Bulletin No. 93-06, Addendum 1, "Audit Requirements for Federal Financial Statements," January 16, 1998, the AAA work disclosed that financial management systems did not comply with Federal financial management system requirements; applicable Federal accounting standards; and the United States Government Standard General Ledger at the transaction level.

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

We conducted our review of the AAA work on the U.S. Army Corps of Engineers, Civil Works Program, financial statements from September 2, 1997, to February 27, 1998, 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 on internal controls and compliance with laws and regulations.



David K. Steensma
Deputy Assistant Inspector General
for Auditing

Enclosure



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 years 1997 and 1996. The Corps engaged us to audit its Statement of Financial Position as of 30 September 1997 and its Statement of Operations and Changes in Net Position for the fiscal years ended 30 September 1997 and 1996. The Corps didn't engage us to audit the Statement of Financial Position as of 30 September 1996. The financial statements are the responsibility of the Corps' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We couldn't express an opinion on the reliability of the statements because the Corps' legacy financial system, which is still used by some Corps divisions, is a single-entry system that isn't integrated with other Corps systems. Also, the system isn't based on the U.S. Government's Standard General Ledger, lacks revenue and expense accounts and doesn't provide an adequate audit trail from the financial statements back to the supporting transactions. Because the Corps hadn't fully implemented its new integrated financial system, it couldn't provide reasonable assurance that data reported in the statements was reliable. In addition, we weren't able to apply other auditing procedures to satisfy ourselves as to the fairness of the presentation of the statements.

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

Internal controls weren't fully effective to ensure that there were no material misstatements in the financial statements, and we found instances of noncompliance with laws and regulations. For example, the legacy financial system (COEMIS) used by the Corps to support its financial statements didn't meet the requirements of the Federal Financial Management Improvement Act of 1996. The legacy system didn't substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. As a result, the risk of material misstatement in the financial statements is

high. We will present details of these matters in our separate report on internal controls and compliance with laws and regulations.

We also reviewed, on a limited basis, the information presented in the Corps' overview section accompanying its financial statements. In previous audits, we reported that the Corps needed to improve its methods of measuring performance to effectively portray its civil works mission. The Corps revised its strategic goals and objectives for FY 97. However, it generally used the same performance measures in FY 97 that it had used in previous years. Therefore, the significance of the performance measures presented in the FY 97 overview still remain questionable.

We performed our work in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin 93-06 (Audit Requirements for Federal Financial Statements) as amended.


FRANCIS E. REARDON, CPA
The Auditor General

