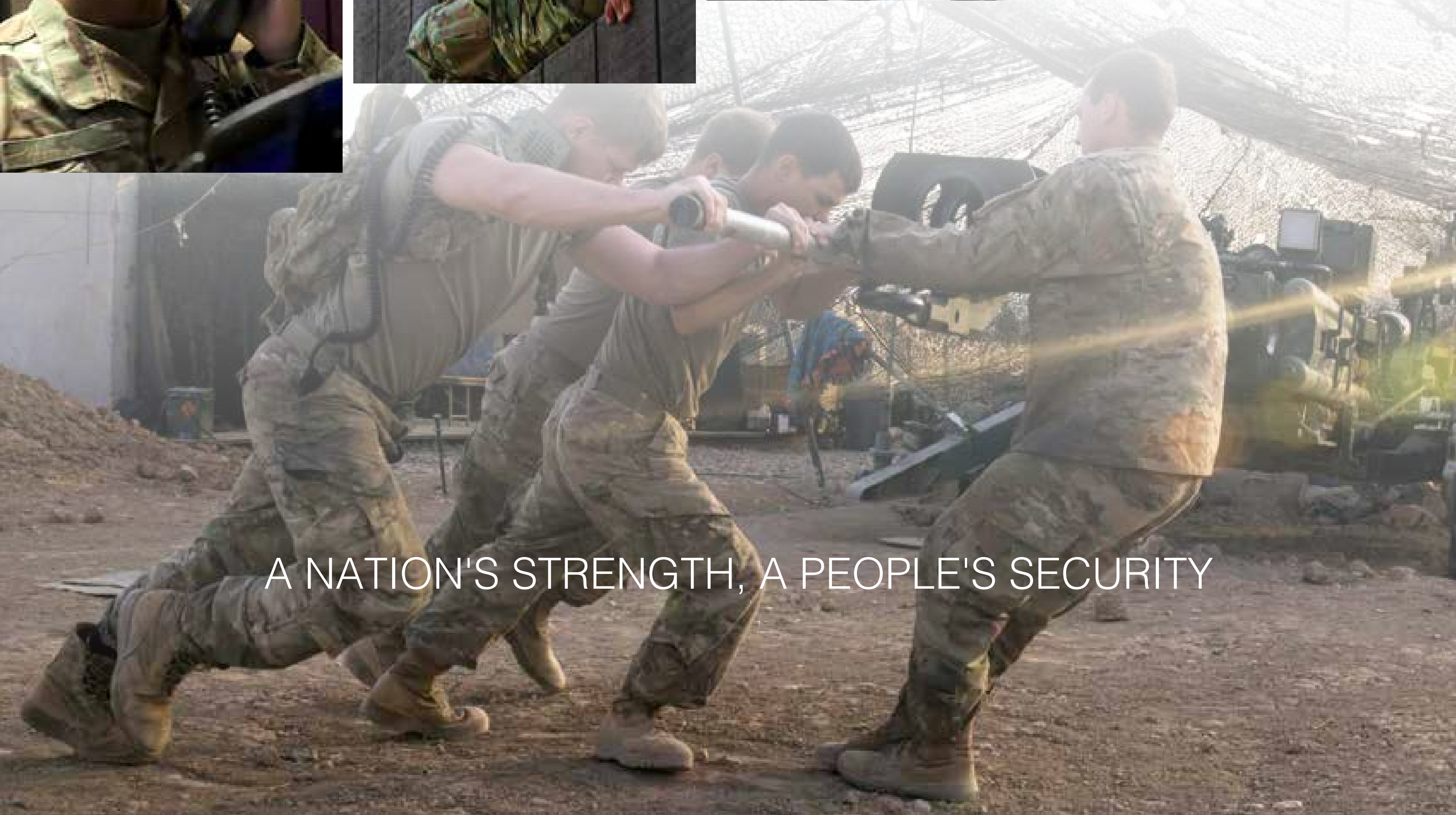
Fiscal Year 2017 United States Army Annual Financial Report

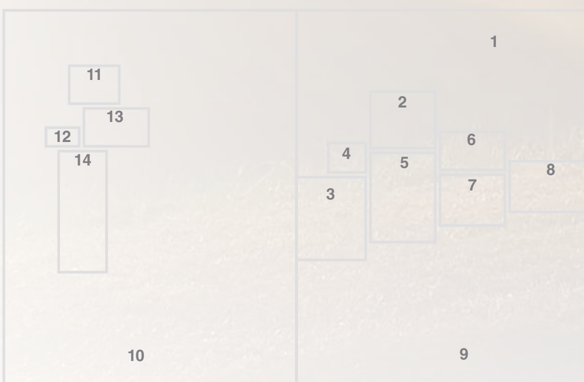
2017

U.S. ARMY CORPS OF ENGINEERS – CIVIL WORKS



A NATION'S STRENGTH, A PEOPLE'S SECURITY

A NATION'S STRENGTH, A PEOPLE'S SECURITY



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A CORPS SURVEY VESSEL. (PHOTO COURTESY OF U.S. ARMY CORPS OF ENGINEERS)

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A NATION'S ***STRENGTH,***
A PEOPLE'S ***SECURITY***

The U.S. Army Corps of Engineers (Army Corps) evaluates, constructs, operates, and maintains projects to help reduce flood risk to communities; facilitate commercial navigation; and restore degraded aquatic ecosystems.

The Army Civil Works Program receives its funds through annual Energy and Water Development Act appropriations, supplemental appropriations, and from its non-Federal cost-sharing partners and other receipts. The Army Corps uses these funds to accomplish the Program's three main missions, which are flood and storm damage reduction, commercial navigation, and aquatic ecosystem restoration, and related efforts such as hydropower, stewardship, and recreation.

In an ongoing effort to return the highest overall value to the Nation from available funds, the Army Corps seeks opportunities to work with its partners to develop planning study solutions in a timely and cost-effective manner, to manage the cost, schedule, and scope of ongoing construction projects, and to use risk analysis to prioritize capital investment and maintenance needs.

As described further in this report, the Army Corps is committed to working with other Federal agencies, states, local governments, tribal governments, the private sector, and the public. Our work is part of the broader effort at all levels of government to manage the Nation's water resources in a responsible manner.

RYAN A. FISHER
Acting Assistant Secretary of the Army
(Civil Works)

A NATION'S ***STRENGTH,***
A PEOPLE'S ***SECURITY***

Fiscal Year 2017 has once again proved a momentous year in which the U.S. Army Corps of Engineers (USACE) has demonstrated phenomenal agility within its Financial Management enterprise. That amazing dexterity has empowered our nearly 34,000 Civilian and 750 Military professionals to deliver vital engineering services, globally, in support of our fellow Americans. Our Civil Works Mission intensified toward the end of this fiscal year due to multiple disaster response missions— particularly Hurricanes Harvey, Irma and Maria. Each mission challenged USACE to respond quickly and effectively while employing the appropriate resources and authorities. With each event, and throughout the entire year, USACE was ready because our financial management enterprise was ready. From support of budget requests to management of multiple, complex appropriations and reimbursable funds, to the proper obligation, disbursement and accounting for more than $25 billion annually, USACE Financial Management has delivered.

Our success both in financial performance and in our ability to consistently receive clean audit opinions on our Civil Works Appropriation financial statement is grounded in several key foundations of the Corps. First is our system. The Corps of Engineers Financial Management System (CEFMS) has, for over 25 years, been the platform for running our business process and translating it into auditable financial statements. Our goal in the near future is to make this proven system even better as we adapt to an evolving Department of Defense and interagency environment. Second is the strategic advantage we possess in operating our own Finance Center which is adept at handling the most complex financial transactions with remarkable efficiency and financial integrity. Third, and most significant, is the competence and integrity of more than 1,300 financial management professionals within USACE composed of our headquarters policy and compliance team, our Finance Center and financial operations within headquarters and each of our divisions, districts and centers. Together, they form a Community of Practice that is a model for integrating centralized policy and support with decentralized execution.

I am confident given the strength and structure of our Financial Management enterprise coupled with the diligence and dedication of every USACE employee, that we are well postured to meet our national engineering challenges now and in the future.

Todd T. Semonite

ESSAYONS! Building Strong! Army Strong!
TODD T SEMONITE
Lieutenant General, USA
Commanding

A NATION'S ***STRENGTH,*** A PEOPLE'S ***SECURITY***

The United States Army Corps of Engineers (USACE) Civil Works Annual Financial Report highlights our financial position and results of operations for Fiscal Year (FY) 2017. We are able to provide assurance over the reliability of our financial reporting for the approximately $11.7 billion in obligations in FY 2017 for Civil Works activities.

I would like to take this opportunity to thank each member of the USACE team for their extraordinary contributions in making FY 2017 a success. Each and every reporting activity worked diligently to ensure USACE obtained its tenth consecutive unmodified “clean” audit opinion. Our success, both in our financial performance and ability to remain the “best in class” in audit sustainability is attributed to three essential foundations: our System, our Center, and our People. First is our System. The Corps of Engineers Financial Management System (CEFMS) is truly the cornerstone of our success. It is the mechanism that translates our business processes into the auditable financial statements disclosed in this report. Our goal, in the near future and beyond, is to make this proven System better through modernization and capacity improvement. Second is our Center, as in the USACE Finance Center, which is adept at handling the most complex financial transactions with remarkable efficiency and financial integrity. Their superb work ethic and leadership is the driver behind the USACE audit sustainability environment. Third, and most significant, is the competence and business acumen of our more than 1,300 financial management professionals. Each of our financial management professionals throughout the Headquarters, Divisions, Districts and Centers are certified through the Department of Defense Financial Management Program, which maintains that they possess the requisite training and expertise to faithfully execute the duties of the positions for which they hold.

Moving forward, USACE will continue to play an integral role in assisting the Army and the Department of Defense (DoD) in their efforts toward auditability. FY 2017 marked the inaugural year for the implementation of our Single Audit Approach for the Defense Logistics Agency. USACE ensures full accountability for Military Construction stakeholders’ funds applying the single audit approach ensuring each stakeholder is postured for success during their respective audit. Despite the increased workload for USACE, I am confident that our business processes, systems, and our internal control framework will position USACE to fully support the audit requirements of both our Civil Works Program and our key DoD stakeholders. This report and the outstanding accomplishments it describes reflects great credit upon our employees’ extraordinary dedication to duty and I remain honored to serve alongside them.

THOMAS C. STEFFENS
Chief Financial Officer

A DOWNSREAM VIEW FROM THE MIDDLE WALL OF NEW CUMBERLAND LOCKS AND DAM. (PHOTO COURTESY OF U.S. ARMY CORPS OF ENGINEERS)

A NATION'S STRENGTH, A PEOPLE'S SECURITY

2017

OVERVIEW

The United States Army Corps of Engineers (USACE) is comprised of two major programs: the Civil Works program and the Military program. This Agency Financial Report represents only the Army Corps of Engineers Civil Works program (USACE-CW). The Military program is reported within the Army General Fund Financial Statements.

Mission

In recent years, USACE-CW has had three main mission areas:
(1) commercial navigation; (2) flood and storm damage reduction; and (3) aquatic ecosystem restoration.

Supporting Commercial Navigation

USACE-CW is facilitating commercial navigation by providing safe, reliable, highly cost effective and environmentally sustainable waterborne transportation systems. The Nation's infrastructure to support transportation of commercial goods by water involves a network of navigable coastal channels, inland waterways and related features maintained by USACE-CW, as well as publicly and privately owned marine terminals, intermodal connections, shipyards and repair facilities.

Protecting, Restoring and Managing the Aquatic Environment

The Rivers and Harbors Act of 1890 required the USACE-CW to prevent the obstruction of navigable waterways. As environmental concerns grew in the 20th century, several statutes were passed promoting conservation of fish and wildlife. The *Clean Water Act of 1972* greatly broadened the scope of the USACE-CW responsibility for regulating discharges into U.S. waters, including the country's wetlands. The *Water Resources Development Act of 1996* established ecosystem restoration cost-share standards for the USACE-CW. The USACE-CW's environmental responsibilities have continued to increase through legislation, and now include aquatic ecosystem restoration, clean-up of early atomic energy program sites, and stewardship responsibilities at USACE-CW dams.

Flood Risk Management

Under its Flood Risk Management (FRM) program, USACE-CW works with communities to reduce the risk to human safety and property damage from flooding in river valleys and along the coasts. The work that USACE-CW performs under this mission includes its emergency management work, as part of the overall Federal effort to help affected communities during and after a major flood event.

Providing Engineering Support and Technical Services

In Titles 10 and 33 of the U.S. Code (U.S.C.), Congress authorized the USACE-CW to provide services on a reimbursable basis to other federal entities, both state and local, as well as tribal governments, private firms, and international organizations. Additionally, authority to provide services to all federal agencies is found in Titles 15, 22, and 31, which include providing services to foreign governments.

THE CIVIL WORKS PROGRAM

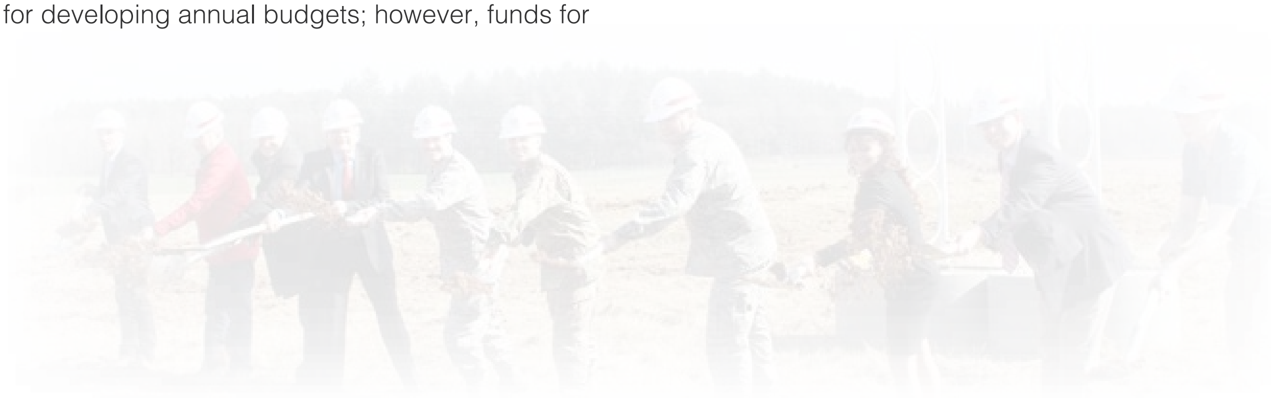
The USACE-CW is primarily funded through Energy and Water Development appropriations. Those appropriations are provided at the account level – Investigations (I), Construction (C), Operation and Maintenance (O&M), Mississippi River & Tributaries (MR&T), Flood Control and Coastal Emergencies (FCCE), Regulatory, Expenses, Formerly Utilized Sites Remedial Action Program (FUSRAP), and the Office of the Assistant Secretary of the Army for Civil Works (OASA-CW). The USACE-CW also does reimbursable work for other Federal and non-Federal interests under the Economy Act.

In Fiscal Year (FY) 2017, of the $27,755 million available for expenditure, the USACE-CW expended a total of $8,063 million or 29% of the total available.

FIGURE 1. FY 2017 USACE-CIVIL WORKS FUNDING BY SOURCE (IN MILLIONS)

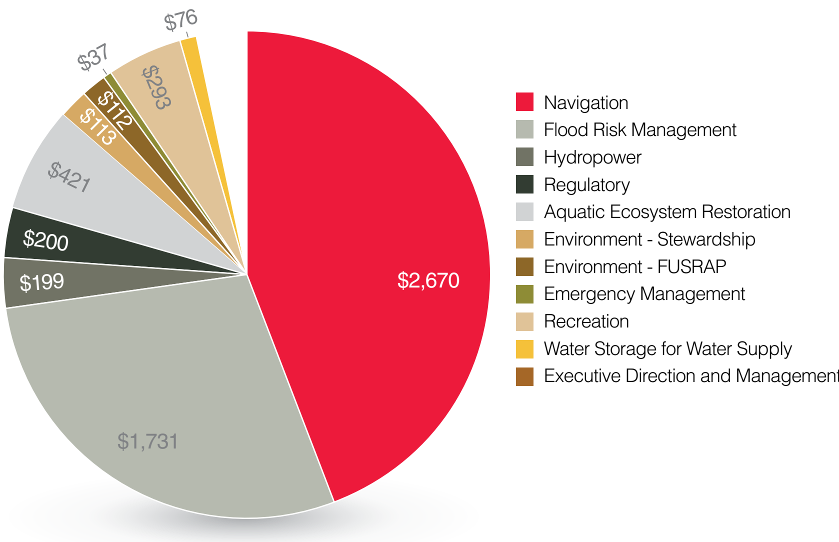
	Unobligated, Unexpended Carry-In	Obligated, Unexpended Carry-In	New FY 2017 Budget Authority	Recovery of prior obligations	Available for expenditure
Regular & Supplemental Appropriations	$7,567	$5,186	$7,626	$212	$20,591
Reimbursable Funding	$2,332	$2,278	$2,437	$117	$7,164
Intra-Corps (non-add)	$1,502	$826	$563	$20	$2,911
Total	$9,899	$7,464	$10,063	$329	$27,755

The USACE-CW classifies its work by business lines, which provide a framework for describing the Army Civil Works program and is the framework used for developing annual budgets; however, funds for the Army Civil Works program are appropriated by account. Associated civil works activities fall under one or more business lines.



A description of the business lines of the USACE-CW follows Figure 2. Figure 2 lists the business lines that receive direct appropriations and the funds used for executive direction and management for FY 2017.

FIGURE 2. FY 2017 USACE-CIVIL WORKS DIRECT REGULAR APPROPRIATIONS (IN MILLIONS) BY BUSINESS LINE[1,2]



[1] *Executive Direction and Management includes $181 million for Expenses and $5 million for OASA-CW.*

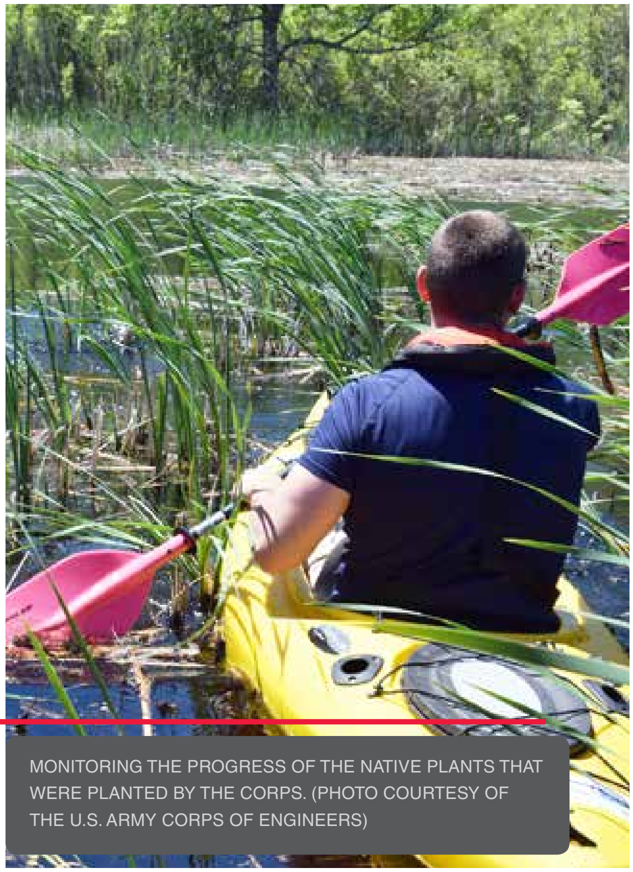
[2] *Excludes funds received in FY 2017 from supplemental appropriations and reimbursable work for others.*

Navigation

The Navigation business line supports safe, reliable, cost-effective, and environmentally sustainable waterborne transportation systems for the movement of commercial goods. The program funds a combination of capital improvements and the operation and maintenance of existing infrastructure projects. Roughly 98% of America's overseas international trade (by weight) and 68% of all international trade (by weight) moves through Corps projects. Our nation's marine assets include a network of navigable coastal channels, inland waterways, and infrastructure, as well as publicly and privately owned vessels, marine terminals, intermodal connections, shipyards, and repair facilities. The USACE-CW maintains approximately 12,000 miles of inland waterways with 218 locks at 176 sites; approximately 300 deep-draft and 600 shallow-draft Great Lakes and coastal ports extending 13,000 miles and include 23 locks at 19 sites; and more than 900 coastal navigation structures.

In FY 2017, the Navigation business line received approximately $2,670 million or almost 44% of the FY 2017 USACE-CW annual appropriations.

PHILADELPHIA DISTRICT AND ITS CONTRACTOR BUILDING TWO SECTIONS OF A SEAWALL (U.S. ARMY CORPS OF ENGINEERS PHOTO BY TIM BOYLE).



MONITORING THE PROGRESS OF THE NATIVE PLANTS THAT WERE PLANTED BY THE CORPS. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS)

Flood Risk Management

USACE-CW also works with communities to reduce the risk to human safety and property damage from flooding in river valleys and along the coasts. The USACE-CW manages 8,500 miles of levees and dikes, 383 reservoirs, and more than 90 storm damage reduction projects along 240 miles of the nation's 2,700 miles of shoreline. Since the Water Resources Development Act of 1986, most of the new projects that the Corps has built under the auspices of its FRM program are owned and operated by cities, towns, and special use districts, which were the local sponsors of these projects during construction.

Over the years, USACE-CW efforts to address the causes and impacts of flooding have evolved based on an increased understanding of the complexity and dynamics of flood problems—the interaction of natural forces and human development—as well as a recognition of the importance of the state, local, and individual roles in managing the risks caused by flooding in a riverine or coastal setting. Generally, USACE-CW flood risk management is a part of an overall strategy for reducing the flood risks.

In FY 2017, the Flood Risk Management business line received approximately $1,731 million, which is more than 29% of the FY 2017 USACE-CW annual appropriations.

Aquatic Ecosystem Restoration

The USACE-CW mission in aquatic ecosystem restoration is to help restore aquatic habitat to a more natural condition in ecosystems in which structure, function, and dynamic processes have become degraded. The emphasis is on restoration of nationally or regionally significant habitats where the solution primarily involves modifying the hydrology and/or geomorphology.

In FY 2017, the Aquatic Ecosystem Restoration business line received approximately $421 million or 7% of the total FY 2017 USACE-CW annual appropriations.

Environment

The USACE-CW has two distinct areas that are focused on the environment in addition to aquatic ecosystem restoration: (1) stewardship of USACE-CW lands; and, (2) Formerly Utilized Sites Remedial Action Program (FUSRAP).

Environmental Stewardship: Environmental stewardship focuses on managing, conserving, and preserving natural resources on 12 million acres of land and water at multipurpose USACE-CW projects. This business line encompasses compliance measures to ensure USACE-CW projects (1) meet federal, state, and local environmental requirements; (2) sustain environmental quality; and, (3) conserve natural and cultural resources. Fish hatchery mitigation is funded by the Flood Risk Management and Hydropower business lines.

In FY 2017, the Environmental Stewardship business line received approximately $113 million or 2% of the FY 2017 USACE-CW annual appropriations.

FUSRAP: Under FUSRAP, the USACE-CW remediates certain former Manhattan Project and Atomic Energy Commission sites, making use of expertise gained in cleansing former military sites and civilian hazardous waste sites under the Environmental Protection Agency's Superfund Program.

In FY 2017, the FUSRAP business line received approximately $112 million or 2% of the total FY 2017 USACE-CW annual appropriations.

Regulation of Aquatic Resources

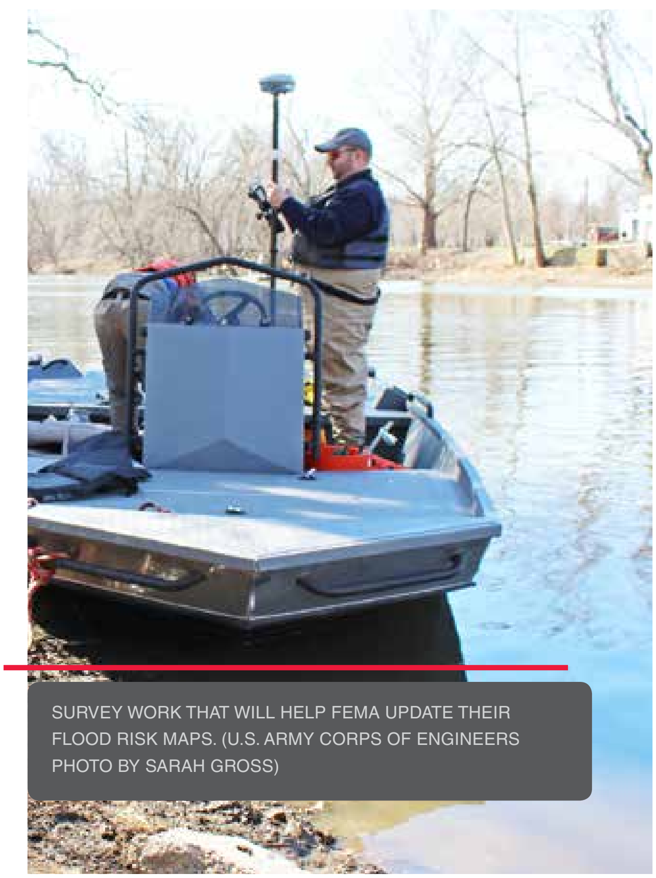
In accordance with the Rivers and Harbors Act of 1899 (Section 10), and the Clean Water Act of 1972 (Section 404), as amended, the USACE-CW regulates work for navigable rivers as well as the discharge of dredged and fill materials into waters of the U.S., including wetlands. The USACE-CW implements many of its oversight responsibilities by means of a permit process. Throughout the permit evaluation process, the USACE-CW complies with the National Environmental Policy Act and other applicable environmental and historic preservation laws. As part of the process of carrying out its responsibilities pursuant to federal statutes, the USACE-CW also considers the views of other federal, tribal, state, and local governments, as well as other agencies, interest groups, and the general public when rendering its final permit decisions. Regulatory responsibilities include evaluating minor activities, such as driveways for small landowners as well as large water supply and energy project proposals, which have a substantive effect on the nation's economy.

In FY 2017, at $200 million, the Regulatory appropriation accounted for 3% of total FY 2017 USACE-CW annual appropriations.

Emergency Management

The USACE-CW Emergency management program participates in Federal emergency relief and recovery operations under the direction of the Federal Emergency Management Agency (FEMA). Specifically, the program assists FEMA as outlined in the National Response Framework, under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law [Pub. L.] 93-288, as amended), with a focus on providing emergency support in public works and engineering. In addition, Pub. L. 84-99, as amended, 33 U.S.C. § 701n, provides authority for the Corps to help communities prepare for and respond to floods, hurricanes, and other natural disasters, and to support their emergency operations in response to such natural disasters. Pub. L. 84-99, as amended, also authorizes USACE to supplement local efforts in the repair of certain projects (e.g., eligible levees) that are damaged by a flood. In a typical year, the USACE-CW responds to approximately 75 flood and coastal storm events, of which about 20 involve presidential disaster declarations.

In FY 2017, the Emergency Management business line received approximately $37 million, or less than 1%, of total FY 2017 USACE-CW annual appropriations.



SURVEY WORK THAT WILL HELP FEMA UPDATE THEIR FLOOD RISK MAPS. (U.S. ARMY CORPS OF ENGINEERS PHOTO BY SARAH GROSS)

Hydropower

The USACE-CW multipurpose authorities provide hydroelectric power as an additional benefit derived from projects built for navigation and flood damage reduction. This electric generation also provides on-site electricity for other project purposes and business lines. The USACE-CW is the largest owner-operator of hydroelectric power plants in the U.S. and one of the largest in the world. The USACE-CW operates 350 generating units at 75 multipurpose dams, mostly in the Pacific Northwest. These units account for about 24% of America's hydroelectric power and approximately 3% of the country's total electric-generating capacity. USACE-CW hydroelectric plants produce nearly 70 million megawatt-hours (MWh) each year, sufficient to serve nearly 7 million households, or the residential consumption of 10 cities the size of Seattle, Washington. Hydropower is a renewable source of energy, producing none of the airborne emissions that contribute to acid rain or the greenhouse effect.

In FY 2017, Hydropower business line received approximately $199 million or just under 3.3% of the total FY 2017 USACE-CW annual appropriations. The USACE-CW Hydropower program also receives approximately $275 million each year derived from Department of Energy revenues related to power sales and contributed funds from preferred customers from USACE-CW projects.

Recreation

The USACE-CW is an important provider of outdoor recreation, which is an ancillary benefit of its flood damage reduction and navigation projects. The Recreation business line provides quality outdoor public recreation experiences in accordance with its three-part mission to (1) serve the needs of present and future generations; (2) contribute to the quality of American life; and, (3) manage and conserve natural resources consistent with ecosystem management principles.

The USACE-CW provides over 5,000 recreation sites at more than 400 projects on 12 million acres of land and water. USACE-CW hosts 250 million visits annually, which is among the top five federal recreation agencies, on 2% of the federal lands. Visitors to Corps Lakes spent $10.7 billion pursuing their favorite outdoor recreation activities.

In FY 2017, the Recreation business line received approximately $293 million or 4.9% of the FY 2017 USACE-CW appropriations.

CHILDREN FISHING IN THE DISTANCE DURING A FREE FISHING EVENT. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS)

Water Storage for Water Supply

Conscientious management of the nation's water supply is critical to limiting water shortages and lessening the impact of droughts. The USACE-CW has an important role in ensuring that homes, businesses, and industries, throughout the nation, have enough water to meet their needs. USACE-CW retains authority for water supply in connection with construction, operation and modification of Federal navigation, flood damage reduction, and multipurpose projects.

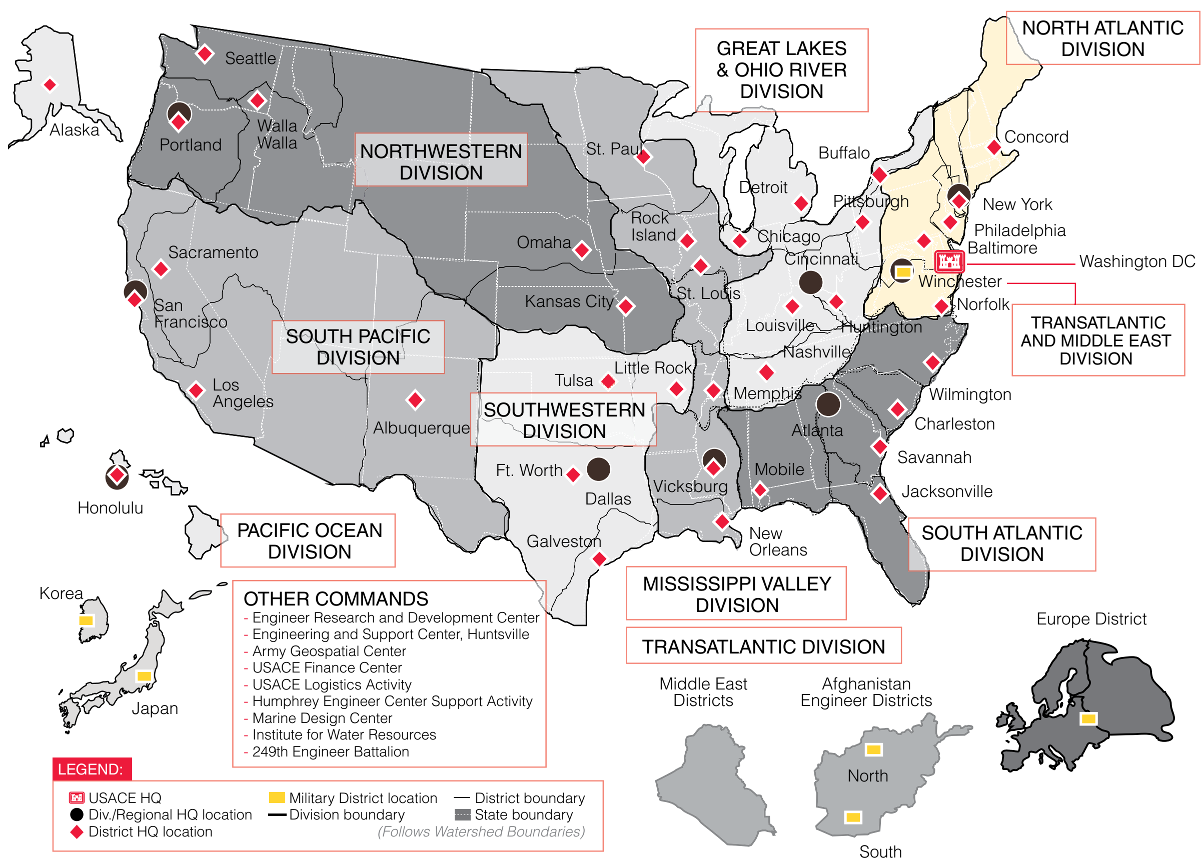
In FY 2017, the Water Supply business line received approximately $21 million, or less than 1%, of total FY 2017 USACE-CW appropriations.

ORGANIZATIONAL STRUCTURE

The Workforce

USACE is an executive branch agency within the Department of Defense and a major command within the U.S. Department of the Army. The USACE consists of two major programs—civil works and military construction—which are supported by two smaller, separate sub-programs—real estate, and research and development. Approximately 23,000 civilian employees work to support the USACE-CW. With the appointment of the first Chief Engineer in 1775, the USACE has a long history and is today one of the world's largest public engineering, design, and construction management agencies.

FIGURE 3. USACE-CW BOUNDARIES



The strategic goals are:

Strategic Goal 1: *Transform the Civil Works Program to deliver sustainable water resources solutions through Integrated Water Resources Management.*

Strategic Goal 2: *Improve the safety and resilience of communities and water resources infrastructure.*

Strategic Goal 3: *Facilitate the transportation of commercial goods on the Nation's coastal channels and inland waterways.*

Strategic Goal 4: *Restore, protect, and manage aquatic ecosystems to benefit the Nation.*

Strategic Goal 5: *Manage the life-cycle of water resources infrastructure systems in order to consistently deliver sustainable services.*

USACE-CW performance is reported by the relevant strategic objective and performance measures from the FY 2014-FY 2018 Civil Works Strategic Plan.

The USACE organization consists of a headquarters located in Washington, D.C., nine major subordinate commands (MSCs), six specialized centers, and 46 districts. Out of the 46 districts, 38 carry out civil works responsibilities in the United States. Most of the MSC and district geographic boundaries are aligned with watershed boundaries. There are also several world-renowned research and development laboratories and other offices contributing to the USACE mission. Figure 3 shows the division boundaries, which are defined by watersheds and drainage basins. Through its Pacific Ocean and South Atlantic Divisions, the USACE also has civil works responsibilities in the Territory of American Samoa, the Territory of Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.

The USACE-CW leadership is provided by a presidentially-appointed civilian Assistant Secretary of the Army for Civil Works (ASA (CW)) who is charged with setting the strategic direction and has principal responsibility for the overall supervision of functions relating to the Army Civil Works program and supervising the execution of the Army Civil Works program by the Chief of Engineers. An Army officer serves as the Chief of Engineers to oversee execution of both the Civil Works and Military programs and ensure that policies established by the ASA (CW) are applied to all aspects of the USACE-CW. The Chief of Engineers delegates authority for the leadership and management of the USACE-CW to the Deputy Commanding General for Civil and Emergency Operations and to the civilian Director of Civil Works. USACE-CW divisions are regional offices responsible for the supervision and management of subordinate districts, to include oversight and quality assurance. Districts are the foundation of the USACE-CW, responsible for executing the USACE-CW mission.

Within the USACE-CW, 95% of employees work at the district level (in labs or field operating agencies). The USACE-CW contracts out all of its construction, and most of its design work, to civilian companies.

CIVIL WORKS PROGRAM PERFORMANCE

The USACE-CW has a direct impact on America's prosperity, competitiveness, quality of life, and environmental stability. The FY 2014–FY 2018 Civil Works Strategic Plan provides a framework for enhancing the sustainability of America's resources and includes strategic goals, objectives, and performance measures.

STRATEGIC GOAL 1: *TRANSFORM THE CIVIL WORKS PROGRAM TO DELIVER SUSTAINABLE WATER RESOURCES SOLUTIONS THROUGH INTEGRATED WATER RESOURCES MANAGEMENT.*

OBJECTIVE 1.1: Modernize the Civil Works project planning program.

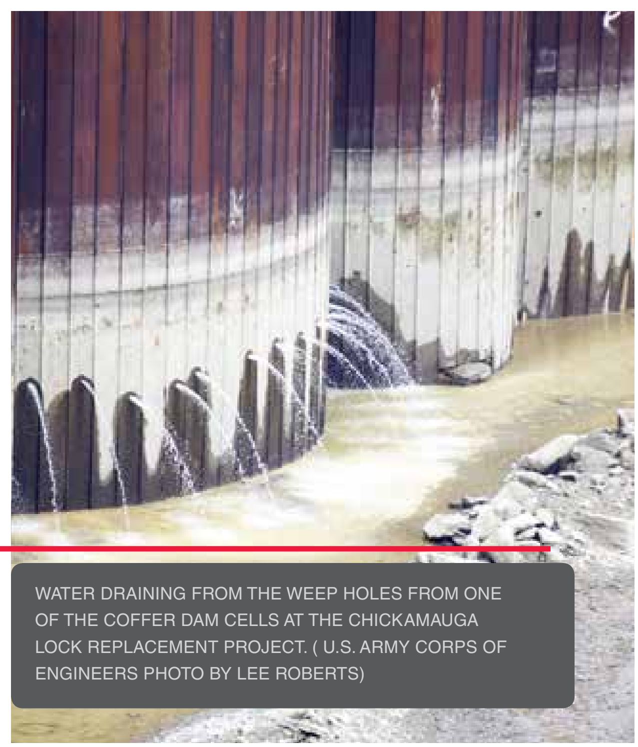
Performance Indicators: Table 1 displays measures that are performance indicators in determining progress in meeting this objective.

- Measure 1.1.a: *Percent of planners trained in Planning Core Curriculum Courses*. This measure tracks the effort to have planners complete the planner core curriculum. It is essential for successful completion of feasibility studies that result in sound, quality, and credible recommendations to solve complex water resources problems in a timely manner.
- Measure 1.1.b: *Percent of Planners achieving certification under the National Planner Certification Program*. This measure tracks the effort to get planners certified as pertains to completing the planner core curriculum and developing the necessary skills and experiences to complete the planning process successfully. This certification will enable successful completion of feasibility studies that result in sound, quality, and credible recommendations to solve complex water resources problems in a timely manner.

Performance Results

USACE-CW neared the goal of having 80% of planners trained in all three core planning courses by the end FY 2017. Of the 910 USACE-CW planners, 633 planners (70%) have been trained in all three core planning courses. The planning workforce is trained and ready – 82% have completed Civil Works Project Development Process, 78% have completed Planning Essentials, and 70% have completed Plan Formulation and Evaluation Capstone. The planning community delivered two sessions each of the Planning Essentials and Plan Formulation and Evaluation Capstone. These courses apply new technologies to deliver training in an effective and timely manner.

The National Water Resources Certified Planner Program was launched in FY 2016. In FY 2017, 34 planners were certified as USACE National Water Resources Certified Planners. This was the first group of planners certified as a part of the USACE National Water Resources Certified Planner Program. The objective of this planner certification program is to advance the technical capability of individual planners and provide a framework for developing and sustaining a results-oriented, high performing planner workforce. The planning community continues to maintain a cadre of highly qualified planners to conduct internal technical review, termed Agency Technical Review (ATR). Currently, a total of 226 planners are certified to



WATER DRAINING FROM THE WEEP HOLES FROM ONE OF THE COFFER DAM CELLS AT THE CHICKAMAUGA LOCK REPLACEMENT PROJECT. (U.S. ARMY CORPS OF ENGINEERS PHOTO BY LEE ROBERTS) conduct Agency Technical Review - 58 economists, 31 cultural resource specialists, 72 plan formulators, and 81 environmental specialists. Some planners are certified to conduct ATR for multiple areas of expertise (e.g. ATR-certified for plan formulation and environmental). Although the total number of planners increased from FY 2016, the reduction in the number of certified planners from FY 2016 resulted from more ATR certified planners leaving the planning organization than were newly certified to conduct ATR.

TABLE 1. PLANNING MODERNIZATION

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Planners trained in Core Curriculum Courses	29%	70%	72%	80%	66%
Percent of planners achieving certification under the National Planner Certification Program	0%	0%	0%	20%	4%

OBJECTIVE 1.2: Deliver quality solutions and services.

Performance Indicators: Table 2 displays measures that are performance indicators in determining progress in meeting this objective.

- Measure 1.2.a: *Percent of projects on schedule*. This measure compares project progress to the schedules established and reported in the USACE project management system.
- Measure 1.2.b: *Percent of Customers indicating USACE delivered quality products and services*. This measure utilizes the annual USACE Civil Works Program Customer Satisfaction Survey to gauge quality of products and services as reported by customers and stakeholders. A rating of "High" is considered a positive indication of quality.

Performance Results

Percent of projects on schedule measures the percentage, among specifically authorized Civil Works construction projects that have been fully funded for completion but had not been physically completed by the start of the applicable fiscal year, of projects that can be physically completed within available funding. The target is 85 percent. This metric was used for the first time in FY 2014. The target is 85 percent. This metric was used for the first time in FY 2014. The score was 93 percent in FY 2014, 89 percent in FY 2015, 91 percent in FY 2016, and 91 percent in FY 2017.

In the Civil Works Program Customer Satisfaction Survey, customers are asked to rate USACE-CW district performance in general service areas such as quality of products and services, timeliness, cost, etc. Survey results for a particular fiscal year do not become available until the third quarter of the following fiscal year. The survey uses a Likert scale of one to five, five being the highest rating. Categories '4' ("Satisfied") and '5' ("Very Satisfied") are collapsed and designated the "High" category.

Civil Works customers include primarily city and county governments and various governmental departments charged with the management of infrastructure relating to water resources. Navigation customers include local port authorities and waterway user groups. Customers also include state agencies charged with the management of natural resources and emergency response.

In FY 2016, 89.1% of customers (across all USACE-CW divisions) rated USACE-CW "High" on *Delivering Quality Products and Services*.

TABLE 2. QUALITY SOLUTIONS AND SERVICES

	FY 2014	FY 2015	FY 2016	FY 2017 Target	FY 2017 Actual
Percent of Projects on Schedule	93%	89%	91%	85%	91%
Percent of customers rating USACE-CW "High" on delivery of products and services	89%	89%	89%	93%	Note 1

Note 1: *FY 2017 results will not be available until 3rd quarter FY 2018.*

OBJECTIVE 1.3: Develop a ready and resilient workforce through innovative talent management and leader development strategies and programs.

Performance Indicators:

- Measure 1.3.a: *Percent completion and deployment of Command Training Plans (CTPs) for all USACE mission critical occupations (MCOs).* This measure tracks the effort to have USACE staff complete essential training in mission critical occupations that are essential for successful completion of engineering designs and construction. Mission critical occupations are the 9 job series identified by USACE as technical disciplines essential for accomplishing the USACE functions and responsibilities. The series include: General Natural Resources Management and Biological Sciences (0401), Engineering Technician (0802), Construction Control Technician (0809), Civil Engineer (0810), Mechanical Engineer (0830), Electrical Engineer (0850), Contracting Specialist (1102), Realty Specialist (1170), and Lock and Dam Operator (5426).
- Measure 1.3.b: *Percent increase of technical competencies for USACE Mission Critical Occupations that meet or exceed Army Competency Management System (CMS) targets.* CMS is the tool utilized by the Army to identify competencies, and assess proficiencies. Targets are based on Army CMS deployment in FY 2015.

Performance Results

Twenty-eight of 30 plans developed by the respective MCO Communities of Practice (CoP) are available for employees to use (93%). Developing the Command Training Plans (CTP) by CoP rather than by job series affords employees the flexibility to utilize a CTP that is most appropriate for the work they perform.

In FY 2017, USACE-CW continued to make progress on its program across Major Subordinate Commands (MSCs) to track and balance Workload to Workforce (WL/WF). The WL/WF Program delivers enterprise-wide situational awareness of the WL/WF trends and issues based, in part, on a functional assessment that examines capacity, competency and balance. The competency criterion measures the number of positions available to execute workload to ensure it is appropriate and affordable. The competency component assesses education and/or certification levels, skills sets, experience, and overall proficiency to accomplish projected workload and missions. Lastly, the balance criteria measures the appropriate number of entry, journey, and senior level positions. USACE-CW measures the following functional areas as part of this effort – Engineering and Construction (E&C), Planning, Program and Project Management (PPM), Real Estate, Contracting, Operations, Regulatory, and Natural Resources/Recreation. The E&C functional area is measured across the enterprise and is not limited to Civil Works. In FY 2017, USACE-CW began collecting functional assessments by specific engineering discipline (e.g., Structural Engineering) at their Community of Practice (CoP) meetings using a spreadsheet-based scorecard. E&C also developed a web portal to obtain this information and allow comparisons over time and to allow the collection of data on a periodic basis. This portal was deployed in FY 2017 throughout the E&C community.

STRATEGIC GOAL 2: *IMPROVE THE SAFETY AND RESILIENCE OF COMMUNITIES AND WATER RESOURCES INFRASTRUCTURE.*

FLOOD RISK MANAGEMENT

Relevant Objectives:

OBJECTIVE 2.1: Reduce the Nation's flood risk and increase resilience to disasters.

Performance Indicators: Tables 3 and 4 display measures that are performance indicators in determining progress in meeting this objective.

Operation and maintenance measures for Flood Risk Management

- Measure 2.1.b: *Levee Safety Action Classifications complete*. This measure tracks the percentage of Levee Safety Action Classifications (LSAC) complete. All levees in the USACE-CW Levee Safety Program will be assigned a LSAC informed by a risk assessment. The LSAC system is intended to provide consistent and systematic guidelines for actions to address safety issues. The five classes define distinctly different urgencies of action and related types of actions that are commensurate with the risks and consequences associated with the levee system. The LSAC will be used by USACE-CW and stakeholders to improve understanding of risk; communication; and quality of decisions. In addition, LSACs will be used to establish priorities and solutions that effectively address the risks.

Construction Measures for Flood Risk Management

- Measure 2.1.c: *Number of Dam Safety Action Classifications Reduced*. This measure tracks the number of Dam Safety Action Classification (DSAC) ratings reduced as a result of Periodic Inspections, Issue Evaluation Studies, and construction activities, which results in less urgency and lower risk in these cases and an increased understanding of the overall portfolio risk.

Performance Results—Investigations

Investigations funding was used to advance feasibility studies and pre-construction engineering and design (PED) activities including one new phase feasibility study, Delaware Inland Bays and Delaware Bay Coast, DE, which is a focus area from the North Atlantic Coast Comprehensive Study, and one new phase PED – American River Common Features, CA.

A portion of the funding was used to fund five studies and four PED activities to completion, including:

- San Joaquin River Basin, Lower San Joaquin, CA
- South San Francisco Shoreline, CA (PED)
- Sutter County, CA (PED)
- Kansas City, MO and KS (Phase II) (PED)

OMAHA DISTRICT HOLDS A PUBLIC MEETING TO DISCUSS THE INITIATION OF A FLOOD RISK MANAGEMENT FEASIBILITY STUDY. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS)

- Sabine Pass to Galveston Bay, TX
- Bogue Banks, Carteret County, NC (PED)
- Puyallup River, WA
- Rahway River Basin, NJ (Upper Basin)
- Middle Rio Grande Flood Protection, Bernalillo to Belen, NM (GRR)

Investigation funds were used to support state and local flood risk mitigation priorities through the Silver Jackets program. Two new state-level Silver Jacket teams were established in Michigan and Wyoming in FY 2017. USACE-CW currently supports participation on "Silver Jackets" teams in 49 states and the District of Columbia. (The remaining state is Connecticut.) These State interagency teams initiated 87 special study and technical assistance activities that support state and local community flood risk and floodplain management priorities. These efforts include such varied assistance as performing flood modeling and mapping, analyzing additional flood risk post-wildfire, evaluating potential nonstructural measures for mitigating flood risk, supporting community education and outreach efforts, conducting vulnerability analyses, and assisting communities with their development of emergency action plans and flood plain management plans.

FY 2017 funds were also used to continue the following studies and PED:

- Lowell Creek Tunnel Flood Diversion, AK
- Village Creek, AL
- Little Colorado River (Winslow), AZ
- Lower Santa Cruz River, AZ
- Corte Madera Creek, CA (General Reevaluation Report)
- Pajaro River at Watsonville, CA (General Reevaluation Report)
- Sacramento River Bank Protection (Phase 3), CA (General Reevaluation Report)
- Tule River Basin, CA
- The District of Columbia, DC (North Atlantic Coast Comprehensive Study)
- Sweetwater, GA
- DuPage River, IL
- New Jersey Back Bay, NJ (North Atlantic Coast Comprehensive Study)
- Souris River Basin, ND
- Nassau County Back Bays, NY (North Atlantic Coast Comprehensive Study)
- New York – New Jersey Harbor & Tributaries, NY & NJ (North Atlantic Coast Comprehensive Study)
- Coastal Texas Protection and Restoration Study, TX
- City of Norfolk, VA (North Atlantic Coast Comprehensive Study)

Performance Results—Construction

FY 2017 appropriations funded one new start (Ohio River Shoreline, Paducah, KY) and 13 flood risk management construction projects to completion. FY 2017 appropriations also funded all work for beach re-nourishments on 15 coastal storm damage reduction projects.

Projects funded to completion included:

- Tucson Drainage Area, AZ
- American River Common Features, Folsom Dam Modification, CA
- Missouri River Levee System, IA (Deficiency Correction)
- McCook and Thornton Reservoirs, IL
- Wood River Levee, IL (Deficiency Correction)
- Topeka, KS
- Ohio River Shoreline, Paducah, KY (New Start)
- Muddy River, MA
- Alamogordo, NM
- Blue River Basin, Kansas City, MO
- Turkey Creek Basin, KS & MO
- Pine Creek Lake, OK (Dam Safety)
- Bolivar Dam, OH (Dam Safety)

FY 2017 funds were used to continue construction on the following projects, including work on nine high-risk DSAC 1 and 2 dams:

- Rio De Flagstaff, AZ
- American River Common Features, Natomas Basin, CA
- Isabella Lake, CA (Dam Safety)
- Murrietta Creek, CA
- Sacramento River Bank Protection Project, CA
- San Luis Rey River, CA
- Santa Ana River Mainstem, CA
- Yuba River Basin, CA
- Herbert Hoover Dike, FL (Seepage Control)
- Rough River, KY (Dam Safety)
- Comite River, LA
- Bois Brule Drainage and Levee District, MO (Deficiency Correction)
- Monarch-Chesterfield, MO
- Fargo, ND – Moorhead, MN Metro
- Raritan River Basin, Green Brook Sub-basin, NJ
- East Branch, Clarion River Lake, PA (Dam Safety)
- Center Hill Lake, TN (Dam Safety)
- Brays Bayou, Houston, TX
- Buffalo Bayou and Tributaries, Addicks and Barker Dams, TX (Dam Safety)
- Central City, Fort Worth, Upper Trinity Basin, TX
- Levisa and Tug Forks and Upper Cumberland River, VA, WV, & KY
- Bluestone Lake, WV (Dam Safety)

Dam Safety and Seepage/Stability Correction Program construction funds were provided to complete seven dam safety studies, including two Issue Evaluation Studies (Dworshak Dam and Richard Levees) and five Dam Safety Modification Studies (Lewisville Dam, Mohawk, Bluestone supplemental, L&D 25, Mill Creek Storage and Diversion Dams).

These routine and non-routine dam safety studies, assessments, and construction activities have resulted in an increased understanding of the overall dam portfolio risk. Dam safety program routine and non-routine studies and assessments were completed on 66 dams in FY2017. These studies and assessments resulted in reduced Dam Safety Action Classification (DSAC) ratings on 27 dams, increased ratings on six dams, no classification change on 32 dams, and one new DSAC assignment. The DSAC ratings depict the degree of urgency in taking dam safety related actions, with DSAC 1 being considered very high urgency and 5 being considered normal.

The following twenty-seven dams had reduced Dam Safety Action Classification (DSAC) in FY 2017 based on the further evaluation of project risk.

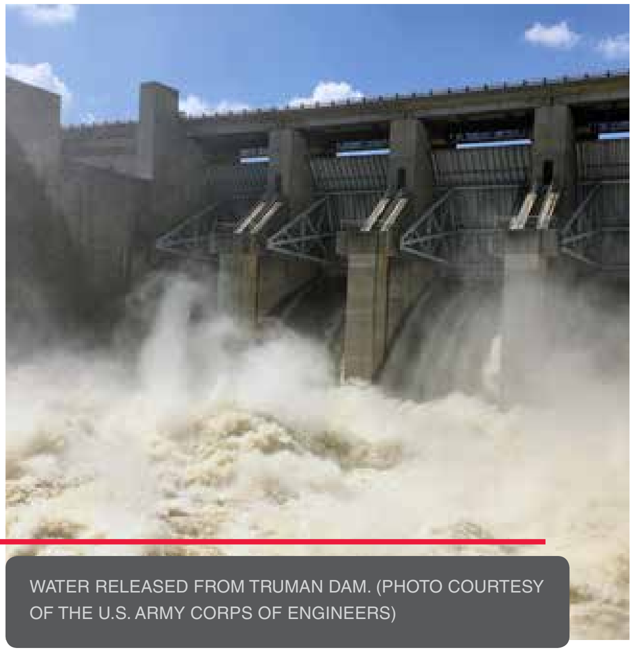
- Mississippi River Lock & Dam 25, MO - Dam Safety Modification Study - DSAC 1 to 4
- Mill Creek Storage & Diversion Dam, WA - Dam Safety Modification Study - DSAC 3 to 4
- Dworshak Dam, ID - Issue Evaluation Study - DSAC 3 to 4
- Richland Levees, WA (McNary Dam) - Issue Evaluation Study - DSAC 2 to 4
- Kennewick Levees, OR (McNary Dam) - Periodic Assessment - DSAC 2 to 4
- Cottonwood Springs Dam, SD - Periodic Assessment - DSAC 3 to 4
- Hancock Dam, CT - Periodic Assessment - DSAC 3 to 4
- Whitney Dam, TX - Periodic Assessment - DSAC 3 to 4
- Elk City Dam, KS - Periodic Assessment - DSAC 3 to 4
- Dillon Dam, OH - Periodic Assessment - DSAC 3 to 4

- H.K. Thatcher Lock and Dam, AR - Periodic Assessment - DSAC 3 to 5
- Fondulac Dam, IL - Periodic Assessment - DSAC 3 to 4
- Mississippi River Lock and Dam No. 14, IA - Periodic Assessment - DSAC 3 to 4
- Mississippi River Lock and Dam No. 20, MO - Periodic Assessment - DSAC 3 to 4
- Mississippi River Lock and Dam No. 24, MO - Periodic Assessment - DSAC 2 to 4
- Conant Brook Dam, MA - Periodic Assessment - DSAC 3 to 4
- Olive Creek Dam, Salt Creek Site 2, NE - Periodic Assessment - DSAC 3 to 4
- Richard B. Russell Dam and Saddle Dike, GA - Periodic Assessment - DSAC 4 to 5
- Sam Rayburn Dam, TX - Periodic Assessment - DSAC 4 to 3
- Barren River Dam, KY - Periodic Assessment - DSAC 3 to 4
- Green River Dam, KY - Periodic Assessment - DSAC 3 to 4
- Red River Lock and Dam No. 3, LA - Periodic Assessment - DSAC 3 to 4
- Mississippi River Locks and Dam No. 1, MN - Periodic Assessment - DSAC 2 to 4
- Bear Creek South Embankment Dam, CO - Periodic Assessment - DSAC 3 to 4
- Lower Monumental Lock and Dam, WA - Periodic Assessment - DSAC 3 to 4
- Dardanelle Lock, Dam, and Powerhouse, AR - Periodic Assessment - DSAC 4 to 5
- James W. Trimble Lock and Dam, AR - Periodic Assessment - DSAC 4 to 5

DSAC ratings were increased to a higher urgency on the following six dams. These dams exhibited signs of poor performance or issues of concern that warranted an increase to their urgency for action and were reprioritized for more in-depth evaluation.

- Kanopolis Dam, KS - Periodic Assessment - DSAC 4 to 3
- Proctor Dam, TX - Periodic Assessment - DSAC 3 to 2
- Sardis Dam, OK - Periodic Assessment - DSAC 4 to 3
- Cold Brook Dam, SD - Periodic Assessment - DSAC 4 to 3
- Sam Rayburn Dam, TX - Periodic Assessment - DSAC 4 to 3
- Bear Creek South Embankment Dam, CO - Periodic Assessment - DSAC 4 to 3

REPLACED GUARDRAIL POSTS ALONG THE JEMEZ DAM. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS)



WATER RELEASED FROM TRUMAN DAM. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS)

DSAC ratings remained the same on the following 32 dams.

- Lewisville Dam, TX - Dam Safety Modification Study - DSAC 2
- Bluestone Dam, WV - Dam Safety Modification Supplemental Study - DSAC 2
- Mohawk Dam, OH - Dam Safety Modification Study - DSAC 3
- Sutton Dam, WV - Periodic Assessment - DSAC 3
- Loyalhanna Dam, PA - Periodic Assessment - DSAC 4
- Selden Lock & Dam, AL - Periodic Assessment - DSAC 4
- De Pere Dam, WI - Periodic Assessment - DSAC 4
- Paintsville Dam, KY- Periodic Assessment - DSAC 4
- Farmdale Dam, IL - Periodic Assessment - DSAC 4
- Barre Falls Dam, MA - Periodic Assessment - DSAC 4
- Amory Lock and Dam, MS - Periodic Assessment - DSAC 4
- Bardwell Dam, TX - Periodic Assessment - DSAC 4
- Hugo Dam, OK - Periodic Assessment - DSAC 4
- John T. Myers Locks and Dam, KY - Periodic Assessment - DSAC 4
- Hannibal Locks and Dam, WV - Periodic Assessment - DSAC 4
- Milford Dam, KS - Periodic Assessment - DSAC 4
- Bluestem Dam, Salt Creek Dam Site 4, NE - Periodic Assessment - DSAC 4
- B. Everett Jordan Dam, NC - Periodic Assessment - DSAC 4
- Sepulveda Dam, CA - Periodic Assessment - DSAC 3
- Aquila Dam, TX - Periodic Assessment - DSAC 4
- Ray Roberts Dam, TX - Periodic Assessment - DSAC 3
- Jemez Canyon Dam, NM - Periodic Assessment - DSAC 4
- Upper Appleton Dam, WI - Periodic Assessment - DSAC 4
- Tom Jenkins, OH - Periodic Assessment - DSAC 4
- Crooked Creek Dam, PA - Periodic Assessment - DSAC 4
- Columbia Lock and Dam, LA - Periodic Assessment - DSAC 4
- Dresden Island Lock and Dam, IL - Periodic Assessment - DSAC 4
- West Thompson Dam, CT - Periodic Assessment - DSAC 4
- Prompton Dam, PA - Periodic Assessment - DSAC 3
- Branched Oak Dam, NE - Periodic Assessment - DSAC 3
- Jamie L. Whitten Lock and Dam, MS - Periodic Assessment - DSAC 4
- Heyburn Dam, OK - Periodic Assessment - DSAC 4

Additionally, an initial DSAC rating was given to one structure.

- Santa Ana Pueblo Levee (Jemez Canyon Dam), NM - Periodic Assessment - DSAC 4 (initial assessment)

TABLE 3. FLOOD RISK MANAGEMENT – CONSTRUCTION AND INVESTIGATIONS

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Number of dam safety classification ratings reduced	15	25	34	10	27

Performance Results—Operation and Maintenance (O&M)

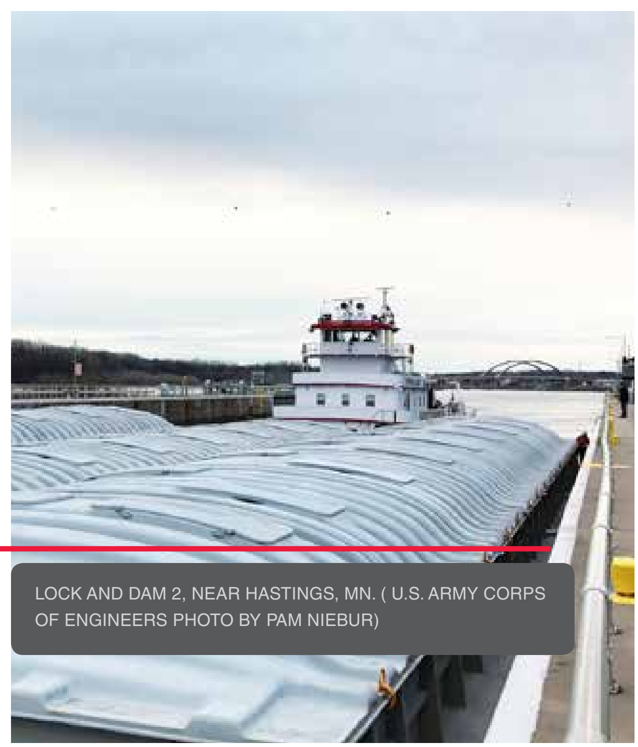
In the Nation's largest watersheds, systematic and coordinated operation of a series of projects can help reduce flood risks, by releasing water before the flood or holding it back during the flood. For example, USACE-CW was able successfully to operate multiple projects in this manner in the Missouri, Mississippi, and Ohio River watersheds in 2011 when these watersheds were exposed to historic flood levels.

The FY 2017 O&M program provided for the operation and maintenance of 353 flood risk management projects including projects funded in the Mississippi River and tributaries account, in order to maintain basic operation of flood risk management purposes without compromising project purpose and function. Additionally, a portion of these appropriations were used to fund non-routine maintenance activities on 11 projects with high consequences and failed or inadequate project condition ratings to address non-routine maintenance requirements.

In FY 2017, one higher level risk assessment was completed, six were initiated, and seven had continuing efforts. These assessments provide additional information on system performance risks, inform development of potential interim risk reduction measures and/or long-term risk management measures, where appropriate, and help to support public awareness of the risks associated with levees and reinforce the importance of shared responsibility.

The screening level levee risk assessments are nearly complete. During the ongoing screenings process, the Corps identified approximately 500 levee systems that rely on a non-project segment (highway, railroad, etc.) as part of their flood risk reduction system. Identification of these non-project segments increased the overall number of segments that required screening. The Levee Safety program is in the process of obtaining right of entry, inspecting, and screening these non-project segments to obtain a complete levee system LSAC. The decision to screen these additional non-project segments increased the total subject to screening level assessments to 3,626 levee segments.

From the time that the Corps began to conduct screening level levee assessments in FY 2012



LOCK AND DAM 2, NEAR HASTINGS, MN. (U.S. ARMY CORPS OF ENGINEERS PHOTO BY PAM NIEBUR) through the end of FY 2017, 3,362 segments (93% of the total, as noted in table 4) have now been screened and approved at the MSC level.

TABLE 4. FLOOD RISK MANAGEMENT – OPERATION AND MAINTENANCE

	FY 2014	FY 2015	FY 2016	FY 2017 Target	FY 2017 Actual
Percentage of Levee Safety Action Classifications (LSAC) completed	51%[1]	80%[1]	86%[1]	100%	93%

Note 1: *The FY 2014, FY 2015 and FY 2016 actual percentages were changed to reflect the increase of segments identified in FY2017.*

EMERGENCY MANAGEMENT

Although the involvement of USACE-CW in disaster preparedness and response stems from its role in assisting communities before and during flood and coastal storm events, it is able to use these capabilities, when requested by FEMA, to help as part of the Federal response to a broad range of natural disasters and national emergencies.

Relevant Objectives:

OBJECTIVE 2.1: Reduce the Nation's flood risk and increase resilience to disasters.

OBJECTIVE 2.2: Support the Department of Homeland Security/Federal Emergency Management Agency to provide life-cycle public works and engineering support in response to disasters.

OBJECTIVE 2.3: Effectively and efficiently execute response, recovery, and mitigation.

Performance Indicators: The five primary measures listed in Table 5 assist in determining progress toward meeting the USACE-CW emergency management objectives. Indicators are explained below.

- Measure 2.1.a: *Percent progress to develop and implement National Flood Characterization tool in collaboration with FEMA*. This measure tracks the completion of a characterization tool that will improve the knowledge of flood risk by characterizing relative flood risk at the National, State, and watershed levels. The tool will provide information in a Geographical Information System (GIS) format to support federal, state, and regional decision makers, planners, and policy analysts in determining investment priorities, responding to future conditions and flood risk drivers, improving resilience, and reducing risk in the long term. This measure tracks key milestones over time towards development and implementation of a fully functional and robust tool.
- Measure 2.2.a: *Percent of trained and certified Planning Response Teams, Team Leaders, Assistant Team leaders and Subject Matter Experts, and National Emergency Support Function #3 Cadres ready and able to respond*. The USACE-CW established designated Planning & Response Teams (PRTs) and a cadre of leaders and subject matter experts to provide rapid emergency response during any All-Hazards contingency. This measure establishes the baseline, calculated as the percentage of trained and certified team members at any time during the entire fiscal year. Anything less than the baseline degrades readiness and may result in the USACE-CW not prepared to respond.
- Measure 2.2.b: *Percent of current Annual updated All-hazards contingency plans across USACE*. Every command, center, and field operating agency in the USACE-CW must be prepared to respond to the full spectrum of All-Hazards. This measure reflects the percentage of current All-Hazards Contingency plans at all echelons, on the shelf and ready for use when needed.

- Measure 2.3.a: *Percent scheduled and executed assigned and funded missions and programs*. This measure reflects the USACE-CW commitment to the national preparedness system as articulated in Presidential Policy Directive – 8, *Other Executive Orders and Statutes*. The national preparedness system directs executive agencies to develop interagency operational plans to support each national planning framework. Each interagency operational plan shall include a detailed concept of operations; description of critical tasks and responsibilities; detailed resource, personnel, and sourcing requirements; and specific provisions for the rapid integration of resources and personnel. The USACE-CW metric is measured in part by the Federal Emergency Management Agency assigned missions during disaster response, recovery, and mitigation operations. This measure tracks the percentage of these missions scheduled and executed; anything less than 100% is not acceptable and may result in overall mission failure. Myriad activities and trends must be monitored and adjusted each year, to ensure that we achieve that full execution. For example, monitoring/forecasting potential weather related threats, conducting pre-disaster operations to strengthen Federal, State, local and tribal coordination, and capturing lessons learned after a disaster response to improve future response activities guide the development of doctrine and support programmatic changes in our disaster programs.
- Measure 2.3.b: *Number of active state-led interagency flood risk management teams (Silver Jackets).* Silver Jackets Teams provide federal assistance to state and local governments in developing and executing mitigation measures that meet local government needs. Membership consists of the USACE-CW and other federal agencies that can contribute to meeting those needs (i.e. Federal Emergency Management Agency (FEMA), Environmental Protection Agency (EPA), Department of Transportation (DOT), etc.) State teams normally are represented by state hazard mitigation offices and other government offices (state and local). This measure tracks the number of active teams by state. The target is to have a team in all 50 states.

Performance Results

In FY 2017, USACE-CW responded to 45 events with over 1,000 personnel engaged spending over $23 million of FCCE funding on response activities, including emergency response to the historic flooding in California, Idaho and Washington; spring flooding within the Mississippi River Basin; flood response operations in Nogales, Arizona;, and support for Hurricanes Harvey and Irma. Another $123 million was provided by FEMA to fund USACE-CW mission assigned reimbursable support to FEMA for the events listed above.

The National Flood Characterization tool is now available for use within USACE. This tool will support near-term and long-term decisions on setting priorities by providing an understanding of the dominant types of flooding consequences, how risks in one area compare to other areas around the nation, and how some drivers of flood risk may change over time.

TABLE 5. EMERGENCY MANAGEMENT

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Measure 2.1.a: Percent progress to develop and implement National Flood Characterization tool in collaboration with FEMA	Note 1	Note 2	Note 3	Note 4	
Measure 2.2.a: Percentage of trained and certified Planning Response Teams, Team Leaders, Assistant Team leaders and Subject Matter Experts, and National Emergency Support Function #3 Cadres ready and able to respond	100%	100%	100%	85%	90%
Measure 2.2.b: Percentage of current Annual updated All-hazards contingency plans across USACE-CW	75%	86%	100%	100%	100%
Measure 2.3.a: Percentage of scheduled and executed assigned and funded missions and programs	100%	100%	100%	100%	100%

	FY 2014	FY 2015	FY 2016	FY 2017 Target	FY 2017 Actual
Measure 2.3.b: Number of active state-led interagency flood risk management teams (Silver Jackets)	43	45	47	50	49

Note 1: *The FY 2014 target was to develop, test, and use an initial prototype to inform flood risk management business line budget development. The prototype was developed and tested.*

Note 2: *The FY 2015 target was to complete the final prototype and be able to accept available databases. This target was met in FY 2015.*

Note 3: *The FY 2016 target was to test and refine the prototype within the USACE-CW and other interested Federal agencies.*

Note 4: *The FY 2017 target was to have tool fully functional and being used as a standard tool within USACE-CW.*

STRATEGIC GOAL 3: *FACILITATE THE TRANSPORTATION OF COMMERCE GOODS ON THE NATION'S COASTAL CHANNELS AND INLAND WATERWAYS.*

NAVIGATION

Relevant Objective:

OBJECTIVE 3.1: Facilitate commercial navigation by providing safe, reliable, highly cost-effective and environmentally sustainable waterborne transportation systems.

Performance Indicators: Table 6 displays measures that are performance indicators in determining progress in meeting this objective for inland navigation. The Corps uses these measures to track the overall performance of the inland waterways program over time. These measures focus on the performance of the main lock chambers (rather than auxiliary chambers) nationwide, on all inland waterways with a high level of commercial use (more than 3 billion segment-ton-miles per year) or a medium level of commercial use (between 1 billion segment-ton-miles per year and 3 billion segment-ton-miles per year).

- Measure 3.1.a: *The number of instances where mechanically driven failure at locks results in delays of more than 24 hours*.
- Measure 3.1.b: *The number of instances where mechanically driven failure at locks results in delays of more than one week*.

Performance Results - Investigations

Investigations funds were used in FY 2017 to evaluate the benefits and costs of options for navigation improvements, the pre-construction engineering and design cost of navigation improvements, and for programmatic Remaining Items for Navigation, such as Research and Development. Examples of potential investments under consideration in these studies are (1) lock replacements and inland waterways channel improvements; and (2) deepening and/or widening of coastal harbors and channels. A Chief of Engineers' Report was completed for the Galveston Harbor Channel Extension – Houston-Galveston Navigation Channels, TX project.

FY 2017 funds were used to initiate one new feasibility study, Atlantic Intracoastal Waterway Bridge Replacement at North Landing Bridge, VA, and two new phase PED, Upper Ohio River, Allegheny and Beaver Counties, PA and Sabine Neches Waterway, TX.

A portion of the funds were used to fund six feasibility studies, general reevaluation reports, and disposition studies; and four PED activities to completion:

- Saginaw River Deepening, Saginaw, MI
- Whittier Breakwater, AK
- Green and Barren Rivers, KY (Disposition)
- Mississippi River Ship Cannel, Gulf to Baton Rouge, LA (General Reevaluation Report)
- Norfolk Harbor and Channels, VA (Deepening) (General Reevaluation Report)

- Seattle Harbor, WA
- Port Everglades Harbor, FL (PED)
- Calcasieu Lock, LA (PED)
- GIWW, High Island to Brazos River, TX (PED)
- GIWW, Matagorda Bay, TX (PED)

In addition, the projects below were provided additional funding to continue studies and PED:

- Unalaska (Dutch) Harbor, AK
- Mobile Harbor, AL (General Reevaluation Report)
- Three Rivers, AR
- Port of Long Beach Navigation Improvements, CA
- San Francisco Bay to Port of Stockton, CA (General Reevaluation Report)
- New Haven Harbor Deepening, CT
- Inner Harbor Navigation Canal Lock, LA (PED)
- San Juan Harbor Improvement Study, PR
- GIWW – Brazos River Floodgates and Colorado River Locks, TX
- Houston Ship Channel, TX.

Performance Results - Construction

FY 2017 funds were used on inland waterways to: (1) continue construction of Olmsted Locks & Dam, Ohio River; Locks & Dams 2, 3, and 4, Monongahela River, Pennsylvania; Kentucky Lock and Dam, Tennessee River, Kentucky; and Chickamauga Lock, Tennessee River, Tennessee; (2) continue authorized mitigation on the J. Bennett Johnston Waterway, LA; (3) complete major rehabilitation of the Emsworth L&D, Ohio River, PA; and (4) complete construction of the Atlantic Intracoastal Waterway (AIWW), Bridges at Deep Creek, Chesapeake, VA.

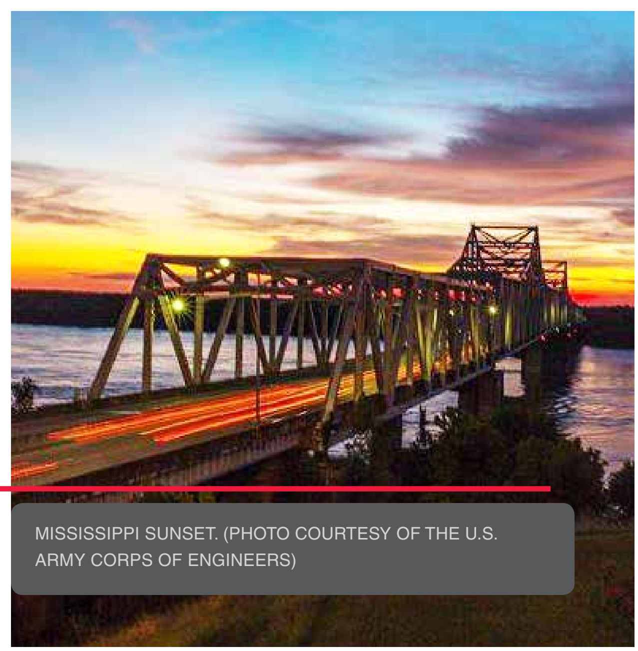
FY 2017 were used on coastal navigation projects for: (1) Channel deepening improvement projects at Savannah Harbor Expansion, GA; Jacksonville Harbor Deepening, FL; Tampa Harbor, Big Bend, FL; Boston Harbor Deep Draft Improvements, MA; and Charleston Harbor, Deep Draft Navigation Improvements, SC; (2) rehabilitation of the jetties at the Mouth of the Columbia River, Oregon & Washington; (3) mitigation of impacts caused by deepening of Oakland Harbor, CA; and Houston Galveston Navigation Channels, TX; and (4) construction completions of Delaware River Main Channel, DE, NJ, PA.

Of these projects, five navigation construction projects were funded to completion:

- Oakland Harbor (50-Foot Project), CA
- Tampa Harbor, Big Bend, FL
- Delaware River Main Channel, DE, NJ and PA
- Atlantic Intracoastal Waterway (AIWW), Bridges at Deep Creek, Chesapeake, VA
- Emsworth Locks and Dam, Ohio River, PA

Performance Results—Operation and Maintenance

The Operation and Maintenance (O&M) and the Mississippi River and Tributaries appropriations were used to fund (1) operation and maintenance of 241 locks at 195 locations; (2) maintenance dredging, with emphasis on high commercial use reaches at coastal ports and on the inland



MISSISSIPPI SUNSET. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS) waterways; (3) removal of debris at coastal ports with a high or moderate-level of commercial use; and (4) maintenance dredging of critical harbors of refuge and subsistence harbors. Maintenance included repair and replacement of major lock and dam components such as lock miter gates, dam tainter gates, operating machinery, and lock walls, as well as maintenance dredging.

The overall condition of the inland waterways continues to improve. The number of instances of lock closures due to preventable mechanical breakdowns and failures lasting longer than one day and lasting longer than one week have decreased since FY 2010, which had the highest instances of closures over the past 15 years. However, the lock closures that do occur can result in substantial delays to shippers, carriers, and users, and are a factor in the cost of shipping commodities on these waterways.

TABLE 6. NAVIGATION – OPERATION AND MAINTENANCE

					FY 2017	
		FY 2014	FY 2015	FY 2016	Target	Actual
Inland Waterways	Measure 3.1.a: The number of instances where mechanically driven failure at locks results in delays of more than 24 hours.	35	29	37	<40	24
	Measure 3.1.b: The number of instances where mechanically driven failure at locks results in delays of more than one week.	18	13	18	<23	14

STRATEGIC GOAL 4: *RESTORE, PROTECT, AND MANAGE AQUATIC ECOSYSTEMS TO BENEFIT THE NATION.*

AQUATIC ECOSYSTEM RESTORATION

Relevant Objective:

OBJECTIVE 4.1: Restore aquatic habitat to a more natural condition in ecosystems in which structure, function, and dynamic processes have been degraded.

Performance Indicators: The USACE-CW has established one indicator to assess progress in meeting this objective; data are shown in Table 7.

- Measure 4.1: *Acres of habitat restored, created, improved or protected in ecosystems identified as priorities through interagency coordination, which are: Everglades, Great Lakes, Chesapeake Bay, Puget Sound, Missouri River, and Upper Mississippi River.*

Performance Results - Investigations

FY 2017 funds were used to fund the completion of five studies:

- St. Louis Mississippi Riverfront, MO & IL
- Chesapeake Comprehensive Plan, MD, PA, & VA
- Minnesota River Watershed Study, MN & SD
- Red River of the North Basin, ND, MN, SD & Manitoba Canada
- Louisiana Coastal Area (LCA) Ecosystem Restoration Mississippi River Hydrodynamic Model/Delta Management Study.

Investigations funding was used to advance 14 continuing feasibility studies and two PED activities:

- Aliso Creek Mainstem, CA
- Dry Creek (Warm Springs) Restoration, CA

- East San Pedro Bay Ecosystem Restoration, CA
- Los Angeles River Ecosystem Restoration, CA (PED)
- Yuba River Fish Passage, CA (Englebright and Daguerre Point Dams)
- Adams and Denver Counties, CO
- Proctor Creek, GA
- Savannah River Below August Ecosystem Restoration, GA (inactive)
- Grand River Basin, IA & MO
- Interbasin Control of Great Lakes – Mississippi River Aquatic Nuisance Species, IL, IN, OH, & WI
- Espanola Valley, Rio Grande and Tributaries, NM
- Hudson River Habitat Restoration, NY
- Arkansas River Corridor, OK
- Cano Martin Pena, PR(PED)
- Jefferson County Shore Protection, TX
- Resacas at Brownsville, TX

Performance Results - Construction

USACE did not meet its performance goals for ecosystem restoration in FY 2017. FY 2017 construction funds were used to continue work on 13 programs and projects:

- Napa River, Salt Marsh Restoration, CA (adaptive management and monitoring)
- Hamilton Airfield Wetlands Restoration, CA (adaptive management and monitoring)
- South Florida Ecosystem Restoration, FL
- Missouri River Fish and Wildlife Recovery, IA, KS. MO, MT, NE, ND & SD (Biological Opinion)
- Chicago Sanitary and Ship Canal Dispersal Barrier, IL (operation and maintenance)
- Upper Mississippi Restoration, IL, IA, MN, MO & WI
- Louisiana Coastal Ecosystem Restoration, LA
- Assateague, MD
- Poplar Island, MD
- Lower Cape May Meadows, Cape May Point, NJ (monitoring)
- San Antonio Channel Improvement Project, TX (Reimbursement)
- Columbia River Fish Mitigation, WA, OR & ID (Biological Opinion)
- Mud Mountain Dam, WA (Biological Opinion)

Within the South Florida Ecosystem Restoration program, FY 2017 funds were provided to complete construction of the West Palm Beach Canal (C-51), South Dade County (C-111), and Kissimmee River projects. FY 2017 funds were also provided to continue three feasibility studies and four construction projects.

Within the Upper Mississippi River Restoration (UMRR) program, FY 2017 funds were provided to complete one feasibility study – Beaver Island, IA – and four projects – Capoli Slough, WI; Lake Odessa, IL; Rice Lake, IL; and Pools 25 and 26 Islands, MO, which restored over 3,940 acres of island, floodplain forest, and deep water habitats for fish species and migratory waterfowl. FY 2017 funds were also used to initiate three new feasibility studies, one design, and one construction project, and to continue ten feasibility studies and seven construction projects.

Meeting the requirements of biological opinions affecting various projects on the Columbia River system and the Missouri River continues to be a priority and progress. In the Missouri River Basin, over 100 acres of shallow water habitat were created at four sites in FY 2017. Approximately 468 acres of quality riparian habitat was acquired for future pallid sturgeon habitat creation. Vegetation management was conducted on approximately 750 acres of emergent sandbar habitat in the Missouri River to improve nesting conditions for the piping plover and interior least tern.

A PIPING PLOVER NEST WITH EGGS ON A SANDBAR. THE EGGS' COLORING PROVIDES CAMOUFLAGE TO PROTECT THEM FROM PREDATORS. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS)

In the Columbia River basin, FY 2017 funds were provided to fulfill all outstanding commitments with regard to the Columbia Basin Fish Accords

TABLE 7. AQUATIC ECOSYSTEM RESTORATION

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Acres of habitat restored, created, improved, or protected (annual)1	4,098	9,686	12,674	853,776	97,406

Note 1: *Acres of habitat restored, created, improved, or protected in ecosystems identified as priorities through interagency coordination, which are: Everglades, Great Lakes, Chesapeake Bay, Puget Sound, Missouri River, and Upper Mississippi River (annual)*

REGULATORY

Relevant Objective:

OBJECTIVE 4.2: Reduce adverse impacts to the Nation's wetlands and waterways through an effective, transparent, and efficient Regulatory process.

Performance Indicators: Table 8 displays the measure that is a performance indicator in determining progress in meeting this objective.

- Measure 4.2: *Percent of general permit decisions reached within 60 days.*
- Measure 4.2a: *Percentage of standard permits and letter of permission permit decisions made within 120 days.*

Performance Results

The Regulatory Program reviewed over 80,000 applications and 35,000 jurisdictional determinations in FY 2017. The majority of the 56,000 final permit applications (94%) were evaluated using streamlined general permit processes, where 85% were verified in 60 days or less.

The percentage of general permit application decisions made within 60 days continues to exceed the target on a national level. The efficiencies gained by utilizing general permits continue to be realized in most districts, although regional variation can occur and some districts do not meet the performance target. The national percentage of individual permit decisions made in 120 days or less also continues to exceed the target. Individual permits require more extensive review and coordination (endangered species, historic properties, tribal trust responsibilities, etc.) to ensure environmental compliance with all applicable statutes, since these proposed projects may have more than minimal individual or cumulative adverse environmental effects. This additional review requires more time to evaluate and render a permit decision, hence the longer time frame and lower target percentage. The public and permit applicants also expect these decisions to be consistent, based on sound science, legally defensible, and transparent.

TABLE 8. REGULATORY

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Percentage of general permit application decisions made within 60 days	86%	86%	87%	75%	85%
Percentage of standard permits and letter of permission permit decisions made within 120 days.	59%	60%	58%	50%	58%

ENVIRONMENTAL REMEDIATION (FORMERLY UTILIZED SITES REMEDIAL ACTION PROGRAM)

Relevant Objective:

OBJECTIVE 4.3: Clean up radioactive waste sites.

Performance Indicators: The measure listed in Table 9 serve as an indicator to help USACE-CW personnel determine progress in meeting this objective.

- Measure 4.3: *Number of individual properties returned to beneficial use*. Each site may contain varying numbers of individual properties, with different owners.

Individual properties returned to beneficial use: The number of properties released for general use following remediation.

Performance Results

In FY 2017, FUSRAP met all of its performance targets. Funds were used to continue radiological remedial activities at the Maywood site in New Jersey; the Shallow Land Disposal Area in Pennsylvania; properties in the vicinity of the St. Louis Airport in Missouri; the Iowa Army Ammunition Plant; the St. Louis Downtown Sites in St. Louis, Missouri; the Luckey Site, Ohio and DuPont Chamberworks, New Jersey. Records of Decision were signed for the Colonie (Vicinity Properties) Site, New York and the Tonawanda Landfill Site, New York. Approximately 71,500 cubic yards of contaminated material was removed. Of this amount, 46,000 cubic yards was from the Maywood Site. Twenty-four (181 cumulative) properties located in St. Louis, Missouri were returned to beneficial use. Remedial Investigation or close out activities continued at most other FUSRAP sites.

TABLE 9. FORMERLY USED SITES REMEDIAL ACTION PROGRAM

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Number of individual properties returned to beneficial use.	10	14	9	6	24

ENVIRONMENTAL STEWARDSHIP

Relevant Objective:

OBJECTIVE 4.4: Manage, conserve, and preserve natural resources at USACE-CW projects.

Performance Indicators: To measure success in attaining the above objective, the USACE-CW developed a number of performance indicators; data for the main indicator may be found in Table 10.

- Measure 4.4: *Percent of USACE fee-owned and/or administered lands and waters that have achieved desired natural resource conditions*. This measure tracks land and water acreage, which through protection and management meets the desired conditions outlined in management or work plans which fall into categories of sustainable, transitioning or degraded. Condition classifications are annually updated for each vegetation type of USACE-CW fee owned property.

  Desired conditions include both sustainable and transitioning where natural resources objectives are met and environmental impacts are minimized. The performance is calculated with a numerator representing lands and waters meeting a sustainable or transitioning condition over the denominator of total fee owned lands and waters with a known condition. As lands and waters fall into a degraded condition, the acreage drops out of the numerator and lowers performance. Improving degraded lands and waters results in an increase in the numerator and a higher net performance.

Performance Results

Additionally, the number of master plans updated in accordance with current regulations continues to increase. The master plans enable USACE-CW to adequately plan for and adjust to increasing pressures by rising population growth and land use demands. The number of master plans updated in accordance with current regulations increased by approximately 6 percentage points, from 33% to 39%, from FY 2016 to FY 2017 with over double the amount of master plans in compliance since FY 2008. These plans inform important land use decisions and protections.

TABLE 10. ENVIRONMENTAL STEWARDSHIP

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Percent of USACE-CW fee-owned and/or administered lands and waters that have achieved desired natural resource conditions	86%	89%	89%	86%	89%[1]

Note 1: *2017 actual is estimated performance. Final data will not be available until January 2018 after field submittal and quality assurance is complete.*

RECREATION

Relevant Objective:

OBJECTIVE 4.5: Provide opportunities for quality outdoor public recreation.

Performance Indicators: The measures displayed in Table 11 describe the value the Recreation business line provides to the Nation. These indicators are explained below.

- Measure 4.5: *Annually increase Project Site Area (PSA) compliance in each standard by 1% over the FY 2013 baseline. This measure tracks the quality of the recreation program delivered in light of fiscal realities and responsiveness to changing needs*. Results will be used to guide decision making in focusing resources to provide amenities, services and opportunities where they provide the greatest qualitative and quantitative benefits.

Performance Results

Each project maintains multiple parks and multiple areas (campgrounds, picnic sites boat launches) within each recreation area. The USACE-CW continued a systematic, national review of more than 2,800 recreation areas to determine the level of services provided by the USACE recreation program at the Project Site Area (PSA) Level, which generally includes the following components: 1) a visitor service component (i.e., an acceptable level of services such as ranger patrol, mowing and cleaning, etc.), and 2) a project condition component (acceptable conditions for facilities such as roads, parking, buildings, boat ramps, etc.).

TABLE 11. RECREATION

	FY 2014	FY 2015	FY 2016	FY 2017 Target	FY 2017 Actual
PSA Compliance with facility condition standards	86%	87%	87%	91%	88%
PSA Compliance with efficiency standards	67%	68%	68%	70%	68%
PSA compliance with health and safety standards	54%	55%	59%	58%	58%

STRATEGIC GOAL 5: *MANAGE THE LIFE-CYCLE OF WATER RESOURCES INFRASTRUCTURE SYSTEMS IN ORDER TO CONSISTENTLY DELIVER SUSTAINABLE SERVICES.*

OBJECTIVE 5.1: Support the Nation and the Army in achieving our energy security and sustainability goals.

Performance Indicators: Table 12 displays measures that are performance indicators in determining progress in meeting this objective.

- Measure 5.1.a: *Non-tactical Vehicle (NTV) Petroleum: Percent reduction in NTV Petroleum Use*. This measures progress on reducing the use of traditional petroleum fuels (gasoline and diesel) in fleet vehicles.
- Measure 5.1.b: *Facility Energy Intensity: Percent reduction in Goal Subject Energy Intensity (Btu/GSF)*. This measures progress on making "buildings" more energy efficient.

Performance Results

The NTV petroleum reduction target for FY 2017 is 20% (relative to the FY 2005 baseline), but official data for FY 2017 will not be available until January 2018. At the end of FY 2016, USACE-CW met the petroleum reduction target with a 20.1% petroleum reduction. Based on continuing command support for petroleum reduction, alternative fuel use, and improving fleet fuel efficiency, USACE-CW expects to achieve the 22% petroleum reduction goal in FY 2017. Measure 5.1.a will be updated for FY 2017 year-end reporting in response to Executive Order 13693, *Planning for Federal Sustainability in the Next Decade*, (19 March 2015). While the USACE-CW will be required to maintain a 20% reduction in NTV fleet petroleum consumption relative to the FY 2005 baseline, the new federal goal will be to achieve a 4% reduction in greenhouse gas emissions per mile relative to the newly established FY 2014 baseline by the end of FY 2017. USACE-CW internal records indicate performance to date is on-track to achieve the new goal by the end of FY 2017.

Because the USACE was slow to begin tracking and reporting on measure 5.1.b, as well as fund energy efficiency investments, it fell far short of its target for reduction of facility energy intensity in FY 2015, ending the year with only 15% reduction relative to the FY 2003 baseline, or about one half of the federal goal of a 30% reduction. FY 2015 was the final year for this measure and the 30% reduction goal. Executive Order 13693, *Planning for Federal Sustainability in the Next Decade*, (19 March 2015), directed re-baselining of the federal energy intensity reduction goal at the end of FY 2015, followed by a continued reduction target of 2.5% per year from the FY 2015 baseline through FY 2025. The baseline reset, lower annual reduction target, and a new calculation methodology for energy intensity improve the outlook for USACE performance on this goal over the period FY2016-2025. Official FY 2017 data for this measure will not be available until 31 January 2018.

TABLE 12. SUSTAINABILITY AND ENERGY

				FY 2017	
	FY 2014	FY 2015	FY 2016	**Target**	**Actual**
Percent Reduction in Non-tactical Vehicle (NTV) Petroleum Use	19%	20%	23%	22%	Note 1
Percent reduction in Goal Subject Facility Energy Intensity	11%	15%	22%	30%	

Note 1: *Data for FY 2017 will not be available until 2nd Quarter FY 2018*

Objective 5.2: Capitalize, recapitalize, operate and maintain water resources infrastructure to provide maximum value to the Nation.

USACE operates, maintains, and manages more than $259 billion worth of the Nation's water resources infrastructure. It is the steward of the fourth largest asset portfolio, by value, of all federal agencies.

Performance Indicators: The USACE-CW uses the following measure to assist in gauging progress on this objective.

- Measure 5.2.a: *Percentage of Preventive Maintenance completed on critical components*. Preventive maintenance is the systematic care, servicing, and inspection of assets, facilities, equipment and components for the purpose of detecting and correcting incipient failures and accomplishing minor maintenance. The frequency of preventative maintenance is generally less than one year. Focusing on mission-critical components ensures that national preventive maintenance efforts are focused on those components with the highest potential risk to delivering national benefits. Critical components are those items that, if they failed, would have an immediate and substantial impact to the various USACE-CW missions of providing national benefits (power generation, safe navigation, flood risk management, etc.).

Performance Results

In FY 2017, USACE continued an enterprise-wide collection of minimum required maintenance data that will allow the development of the baseline Preventive Maintenance reporting. Managers are held accountable to properly code preventive maintenance work orders and track labor, materials, and service costs as well as criticality of the affected assets.

HYDROPOWER

Relevant Objective:

OBJECTIVE 5.3: Provide reliable, renewable, hydropower to the Nation.

Performance Indicators: Table 13 displays representative performance indicator results and targets for the year.

- Measure 5.3.a: Peak unit availability (percentage of time generating units are available during periods of peak demand). Peak Unit Availability measures performance reliability, it is the percentage of time during critical peak demand periods that hydroelectric generating units are available to the Power Marketing Administration (PMA) interconnected system.
- Measure 5.3.b: *Percentage of time units are out of service due to unplanned outage*. This measure tracks the percentage of

time hydropower generating units are in an unscheduled or unplanned outage status. The lower the forced outage rate, the more reliable and less expensive the electrical power provided to the consumer.

Performance Results

Appropriated funds were used to accomplish critical routine operation and maintenance and some non-routine maintenance at 54 of the 75 USACE-CW hydroelectric facilities along with some capital work. The 21 plants located in the Pacific Northwest are directly funded by the Bonneville Power Administration and not included in these measures. Additional capital work and other non-routine maintenance work was accomplished through the implementation of agreements and associated sub-agreements with the regional Department of Energy PMAs and their preference customers. These amounts are not included in the totals in Table 13.

During FY 2017 the USACE-CW signed 27 new sub-agreements and a modification to 1 existing sub-agreement resulting in an additional $99 million for non-routine work at USACE-CW power plants outside of the Pacific Northwest.

Compared to the previous year, there was a slight increase (approximately one percent) in the amount of time hydropower generating units were actually available to produce power during peak demand periods. This increase resulted from a decrease in scheduled equipment outages. The target for peak availability was 87%, and this target was not met. The Industry standard for peak availability is 95%. The forced outage rate increased about 1% from the previous year.

TABLE 13. HYDROPOWER

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Peak unit availability (percentage of time generating units are available during periods of peak demand)	88%	88%	86%	87%	86%
Percentage of time units are out of service due to unplanned outages	7%	6%	9%	3%	10%

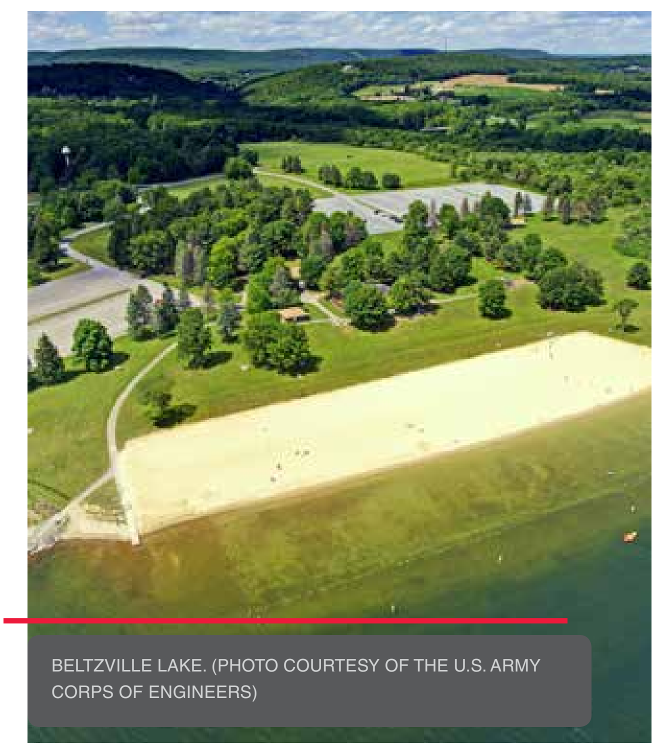
WATER STORAGE FOR WATER SUPPLY

Relevant Objective:

OBJECTIVE 5.4: Provide water supply storage in partnership with state and local interests.

Performance Indicators: To assist in gauging progress, the USACE-CW uses measures relating to the acre-feet of water stored and cost-recovery measures. These are shown in Table 14.

- Measure 5.4.a: *Percent of acre-feet under contract versus acre-feet available*. This measure tracks the percentage of the acre-feet of water supply storage space under contract with state and local interests for present and future use, compared to the



BELTZVILLE LAKE. (PHOTO COURTESY OF THE U.S. ARMY CORPS OF ENGINEERS) acre-feet of space available for water supply. An acre-foot is the volume of water that will cover an area of one acre to a depth of one foot.

- Measure 5.4.b: *Percent of investment costs recovered versus the total investment costs available for recovery*. This measure tracks progress in recovering investment costs. The USACE-CW seeks proportional reimbursement of capital costs for that portion of the reservoir allocated for water supply. The cost available for recovery is the total estimated capital cost of water supply allocations. In this context, the capital costs are typically the costs to construct the reservoir.

Performance Results

Currently there are 136 projects in 25 states that provide 9.8 million acre-feet of Municipal and Industrial water supply storage to users that have contracted for that storage. The cost associated with the storage, including the cost to operate and maintain the storage, are returned as revenues to the United States Treasury according to the terms of contracts. Over the last seven years, an average of $74 million per year has been returned.

FY 2017 funds were used for ten reallocation studies, including three completions and two initiations, construction activities at two non-traditional water supply projects, and to continue the operation and maintenance of the water supply functions at multi-purpose USACE-CW projects.

Quality control of the water supply and irrigation module of the Operations and Maintenance Business Information Link (OMBIL) continued during the year. This module is providing (1) additional data to help our districts in the management of their water supply program, (2) more tools for project oversight at the Headquarters level, and (3) instant response to inquiries from Army and congressional interests as well as from our state and local sponsors.

TABLE 14. WATER STORAGE FOR WATER SUPPLY

				FY 2017	
	FY 2014	FY 2015	FY 2016	Target	Actual
Percentage of available acre-feet under contract	96%	96%	96%	96%	96%
Percentage of investment costs recovered	58%	58%	58%	64%	58%

POSSIBLE FUTURE EFFECTS OF EXISTING CONDITIONS

The USACE-CW includes a large inventory of water resources infrastructure. In an effort to manage the risk associated with that inventory, the USACE-CW utilizes a risk-based approach to managing those assets that is based on the condition of each project component and the consequence of failure of that component. Expenditure of operation and maintenance dollars is guided by that information.

The infrastructure that the USACE-CW helps to maintain includes dams, levees, coastal harbors and channels, inland waterways, locks, and hydropower plants with generating units. The USACE-CW constructed much of this infrastructure in the first half of the twentieth century. Some of this infrastructure is experiencing various stages of degradation and disrepair. However, we have rehabilitated many of the component systems of this water resource infrastructure since then, with emphasis on the key features of this infrastructure, and give priority to such investments as needed. All structures age over time. With proper maintenance and periodic rehabilitation, we are working to extend the effective lifetime of the facilities that are owned or operated by, or on behalf of, the Corps of Engineers.

Flood Risk Management

The Flood Risk Management business line reduces flood risk to lives and property from inland and coastal flooding.

Dams: USACE-CW has assigned a dam safety action classification (DSAC) to all 715 of the dams that it owns. It has classified 14 of them (approximately 2%) as DSAC 1, 59 of them (approximately 8%) as DSAC 2, and 194 of them (approximately 27%) as DSAC 3. Some of these dams may require additional study and/or modification. Where appropriate, USACE-CW also implements interim risk reduction measures to reduce the risk associated with a dam safety concern.

Levees: The USACE-CW continues to implement its Levee Safety Initiative, which began in FY 2012 and focuses on inspections, assessments, and communication of risk. This initiative involves approximately 2,500 levee systems nationwide, including: (1) levees that are owned and operated by USACE; (2) levees that are federally authorized but are owned, operated, and maintained by a state or local public entity; and (3) other levees that the USACE-CW inspects periodically under its P.L. 84-99 program.

Navigation

Today, approximately 20% of the gross domestic product of the U.S. is generated by foreign trade and approximately 95% of that trade is moved by water. The value of foreign tonnage is over $900 billion.

The USACE-CW has provided significant navigation benefits to the nation; and is working to maintain the reliability of our principal inland waterways and coastal ports. Many of the locks and dams on the inland waterways require increased maintenance or will require rehabilitation to keep them functioning. For coastal ports, there has been a significant increase in dredging costs in recent years, which corresponds to the significant increases in steel and labor costs. Also, many of the channel-deepening projects completed over the past few years require additional maintenance dredging. In addition, new environmental requirements and the construction of new, more distant dredged material placement sites have increased the costs of channel dredging.

Aquatic Ecosystem Restoration

The goal of aquatic ecosystem restoration is to restore aquatic habitat - with degraded structure, function, and dynamic processes - to more natural conditions. To achieve its objectives, the USACE-CW designs and constructs cost-effective projects that modify hydrologic and geomorphic characteristics.

The need for aquatic ecosystem restoration is great; however, the challenge is to strike a sustainable balance between the often conflicting demands for the use of water resources. Climate change is likely to make this balancing act even more difficult in the future.

ANALYSIS OF FINANCIAL STATEMENTS

USACE-CW prepares annual financial statements in conformity with generally accepted accounting principles prescribed by the Federal Accounting Standards Advisory Board and the formats prescribed by the Office of Management and Budget (OMB). The USACE-CW financial statements are subject to an independent audit to provide reasonable assurance they are free from material misstatements. USACE-CW management is responsible for the integrity and objectivity of the financial information presented in these financial statements.

The USACE-CW Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources have been prepared to report the financial position and results of operations of the USACE-CW, pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994. The following sections provide a brief description of the nature of each financial statement and significant fluctuations from FY 2016 to FY 2017. The charts presented in this analysis are "in millions" unless otherwise noted.

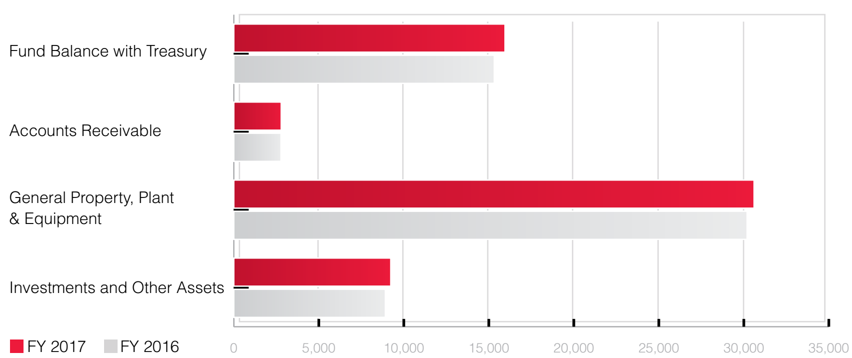
Consolidated Balance Sheet

The USACE-CW Consolidated Balance Sheet presents the amounts of future economic benefits owned or managed by USACE-CW (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position).

Figure 4 shows the USACE-CW Assets Comparison as of September 30, 2017 and 2016. Total assets amounted to $58,574 million in FY 2017 and $57,200 million in FY 2016, a 2.4% increase. This increase is mainly attributed to an increase in the Fund Balance with Treasury and General Property, Plant and Equipment balances in FY 2017 over the balance in FY 2016.

FIGURE 4. ASSETS COMPARISON

(Amounts in millions)

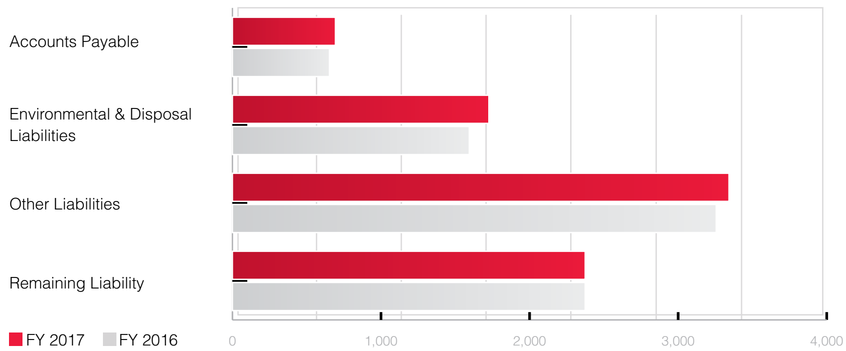


NASHVILLE DISTRICT GEOLOGISTS INSPECT A LOCK TO PREPARE FOR FUTURE EXCAVATION OF THE TENNESSEE RIVERBED. (U.S. ARMY CORPS OF ENGINEERS PHOTO BY MIKE ARLES)

Figure 5 shows the USACE-CW Liabilities Comparison as of September 30, 2017 and 2016. Total liabilities amounted to $8,135 million in FY 2017 and $7,877 million in FY 2016, a 3.3% increase. This increase is primarily attributed to an increase in our FUSRAP program liability estimate from FY 2016 to FY 2017.

FIGURE 5. LIABILITIES COMPARISON

(Amounts in millions)



Consolidated Statements of Net Cost

The Consolidated Statements of Net Costs presents the gross cost incurred by USACE-CW to conduct its operations less any exchange revenues earned from its activities.

The major elements of the Consolidated Statements of Net Cost include program costs totaling $9,407 million in FY 2017 and $10,013 million in FY 2016, and earned revenues amounting to $2,530 million in FY 2017 and $2,459 million in FY 2016. Both elements are comprised of both intragovernmental and public costs. Total net costs of operations decreased by $676 million, or 8.95%, which is attributed to the two factors below.

Program costs decreased by $606 million, or 6.05%. Costs decreased in FY 2017 because, unlike FY 2016, there were no new large Environmental liability estimates that occurred in FY 2017 to offset the cumulative effect of other small decreases.

Earned revenue increased by $71 million or 2.89%. The Intragovernmental Earned Revenue increase is attributed to the Department of Homeland Security for the Federal Emergency Management Agency (FEMA) for work involving hauling and installing manufactured housing units due to the severe Louisiana storms and flooding that occurred in 4th Quarter FY 2016 but the increase occurred primarily during 1st Quarter FY 2017. The Public Earned Revenue increase is attributed to an increase in water supply rates collected from the local municipalities of the District of Columbia, Arlington County, and City of Falls Church for water supply service provided by the Washington Aqueduct. The Washington Aqueduct is owned and operated by USACE, but the local municipalities provide the funds to operate and maintain it.

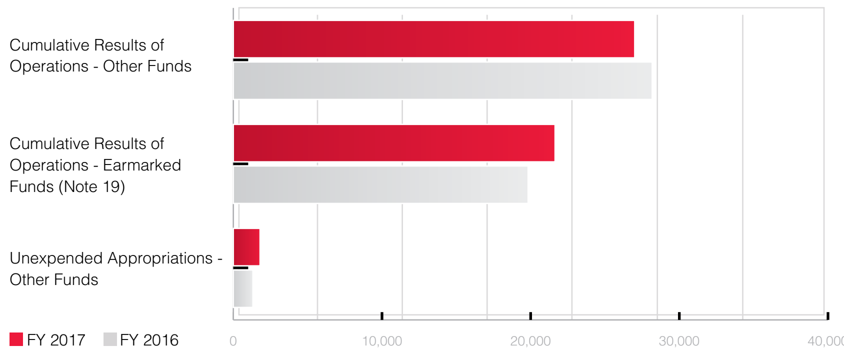
Consolidated Statements of Changes in Net Position

The Consolidated Statements of Changes in Net Position presents those accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the reporting period. Various financing sources increase net position. These financing sources include appropriations received and non-exchange revenues, such as donations and forfeitures of property and imputed financing from costs absorbed by other federal agencies. USACE-CW net cost of operations and appropriations used serve to reduce net position.

Figure 6 shows the three components of the USACE-CW net position for FY 2017 and FY 2016. Total net position amounted to $50,438 million in FY 2017 and $49,322 million in FY 2016, a 2.3% increase. The increase is attributed to an increase in "Cumulative Results of Operations-Dedicated Collections."

FIGURE 6. NET POSITION

(Amounts in millions)



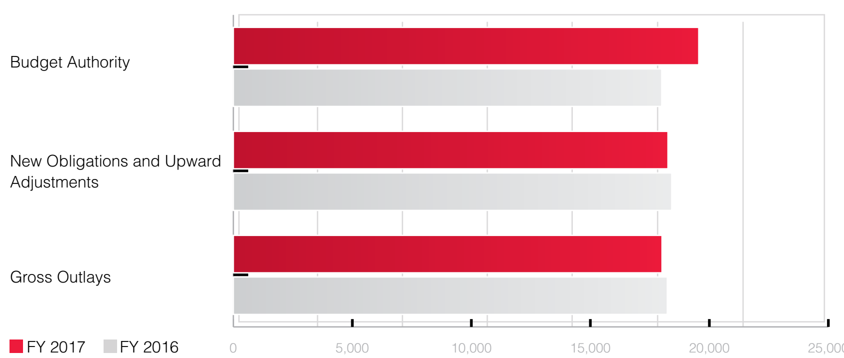
Combined Statement of Budgetary Resources

The Combined Statements of Budgetary Resources provide information on the budgetary resources that were made available to the USACE-CW as of September 30, 2017 and 2016, and the status of those budgetary resources. Budget authority is the authority provided to the USACE-CW by law to enter into obligations that will result in outlays of federal funds. New obligations and upward adjustments results from an order placed, contract awarded, or similar transaction, which will require payments during the same or a future period. Gross outlays reflect the actual cash disbursed by the Department of the Treasury for USACE-CW obligations.

Figure 7 shows a comparison of budget authority, new obligations and upward adjustments and gross outlays in FY 2017 and FY 2016. The reported total USACE-CW budget authority was $19,556 million and $17,999 million as of September 30, 2017 and 2016, respectively. New obligations and upward adjustments amounted to $18,261 million as of September 30, 2017 and $18,419 million as of September 30, 2016. Gross outlays amounted to $18,011 million as of September 30, 2017 and $18,233 million as of September 30, 2016. The increase in budget authority is due to increases in offsetting collections and General Funds.

FIGURE 7. BUDGETARY RESOURCES

(Amounts in millions)



STATEMENT OF ASSURANCE

United States Army Corps of Engineers (USACE) Civil Works management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA). USACE Civil Works conducted its assessment of risk and internal control in accordance with Office of Management and Budget (OMB) Circular Number (No.) A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, USACE Civil Works can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2017.

USACE Civil Works conducted its assessment of internal control over financial reporting in accordance with Appendix A of OMB Circular No. A-123. Based on the results of this assessment, USACE Civil Works can provide reasonable assurance that its internal control over financial reporting as of September 30, 2017 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

The *Federal Financial Management Improvement Act of 1996* (FFMIA) as well as OMB Circular No. A-123, Appendix D, requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. Evaluation results from the assessment also indicated that all USACE Civil Works financial management systems were found to substantially comply with FFMIA and OMB Circular No. A-123 Appendix D as of September 30, 2017.

James C. Dalton, P.E.
Director, Civil Works

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act

The management control objectives under the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) are to reasonably ensure that:

- Programs achieve their intended results efficiently and effectively
- Resources are used consistent with overall mission
- Programs and resources are free from waste, fraud, and mismanagement
- All applicable laws and regulations are followed
- Controls are sufficient to minimize any improper or erroneous payments
- System security is in substantial compliance with all relevant requirements
- Resources are used in accordance with the organizational mission
- Financial management systems are in compliance with federal financial systems standards
- Timely, accurate, and reliable data are maintained and used for decision making at all levels

The USACE-CW internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and the OMB Circulars Nos. A-123, *Management's Responsibility for Internal Control,* and A-136, *Financial Reporting Requirements*. The USACE-CW holds managers accountable for the performance, productivity, operations, and integrity of their programs through the use of internal controls. The USACE-CW undertakes a combination of actions to ensure there is a reasonable level of assurance that internal controls are in place and operating effectively. Those actions consist of a combination of inspections, audits, investigations, and management controls reviews conducted throughout the year. The USACE-CW also has a strong network of management control oversight committees to include the USACE Management Action Group, Regional Management Boards, and the Quarterly Review Boards. The Business Process Documentation System, another management control mechanism, allows the USACE-CW to document standardized business processes and ensure appropriate internal controls are built into those processes. Many of the USACE-CW management control evaluations are integrated into periodic management review processes such as the Consolidated Management Reviews, Directorate Management Reviews, Program Management Reviews, and through the execution of internal audits. The USACE-CW evaluation for FY 2017 identified no material weaknesses in the design or operation of its management and financial system internal controls.

The Corps of Engineers Financial Management System (CEFMS) is the principle financial management system that is used by USACE for all financial transactions. CEFMS is compliant with all annual *Federal Information Security Management Act* (FISMA) requirements and is fully accredited. To ensure that CEFMS continues to meet security compliance and remains up-to-date on current technologies, the CEFMS team upgraded the database server to the Oracle 12c Database Server in FY 2016. The Oracle WebLogic application server and Oracle Forms and Reports are scheduled to be upgraded to 12c in FY 2018.

OMB Circular No. A-123 Appendix A

The USACE-CW conducted an assessment of the effectiveness of its internal controls over financial reporting in compliance with OMB Circular No. A-123, Appendix A, *Internal Control over Financial Reporting* (ICOFR) and related DoD guidance. The USACE Executive Senior Assessment Team (ESAT), established in FY 2008, is chaired by the Deputy Commanding General and comprised of functional area Senior Executives who provide expert leadership and direction over the CFO Act financial statement audit. USACE-CW evaluation for FY 2017 did not identify any material weaknesses as of or subsequent to June 30, 2017.

Federal Financial Management Improvement Act of 1996

The *Federal Financial Management Improvement Act* (FFMIA) of 1996 stipulates that government agencies "…implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger (USSGL) at the transactional level." FFMIA also mandates that remediation plans be developed for any agency that is unable to report substantial compliance. Substantial compliance is achieved when an agency's financial management system(s) routinely provide reliable and timely financial information for managing day to day operations as well as produce reliable financial statements, maintain effective internal control, and comply with legal and regulatory requirements.

USACE-CW's financial management framework consists primarily of CEFMS. CEFMS is a comprehensive and integrated financial management system which processes all financial transactions for all USACE-CW missions and programs. CEFMS maintains an electronic record of the financial transactions and is in compliance with the USSGL. USACE-CW also utilizes CEFMS to maintain funds control and track the execution of all direct and reimbursable funded projects. Adequate internal control mechanisms are critical in maintaining the integrity of transactional data. To ensure proper separation of duties, CEFMS includes a robust electronic signature process, utilizing public key infrastructure (PKI), and has a role-based security feature to reinforce its internal controls. CEFMS provides reliable and timely financial information for managing its financial operations. Internal controls are embedded throughout CEFMS to ensure data integrity and to prevent fraud, waste, and abuse through the segregation of duties using role-based controls. CEFMS is the primary reason why USACE has received unmodified audit opinions on its Civil Works financial statements over the past eight consecutive fiscal years.

USACE-CW has evaluated its financial management systems and has determined that they substantially comply with the requirements of the *FFMIA of 1996* (Section 801 of title 31, USC), the OMB Circular No. A-123, and the DoD Financial Management Regulations, Volume 1, Chapter 3.

Improper Payments Information Act Reporting Details

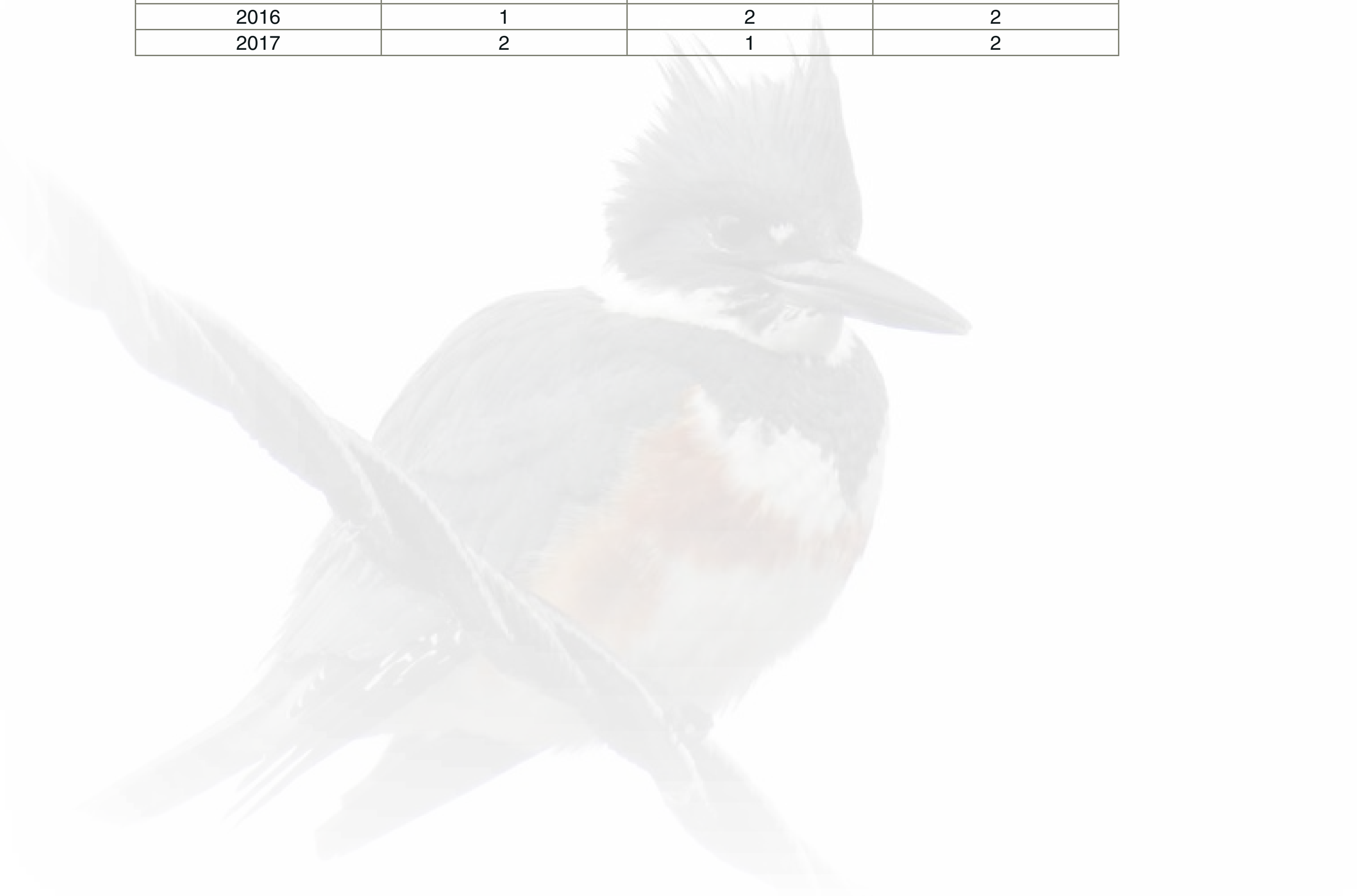
USACE-CW recognizes the importance of maintaining sufficient internal controls to ensure proper payments. The *Improper Payments Information Act of 2002* (IPIA; Pub. L. 107-300), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA; Pub. L. 111-204) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA Pub. L. 112-248) requires agencies to annually report information on improper payments to the President and Congress. The IPIA, as amended, and OMB implementing guidance, OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, require agencies to review all programs and activities they administer to identify those that are susceptible to significant improper payments. OMB defines significant improper payments as gross annual improper payments (i.e. the total amount of overpayments plus underpayments) in a program exceeding (1) both 1.5% of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million, regardless of the improper payment percentage of total program outlays.

In accordance with the IPIA, as amended, and OMB implementing guidance, USACE-CW assessed its programs and activities for susceptibility to significant improper payments. Based on the results of our sampling/audit of FY17 IPERIA compliance, the USACE-CW Commercial Pay Program is susceptible to significant improper payments. The FY17 statistical improper payment rate of Commercial Pay is 1.82% with an improper payment amount of $163.2M.

Summary

Although USACE-CW has no material weaknesses to report as a result of the above internal control evaluations, management remains committed to addressing the significant deficiencies identified as a result of audits, evaluations and assessments of controls in its financial management systems and its business processes, to ensure existence of effective internal controls, systems integration, and timely and reliable financial and performance data for reporting purposes. The table below shows the number of material weaknesses, significant deficiencies, and legal requirements not in compliance, as a result of the independent audits of Civil Works financial statements from FY 2013 through FY 2017:

Fiscal Year End	Number of Material Weaknesses	Number of Significant Deficiencies	Number of Legal Requirements Not in Compliance
2013	0	3	2
2014	0	3	2
2015	1	3	2
2016	1	2	2
2017	2	1	2



LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position and results of operations for the entity, pursuant to the requirements of Title 31, United States Code, Section 3515(b).

While the statements have been prepared from the books and records of the entity, in accordance with the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

CONSOLIDATED BALANCE SHEETS

As of September 30, 2017 and 2016 (in thousands)

		2017		2016
ASSETS (Note 2)				
Intragovernmental:				
Fund Balance with Treasury (Note 3)	$	15,951,635	$	15,321,306
Investments (Note 4)		9,210,018		8,885,545
Accounts Receivable (Note 5)		630,740		620,349
Total Intragovernmental Assets	$	25,792,393	$	24,827,200
Cash and Other Monetary Assets (Note 6)		749		629
Accounts Receivable, Net (Note 5)		2,156,921		2,154,527
Operating Materials and Supplies (Note 7)		21,334		25,762
General Property, Plant and Equipment, Net (Note 8)		30,602,145		30,191,676
Other Assets		72		78
TOTAL ASSETS	$	58,573,614	$	57,199,872
Stewardship PP&E (Note 9)				
LIABILITIES (Note 10)				
Intragovernmental:				
Accounts Payable	$	65,389	$	55,284
Debt (Note 11)		794		1,028
Due to Treasury - General Fund (Note 13)		2,132,610		2,134,085
Other Liabilities (Notes 13 & 14)		1,047,978		1,123,632
Total Intragovernmental Liabilities	$	3,246,771	$	3,314,029
Accounts Payable - Public		627,452		597,581
Federal Employee and Veterans' Benefits		240,804		238,484
Environmental and Disposal Liabilities (Note 12)		1,726,544		1,594,653
Other Liabilities (Notes 13 & 14)		2,293,782		2,132,645
TOTAL LIABILITIES	$	8,135,353	$	7,877,392
Contingencies (Note 14)				
NET POSITION				
Unexpended Appropriations - Other Funds	$	1,797,327	$	1,317,498
Cumulative Results of Operations - Dedicated Collections (Note 19)		21,641,029		19,828,490
Cumulative Results of Operations - Other Funds		26,999,905		28,176,492
TOTAL NET POSITION	$	50,438,261	$	49,322,480
TOTAL LIABILITIES AND NET POSITION	$	58,573,614	$	57,199,872

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2017 and 2016 (in thousands)

	2017	2016
Program Costs		
Gross Costs (Note 15)	$ 9,407,338	$ 10,013,327
Less: Earned Revenue	(2,529,696)	(2,459,244)
Net Cost of Operations	$ 6,877,642	$ 7,554,083

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2017 and 2016 (in thousands)

	2017 Dedicated Collections	2017 Other	2017 Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	$ 19,828,490	$ 28,176,492	$ 48,004,982
Budgetary Financing Sources:			
Appropriations used	-	5,307,610	5,307,610
Nonexchange revenue	1,587,619	24,735	1,612,354
Transfers-in/out without reimbursement	40,257	113,723	153,980
Other Financing Sources (Non-exchange):			
Donations and forfeitures of property	-	1,539	1,539
Transfers-in/out without reimbursement	-	160,207	160,207
Imputed financing from costs absorbed by others	7,743	215,666	223,409
Other	76,849	(22,354)	54,495
Total Financing Sources	1,712,468	5,801,126	7,513,594
Net Cost of Operations	(100,071)	6,977,713	6,877,642
Net Change	1,812,539	(1,176,587)	635,952
Cumulative Results of Operations	$ 21,641,029	$ 26,999,905	$ 48,640,934
UNEXPENDED APPROPRIATIONS			
Beginning Balances	$ -	$ 1,317,498	$ 1,317,498
Budgetary Financing Sources:			
Appropriations received	-	5,787,453	5,787,453
Other adjustments (rescissions, etc.)	-	(14)	(14)
Appropriations used	-	(5,307,610)	(5,307,610)
Total Budgetary Financing Sources	-	479,829	479,829
Unexpended Appropriations	-	1,797,327	1,797,327
Net Position	$ 21,641,029	$ 28,797,232	$ 50,438,261

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2017 and 2016 (in thousands)

	2016 Dedicated Collections	2016 Other	2016 Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	$ 18,003,543	$ 29,982,067	$ 47,985,610
Budgetary Financing Sources:			
Appropriations used	-	5,379,818	5,379,818
Nonexchange revenue	1,482,827	23,200	1,506,027
Transfers-in/out without reimbursement	49,110	112,993	162,103
Other Financing Sources (Non-exchange):			
Donations and forfeitures of property	-	1,784	1,784
Transfers-in/out without reimbursement	-	144,160	144,160
Imputed financing from costs absorbed by others	5,857	318,828	324,685
Other	75,572	(20,694)	54,878
Total Financing Sources	1,613,366	5,960,089	7,573,455
Net Cost of Operations	(211,581)	7,765,664	7,554,083
Net Change	1,824,947	(1,805,575)	19,372
Cumulative Results of Operations	$ 19,828,490	$ 28,176,492	$ 48,004,982
UNEXPENDED APPROPRIATIONS			
Beginning Balances	$ -	$ 2,126,627	$ 2,126,627
Budgetary Financing Sources:			
Appropriations received	-	4,570,701	4,570,701
Other adjustments (rescissions, etc.)	-	(12)	(12)
Appropriations used	-	(5,379,818)	(5,379,818)
Total Budgetary Financing Sources	-	(809,129)	(809,129)
Unexpended Appropriations	-	1,317,498	1,317,498
Net Position	$ 19,828,490	$ 29,493,990	$ 49,322,480

The accompanying notes are an integral part of these financial statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the years ended September 30, 2017 and 2016 (in thousands)

	2017 Combined	2016 Combined
Budgetary Resources		
Unobligated balance brought forward, October 1	$ 9,911,834	$ 10,034,700
Recoveries of unpaid prior year obligations	331,177	287,421
Other changes in unobligated balance (+ or -)	6,885	9,469
Unobligated balance from prior year budget authority, net	10,249,896	10,331,590
Appropriations (discretionary and mandatory)	7,625,746	6,551,663
Spending Authority from offsetting collections (discretionary and mandatory)	11,929,792	11,447,615
Total Budgetary Resources	$ 29,805,434	$ 28,330,868
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 18,261,287	$ 18,419,034
Unobligated balance, end of year		
Apportioned, unexpired accounts	9,738,329	8,281,251
Exempt from Apportionment, unexpired accounts	1,800,562	1,626,944
Unapportioned, unexpired accounts	124	-
Unexpired unobligated balance, end of year	11,539,015	9,908,195
Expired unobligated balance, end of year	5,132	3,639
Unobligated balance, end of year (total)	11,544,147	9,911,834
Total Budgetary Resources	$ 29,805,434	$ 28,330,868
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	$ 7,492,640	$ 7,593,725
New obligations and upward adjustments	18,261,287	18,419,034
Outlays (gross) (-)	(18,010,740)	(18,232,698)
Recoveries of prior year unpaid obligations (-)	(331,177)	(287,421)
Unpaid obligations, end of year	7,412,010	7,492,640
Uncollected payments:		
Uncollected payments, Fed sources, brought forward, October 1 (-)	(1,766,504)	(1,647,780)
Change in uncollected payments, Federal Sources (+ or -)	(901,632)	(118,724)
Uncollected customer payments, Federal sources, end of year (-)	(2,668,136)	(1,766,504)
Obligated balance, start of year (net)	5,726,136	5,945,945
Obligated balance, end of year	$ 4,743,874	$ 5,726,136
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	$ 19,555,538	$ 17,999,278
Actual offsetting collections (discretionary and mandatory) (-)	(10,923,171)	(11,227,311)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(901,632)	(118,724)
Recoveries of prior year paid obligations (discretionary and mandatory)	6,775	9,480
Budget Authority, net (discretionary and mandatory)	$ 7,737,510	$ 6,662,723
Outlays, gross (discretionary and mandatory)	18,010,740	18,232,698
Actual offsetting collections (discretionary and mandatory) (-)	(10,923,171)	(11,227,311)
Outlays, net (total) (discretionary and mandatory)	7,087,569	7,005,387
Distributed offsetting receipts	(649,197)	(614,699)
Agency Outlays, net (discretionary and mandatory)	$ 6,438,372	$ 6,390,688

The accompanying notes are an integral part of these financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

1.A. Mission of the Reporting Entity

The primary mission of the United States (U.S.) Army Corps of Engineers - Civil Works Program (USACE) includes water resource development activities, including flood risk management, navigation, recreation, and infrastructure and environmental stewardship. USACE contributes to the national welfare and serves the nation (1) through quality and responsive assistance in the effort to develop, manage, protect, and restore our water resources; (2) by helping to protect, restore, and manage water resources in ways that will improve the aquatic environment; and (3) by providing related engineering support and technical services. This multi-faceted mission is accomplished in an environmentally sustainable manner that is both economically and technically sound. USACE also supports the Department of Homeland Security in carrying out the National Response Plan. USACE's primary role in support of this plan is to provide emergency support in areas of public works and engineering. USACE responds to more than 30 presidential disaster declarations in a typical year, and its highly trained workforce is prepared to deal with both man-made and natural disasters.

1.B. Basis of Presentation and Accounting

These financial statements have been prepared to report the financial position and results of operations of USACE, as required by the *Chief Financial Officers Act of 1990*, expanded by the *Government Management Reform Act of 1994*. The financial statements have been prepared from the books and records of USACE in accordance with the U.S. generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB) Circular Number (No.) A-136, *Financial Reporting Requirements*. The accompanying financial statements account for all Civil Works resources for which USACE is responsible.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to the receipt or payment of cash. USACE transactions are recorded on an accrual accounting basis as required by GAAP. USACE's financial management system meets all of the requirements for full accrual accounting. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

USACE has presented comparative financial statements for the Consolidated Balance Sheet, Consolidated Statements of Net Cost and Changes in Net Position, and Combined Statement of Budgetary Resources, in accordance with OMB financial statement reporting guidelines.

USACE is not subject to Federal, state or local income taxes. Accordingly, no provision for income taxes is recorded.

1.C. Fund Types

General funds are used for financial transactions funded by Congressional appropriations, including personnel, operation and maintenance, research and development, procurement, and construction accounts.

Revolving funds received funding to establish an initial corpus through an appropriation or a transfer of resources from existing appropriations or funds. The corpus finances operations and transactions that flow through the fund. The revolving fund finances the goods and services sold to customers on a reimbursable basis and maintains the corpus. Reimbursable receipts fund future operations and generally are available in their entirety for use without further congressional action.

Special funds are used to record government receipts reserved for a specific purpose.

Trust funds contain receipts and expenditures of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute.

Contributed funds are received from the public for construction of assets under local cost sharing agreements.

Most USACE special, trust, and contributed funds are designated as funds from dedicated collections. These funds are financed by specifically identified revenues, required by statute to be used for designated activities, benefits or purposes, and are to remain available over time. USACE is required to separately account for and report on the receipt, use and retention of revenues and other financing sources for dedicated collections.

Deposit funds are used to record amounts held temporarily until paid to the appropriate government or public entity. They are not USACE funds, and as such, are not available for USACE's operations. USACE is acting as an agent or a custodian for funds awaiting distribution.

Clearing accounts are used to record the amount of unprocessed intragovernmental payments and collections transmitted to USACE from other Federal agencies.

Receipt accounts are used to record amounts such as interest, land lease proceeds, fines and penalties that are deposited in the U.S. Treasury.

A summary of USACE funds follows:

General Funds

096X3112	Mississippi River and Tributaries
096 3113*	Mississippi River and Tributaries - Recovery Act (fiscal year)
096X3121	Investigations
096X3122	Construction
096 3122	Construction (fiscal year)
096X3123	Operation and Maintenance
096X3124	Expenses
096 3124	Expenses (fiscal year)
096X3125	Flood Control and Coastal Emergencies
096 3125	Flood Control and Coastal Emergencies (fiscal year)
096X3126	Regulatory Program
096 3126	Regulatory Program (fiscal year)
096X3128	Washington Aqueduct Capital Improvements
096X3130	Formerly Utilized Sites Remedial Action Program
096X3132	Office of Assistant Secretary of the Army, Civil Works
096 3132	Office of Assistant Secretary of the Army, Civil Works (fiscal year)
096 3134*	Construction – Recovery Act (fiscal year)
096 3138	General Expenses – Recovery Act (fiscal year)

*These funds cancelled in FY 2015. Due to ongoing contract disputes, there are still minimal activity in these funds in FY 2017.

Revolving Funds

096X4902 Revolving Fund

Special Funds

096X5007	Special Recreation Use Fees
096X5066	Hydraulic Mining in California, Debris
096X5090	Payments to States, Flood Control Act of 1954
096X5125	Maintenance and Operation of Dams and Other Improvements of Navigable Waters
096X5493	Fund for Nonfederal Use of Disposal Facilities
096 5493	Fund for Nonfederal Use of Disposal Facilities (fiscal year)
096X5570	Interagency America the Beautiful Pass Revenues
096X5607	Special Use Permit Fees

Trust Funds

096X8217	South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund
096X8333	Coastal Wetlands Restoration Trust Fund
096X8861	Inland Waterways Trust Fund
096X8863	Harbor Maintenance Trust Fund

Trust Funds (Contributed)

096X8862	Rivers and Harbors Contributed and Advance Funds

Deposit Funds

096X6094	Advances from the District of Columbia
096X6500	Advances Without Orders from Non-Federal Sources
096X6501	Small Escrow Amounts

Clearing Accounts

096F3885	Undistributed Intragovernmental Payment

Receipt Accounts

096R0891	Miscellaneous Fees for Regulatory and Judicial Services, Not Otherwise Classified
096R1060	Forfeitures of Unclaimed Money and Property
096R1099	Fines, Penalties, and Forfeitures, Not Otherwise Classified
096R1299	Gifts to the United States, Not Otherwise Classified
096R1435	General Fund Proprietary Interest, Not Otherwise Classified
096R3220	General Fund Proprietary Receipts, Not Otherwise Classified, All Other
096R5007	Special Recreation Use Fees
096R5066	Hydraulic Mining in California
096R5090	Receipts from Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes
096R5125	Licenses under Federal Power Act, Improvements of Navigable Waters, Maintenance and Operation of Dams, etc.
096R5493	User Fees, Fund for Nonfederal Use of Disposal Facilities
096R5570	Fees, Interagency America the Beautiful Pass Revenues
096R5607	Fees, Special Use Permit Fees
096R8862	Contributions and Advances, Rivers and Harbors

1.D. Financing Sources

USACE receives Federal funding through the annual Energy and Water Development Appropriations Act. Funding also comes from nonfederal project sponsors who share in project costs according to formulas established by project authorization acts. A third source of funding comes through the Support for Others Program, which is conducted under reimbursable agreements with Federal agencies.

USACE receives its appropriations and funds as general, revolving, trust, special, and deposit funds. USACE uses these appropriations and funds to execute its mission and subsequently report on resource usage.

USACE received borrowing authority from the U.S. Treasury to finance capital improvements to the Washington Aqueduct.

USACE receives congressional appropriations as financing sources that expire annually, on a multi-year basis, or do not expire. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of services. USACE recognizes revenue as a result of costs incurred for goods or services provided to other Federal agencies and to the public. Full cost pricing is USACE’s standard policy for goods or services provided as required by OMB Circular No. A-25, *User Charges*.

USACE records two types of revenue: exchange and non-exchange. Exchange revenue is the inflow of resources that USACE has earned by providing something of value to the public or another Federal entity at a price. The main sources of exchange revenue are customer orders (reimbursable agreements) and cost sharing revenue.

Customer orders are contracts where USACE provides services under a reimbursable agreement; the related revenue and accounts receivable are recorded simultaneously along with the costs and payables. For nonfederal entities, an advance payment is required and USACE records advances from others upon receipt of funds. USACE reduces the advances and recognizes revenue as services are provided.

Cost sharing revenue arises from agreements under which USACE constructs assets, the cost of which will be borne in part by another entity (sponsor). Throughout the life of a cost share project, USACE revenue is earned based on the sponsor's proportionate share of project costs incurred. Sponsors are generally required to provide funds in advance and USACE records deferred credits. USACE reduces the deferred credits and recognizes revenue at the time of the withdrawal for costs incurred.

Non-exchange revenue represents resources received by USACE when a good or service is not provided in exchange for that revenue. Non-exchange revenue generally consists of interest earned on investments from excise taxes and port fees, penalties, and donations.

1.E. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of PP&E assets (with the exception of land), liabilities, and the disclosure of environmental and contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

1.F. Recognition of Expenses

USACE recognizes expenses in the period incurred or consumed. USACE's expenditures for capital assets are recognized as operating expenses as the assets are depreciated or amortized.

1.G. Accounting for Intragovernmental Activities

USACE eliminates transactions within USACE in these consolidated financial statements. Accounting standards require that an entity eliminate intraentity activity and balances from consolidated financial statements in order to prevent overstatement for business with itself.

Intragovernmental costs and revenues represent transactions made between two reporting entities within the Federal government. Costs and revenues with the public represent transactions made between the reporting entity and a nonfederal entity. The classification of revenue or cost as "intragovernmental" or "with the public" is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the Federal government to prepare consolidated financial statements.

Generally, financing for the construction of USACE's facilities is obtained through appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized because the U.S. Treasury does not allocate such costs to USACE.

In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards*, USACE recognizes imputed financing and cost for unreimbursed goods and services provided by others. These costs include unreimbursed rent, interest during construction, Judgment Fund payments on behalf of USACE, and employee benefits.

1.H. Entity and Nonentity Assets

The assets are categorized as entity or nonentity. Entity assets consist of resources that USACE has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Nonentity assets consist of resources for which USACE maintains stewardship accountability and responsibility to report but are not available for USACE operations.

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

USACE's monetary financial resources are maintained in U.S. Treasury accounts. The disbursing offices of the USACE Finance Center (UFC), the Defense Finance and Accounting Service (DFAS), and the Department of State's financial service centers process the majority of USACE's cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports that provide information to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

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

1.J. Investments

USACE reports investments in U.S. Treasury securities at cost, net of amortized premiums or discounts. Premiums or discounts are amortized over the term of the investment using the effective interest rate method. USACE's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. Consequently, a provision is not made for unrealized gains or losses on these securities.

The Bureau of the Fiscal Service (BFS), on behalf of USACE, invests in nonmarketable securities. Nonmarketable, market-based intragovernmental securities mimic marketable securities, but are not publicly traded.

Net investments are primarily held by the Harbor Maintenance Trust Fund.

1.K. Accounts Receivable

Accounts receivable includes three categories: accounts, claims, and refunds receivable from other Federal entities or from the public. USACE bases the allowance for uncollectible accounts receivable due from the public on established percentages per aged category of the cumulative balance of delinquent public receivables. USACE regards its intragovernmental accounts receivable balance as fully collectable.

Accounts receivable also includes amounts stemming from long-term water storage agreements based on the cost of construction to be recouped by USACE from the municipality and Louisiana coastal restoration. USACE performs an analysis of the collectability of the receivables periodically and recognizes an allowance for estimated uncollectible amounts from the municipality.

1.L. Operating Materials and Supplies

USACE operating materials and supplies are stated at historical cost under the moving average cost method and are adjusted for the results of physical inventories. Operating materials and supplies are expensed when consumed.

1.M. General Property, Plant and Equipment

USACE General Property, Plant, and Equipment (PP&E) is capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years, and the acquisition cost exceeds $25 thousand with the exception of buildings and structures related to hydropower projects which are capitalized regardless of cost.

USACE uses estimates to support the historical costs of its real property assets, including the administrative costs of land, acquired prior to FY 1999, and personal property assets acquired prior to FY 2003. The estimates are necessary because certain supporting documentation to substantiate recorded costs for those assets is no longer available. Management's estimation methods, which are consistent with the principles, relevant to USACE circumstances, as contained in SFFAS No. 6, *Accounting for Property, Plant and Equipment*, and SFFAS No. 23, *Eliminating the Category National Defense Property, Plant And Equipment*, consist of using a combination of appropriation or engineering documents, or other available real estate, financial, appropriations, and operations data, combined with written management attestation statements, to estimate and support the original acquisition or construction costs recorded for each asset.

Construction in Progress (CIP) is used to accumulate the cost of construction and accumulated costs are transferred from CIP to the relevant asset category when an asset is completed.

1.N. Leases

Lease payments for the rental of equipment and operating facilities are classified as operating leases. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are charged to expense over the lease term as it becomes payable.

1.O. Other Assets

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

1.P Accounts Payable

Accounts payable are the amounts owed, but not yet paid, by USACE for goods and services received from other entities, progress in contract performance made by other entities, and rents due to other entities. USACE has no known delinquent accounts payable.

1.Q. Debt

USACE debt consists of the amount owed to the U.S. Treasury for capital improvements to the Washington Aqueduct. USACE entered into an agreement with Arlington County, Virginia, to provide funding to USACE to repay the debt.

1.R. Due to Treasury – General Fund

USACE reported an offsetting custodial liability for amounts Due to Treasury – General Fund for interest and accounts receivable which, when collected, will be deposited in the U.S. Treasury.

1.S. Federal Employee and Veterans' Benefits

The Federal Employees and Veterans' Benefits liability consist of the actuarial liability for Federal Employees Compensation Act benefits. The Department of the Army (DA) actuarial liability for workers' compensation benefits is developed by the Department of Labor (DOL) and provided to the DA at the end of each fiscal year. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for 10-year U.S. Treasury notes and bonds.

1.T. Other Liabilities

USACE reports a liability for funded payroll and benefits, to include civilian earned leave, except sick leave, that has been accrued but not used as of the Balance Sheet date. Sick leave is expensed as it is taken. The liability reported at the end of the accounting period reflects current pay rates.

The SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation*, defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. USACE recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated. USACE discloses contingent liabilities when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses.

Examples of loss contingencies include the collectability of receivables, pending or threatened litigation, and possible claims and assessments. USACE's risk of loss and resultant contingent liabilities arise from pending or threatened litigation or claims and assessments due to events such as aircraft, ship and vehicle accidents; property or environmental damages; and contract disputes.

1.U. Environmental and Disposal Liabilities

Environmental and disposal liabilities include future costs to address government-related environmental contamination at USACE sites and other sites at which USACE is directed by Congress to perform remediation work. USACE recognizes a liability for each site as the need for cleanup work becomes probable and costs, based on site-specific engineering estimates, become measurable. Costs to address environmental contamination not caused by the government are recorded as incurred. Cleanup remedies are selected from feasible alternatives using the decision-making process prescribed by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

1.V. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities for which Congressional action is needed before budgetary resources can be provided.

1.W. Net Position

Net Position consists of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations include the amounts of authority that are unobligated and have not been rescinded or withdrawn. Unexpended Appropriations also include amounts obligated for legal liabilities for which payments have not been incurred.

Cumulative Results of Operations represent the net difference, since inception of an activity, between expenses and losses, and financing sources (including appropriations, revenue, and gains).

1.X. Allocation Transfers

USACE is a party to allocation transfers with other Federal agencies both as a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. Exceptions to this general rule affecting USACE include certain U.S. Treasury-Managed Trust Funds for whom USACE is the parent in the allocation transfer, but per OMB guidance, the child agencies will report budgetary and proprietary activity relative to these allocation transfers in their financial statements. The U.S. Treasury-Managed Trust Funds, which are included in USACE financial statements, are South Dakota Terrestrial Wildlife Habitat Restoration, Inland Waterways, and Harbor Maintenance Trust Funds. The U.S. Treasury, BFS, on behalf of USACE, makes allocation transfers from the Harbor Maintenance Trust Fund to the Saint Lawrence Seaway Development Corporation and the U.S. Customs and Border Protection agency.

In addition to these funds, USACE received allocation transfers, as the child, from the Departments of Agriculture, Interior, Transportation, Energy and the Appalachian Regional Commission.

NOTE 2. NONENTITY ASSETS

As of September 30	2017	2016
($ in thousands)		
Nonentity Assets		
Intragovernmental Assets		
Fund Balance with Treasury	$ 9,557	$ 11,010
Accounts Receivable	45	20
Total Intragovernmental Assets	9,602	11,030
Cash and Other Monetary Assets	749	629
Accounts Receivable	2,134,071	2,134,191
Total Nonfederal Assets	2,134,820	2,134,820
Total Nonentity Assets	2,144,422	2,145,850
Total Entity Assets	56,429,192	55,054,022
Total Assets	$ 58,573,614	$ 57,199,872

Other Information

Intragovernmental Nonentity Fund Balance with Treasury consists of amounts collected into deposit and suspense accounts and is not available for use in operations. Deposit and suspense accounts are used to record amounts held temporarily until ownership is determined. USACE is acting as an agent or custodian for funds awaiting distribution.

Intragovernmental Accounts Receivable consists of miscellaneous fees for regulatory services, not otherwise classified. The fees include vessel moorage for other government agencies.

Cash and Other Monetary Assets reflect the Disbursing Officer's accountability which is comprised of foreign currency. The Disbursing Officer acts as an agent for the U.S. Treasury.

Nonfederal Accounts Receivable represents all receivables from nonfederal sources where USACE does not have specific statutory authority to retain the receipts. These receivables consist of multiple types of long-term agreements such as easements, sales of hydroelectric power, recreational development, and long-term water storage agreements.

Note 1.K, *Accounts Receivable*, Note 5, *Accounts Receivable, Net*, and Note 13, *Due to Treasury – General Fund and Other Liabilities*, provide additional information related to long-term water storage agreements.

NOTE 3. FUND BALANCE WITH TREASURY

As of September 30	2017	2016
($ in thousands)		
Fund Balances		
General Funds	$ 12,625,208	$ 12,085,810
Revolving Funds	1,799,627	1,732,803
Trust Funds	118,728	112,110
Special Funds	119,040	114,964
Contributed Funds	1,279,474	1,264,609
Other Fund Types	9,558	11,010
Total Fund Balances	$ 15,951,635	$ 15,321,306

Status of Fund Balance with Treasury

As of September 30	2017	2016
($ in thousands)		
Unobligated Balance		
Available	$ 11,538,891	$ 9,908,195
Unavailable	5,256	3,639
Obligated Balance not yet Disbursed	7,412,010	7,492,640
Nonbudgetary FBwT	94,272	95,019
Non FBwT Budgetary Accounts	(3,098,794)	(2,178,187)
Total	$ 15,951,635	$ 15,321,306

Other Information

The Status of Fund Balance with Treasury reflects the budgetary resources to support the FBwT and is a reconciliation between budgetary and proprietary accounts. It primarily consists of unobligated and obligated balances. The balances reflect the budgetary authority remaining for disbursement against current or future obligations.

Unobligated Balance is classified as available or unavailable and represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. The unavailable balance consists primarily of funds invested in U.S. Treasury securities that are temporarily precluded from obligation by law. Certain unobligated balances are restricted for future use and are not apportioned for current use. Unobligated balances for trust fund accounts are restricted for use by the public law that established the funds. USACE is the lead agency for reporting the financial data for the Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration trust funds. These trust funds remain invested and restricted for use until transferred to meet current expenditure requirements.

Obligated Balance not yet Disbursed represents funds that have been obligated for goods and services not received, and those received but not paid.

Nonbudgetary FBwT includes accounts that do not have budgetary authority, such as deposit and clearing accounts.

Non FBwT Budgetary Accounts reduces the Status of FBwT and includes borrowing authority, investment accounts, accounts receivable, and unfilled orders without advance from customers.

NOTE 4. INVESTMENTS AND RELATED INTEREST

As of September 30	2017				
($ in thousands)	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
Intragovernmental Securities					
Nonmarketable, Market-Based	$ 9,257,191	Effective Interest	$ (67,313)	$ 9,189,878	$ 9,184,121
Accrued Interest	20,140			20,140	20,140
Total Intragovernmental Securities	$ 9,277,331		$ (67,313)	$ 9,210,018	$ 9,204,261

As of September 30 ($ in thousands)	2016 Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
Intragovernmental Securities					
Nonmarketable, Market-Based	$ 8,928,921	Effective Interest	$ (60,881)	$ 8,868,040	$ 8,894,696
Accrued Interest	17,505		-	17,505	17,505
Total Intragovernmental Securities	$ 8,946,426		$ (60,881)	$ 8,885,545	$ 8,912,201

Other Information

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for dedicated collections are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to USACE as evidence of its receipts. Treasury securities are assets to USACE and liabilities to the U.S. Treasury. Because USACE and the U.S. Treasury are both Governmental entities, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide USACE with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When USACE requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Total net investments among the Harbor Maintenance Trust Fund for FY 2017 and FY 2016 are $9.1 billion and $8.8 billion, respectively.

The U.S. Treasury also provides the investment market value based on the bid price provided by the Federal Reserve Bank of New York on September 30, 2017 and September 30, 2016, respectively.

NOTE 5. ACCOUNTS RECEIVABLE, NET

As of September 30 ($ in thousands)	2017 Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 630,740	$ N/A	$ 630,740
Nonfederal Receivables (From the Public)	$ 2,160,566	$ (3,645)	$ 2,156,921
Total Accounts Receivable	$ 2,791,306	$ (3,645)	$ 2,787,661

As of September 30 ($ in thousands)	2016 Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 620,349	$ N/A	$ 620,349
Nonfederal Receivables (From the Public)	$ 2,158,469	$ (3,942)	$ 2,154,527
Total Accounts Receivable	$ 2,778,818	$ (3,942)	$ 2,774,876

Other Information

As of September 30, 2017 and September 30, 2016, Accounts Receivable Intragovernmental includes $509.2 million and $492.4 million, respectively, for amounts received from the Coastal Wetlands Restoration Trust Fund for projects in the New Orleans District.

As of September 30, 2017 and September 30, 2016, Accounts Receivable from the Public, net of allowances, stemming from long-term water storage and Louisiana coastal restoration, flood control and hurricane protection agreements includes $2.2 billion and $2.2 billion, respectively. These agreements have maturity dates ranging from two to fifty years and interest rates based on the U.S. Treasury effective rate at the time of the agreement. Refer to Note 1.K, *Accounts Receivable*, for additional details and disclosures.

NOTE 6. CASH AND OTHER MONETARY ASSETS

As of September 30	2017	2016
($ in thousands)		
Foreign Currency	$ 749	$ 629
Total Cash and Foreign Currency	$ 749	$ 629

Other Information

Cash is the total of cash resources under the control of USACE, which includes coin, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. As of September 30, 2017 and September 30, 2016, USACE does not have cash.

Foreign currency consists of the total U.S. dollar equivalent of both purchased and nonpurchased foreign currencies held in foreign currency fund accounts.

USACE conducts operations overseas on behalf of the U.S. Government which involves the use of foreign currency. Foreign currency fluctuations require adjustments to the original obligation amount at the time of payment. USACE does not separately identify currency fluctuations.

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

NOTE 7. OPERATING MATERIALS AND SUPPLIES

As of September 30	2017	2016
($ in thousands)		
Operating Materials and Supplies:		
Items Held for Use	$ 21,334	$ 25,762
Total	$ 21,334	$ 25,762

Other Information

Operating materials and supplies (OM&S) is comprised of personal property to be consumed in normal operations. The OM&S category includes materials used for constructing riverbank stabilization devices, and spare and repair parts and is the decision criteria used for identifying the proper category to which OM&S is assigned. USACE applies moving average cost flow assumptions to arrive at the historical cost of the ending OM&S and cost of goods consumed.

As of September 30, 2017 and 2016, there were no differences between the carrying amount and the net realizable value of OM&S. There are no restrictions on the use of OM&S.

As of September 30, 2017 and 2016, USACE does not have inventories, stockpile materials, seized or forfeited properties, or goods held under price support and stabilization programs, as defined in SFFAS No. 3, *Accounting for Inventory and Related Property*.

NOTE 8. GENERAL PROPERTY, PLANT & EQUIPMENT, NET

As of September 30	2017				
($ in thousands)	Depreciation/ Amortization Method	Service Life (yrs)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Land	N/A	N/A	$ 9,068,849	$ N/A	$ 9,068,849
Buildings, Structures, and Facilities	S/L	20 - 100	34,667,385	(18,805,006)	15,862,379
Leasehold Improvements	S/L	Lease term	63,230	(45,447)	17,783
Software	S/L	2 - 10	137,581	(122,594)	14,987
General Equipment	S/L	5 - 50	2,174,672	(1,221,448)	953,224
Construction-in-Progress	N/A	N/A	4,684,923	N/A	4,684,923
Total General PP&E			$ 50,796,640	$ (20,194,495)	$ 30,602,145

Legend for Depreciation Methods: S/L = Straight Line N/A = Not Applicable

As of September 30	2016				
($ in thousands)	Depreciation/ Amortization Method	Service Life (yrs)	Acquisition Value	Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Land	N/A	N/A	$ 9,063,966	$ N/A	$ 9,063,966
Buildings, Structures, and Facilities	S/L	20 - 100	34,135,900	(18,304,469)	15,831,431
Leasehold Improvements	S/L	Lease term	63,144	(42,240)	20,904
Software	S/L	2 - 10	135,093	(118,603)	16,490
General Equipment	S/L	5 - 50	2,137,963	(1,169,169)	968,794
Construction-in-Progress	N/A	N/A	4,290,091	N/A	4,290,091
Total General PP&E			$ 49,826,157	$ (19,634,481)	$ 30,191,676

Legend for Depreciation Methods: S/L = Straight Line N/A = Not Applicable

Other Information

Power generated by hydroelectric power plants operated and maintained by USACE is transmitted to four Power Marketing Administrations for distribution to power companies across the United States. The service life for USACE's hydropower project related assets is derived from guidance provided by the Federal Energy Regulatory Commission (FERC) based on industry standards.

Note 9, *Stewardship Property, Plant and Equipment,* provides the physical quantity information for multi-use heritage assets that are recognized and presented with General PP&E in the basic financial statements.

There are no restrictions on the use or convertibility of General PP&E.

NOTE 9. STEWARDSHIP PROPERTY, PLANT AND EQUIPMENT (PP&E)

Information Related to Stewardship PP&E

Stewardship PP&E are assets with properties that resemble those of the General PP&E that are traditionally capitalized in the financial statements. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Stewardship PP&E includes heritage assets. Heritage assets are items of historical, natural, cultural, educational, or artistic significance, (e.g., aesthetic) or items with significant architectural characteristics. Heritage assets are expected to be preserved indefinitely. In the case where a heritage asset serves both a heritage function and general government operations, the asset is considered a multi-use heritage asset. Multi-use heritage assets are recognized and presented with General PP&E in the basic financial statements.

Relevance to the USACE Mission

USACE, as a steward of public land, has the responsibility for ensuring that properties of a historical or traditional nature located on USACE lands are preserved and managed appropriately. USACE implements Cultural Resource Management in a positive manner that fulfills the requirements of all laws, regulations, and policies, for all project undertakings in an environmentally and economically sound manner, and in the interest of the American public.

Stewardship Policy

USACE has the responsibility to manage cultural resources on USACE-owned lands. Engineering Regulations 1105-2-100 and 1130-2-540 provide the basic guidance for the USACE Civil Works Program. The term "cultural resources" refers to any building, site, structure, object, architecture, archeology, or culture. Historic properties are sites that are eligible for inclusion in the National Register of Historic Places. The National Register is an inventory of historic properties important in our Nation's history, culture, architecture, archeology, and engineering. The National Register office within the National Park Service maintains the inventory. Properties are either listed on the National Register, have formally been determined eligible, or appear to meet eligibility criteria to be listed. In addition to the Engineering Regulations, USACE also adheres to Army Regulations 200-4 and 870-20 related to managing cultural resources and heritage assets.

Heritage Asset Categories

1. Buildings and Structures. Buildings and structures are those heritage assets listed on, or eligible for listing on the National Register of Historic Places. Buildings and structures include a range of historic resources that includes the Crooked Creek Lake Dam located in Pennsylvania and the Duluth Ship Canal in Minnesota. They also include some non-traditional structures, such as the Les Dalles Rail Car located in Oregon. There are a total of 370 heritage assets in this category which reflects a net increase of 19 buildings and structures from the prior fiscal yearend report. The net increase includes one heritage asset that was reclassified from an archaeological site to a building and structures site this year. Additionally, USACE has 221 heritage assets identified as multi-use heritage assets within our districts and divisions. An example of a multi-use heritage asset within the Corps is the Mill Springs Mill in Kentucky, which serves as a full service visitor center.
2. Archaeological Sites. Cemeteries and archaeological sites are archaeological properties listed on, or are eligible for listing in the National Register of Historic Places. Examples of USACE archaeological sites include the Civil War Fort Site at Grenada Lake, Buzzard Cave at Lake Whitney, and the Hildebrand Ranch in Littleton, CO. There are a total of 762 archaeological sites in this category which reflects a net increase of 65 from the prior fiscal yearend report. In addition to the archaeological heritage assets that were added or removed this year, two heritage assets were reclassified from a building and structures site to an archeological site.
3. Museum Collection Items (Objects). Museum collection items are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant technical or architectural characteristics. These items are divided into two subcategories: fine art and objects. These include museum collection items that have historical or cultural significance, but lack formal listing and the demonstrated need for active maintenance. USACE removed three items from the Museum Collection Items in FY 2017.

Heritage Assets

	As of 10/1/15	Increase	Decrease	As of 9/30/16	Increase	Decrease	As of 9/30/17
Building and Structures	340	22	(11)	351	31	(12)	370
Archaeological Sites	689	26	(18)	697	72	(7)	762
Museum Collection Items	219	0	(1)	218	0	(3)	215

Acquisition and Withdrawal of Heritage Assets

USACE had a net increase of 81 heritage assets during FY 2017 from the "eligible for," National Register, and Museum Collection listings. USACE reported this net affect through its normal process of established regulations for identifying heritage assets. USACE provides this information to the keeper of the National Register of Historic Places at the Department of the Interior, National Park Service. USACE adds museum collections as items are unearthed or otherwise acquired on USACE lands. USACE removes museum collections when items are donated to museums, universities, or returned to tribes.

Deferred Maintenance and Repair

For information on the condition of heritage assets, refer to the Required Supplementary Information section of the report.

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30	2017	2016
($ in thousands)		
Intragovernmental Liabilities		
Debt	$ 794	$ 1,028
Due to Treasury - General Fund	2,132,610	2,134,085
Other	511,075	495,819
Total Intragovernmental Liabilities	$ 2,644,479	$ 2,630,932
Accounts Payable	408	478
Federal Employee and Veterans' Benefits	240,804	238,484
Environmental and Disposal Liabilities	1,726,544	1,594,653
Contingent Liabilities	378,298	175,374
Total Liabilities Not Covered by Budgetary Resources	$ 4,990,533	$ 4,639,921
Total Liabilities Covered by Budgetary Resources	$ 3,144,820	$ 3,237,471
Total Liabilities	$ 8,135,353	$ 7,877,392

Other Information

Intragovernmental Liabilities - Debt is comprised of the amount owed by USACE to the U.S. Treasury for capital improvements to the Washington Aqueduct. Arlington County, Virginia provides funding to USACE to repay the debt. Refer to Note 11, *Debt,* for additional details and disclosures.

Intragovernmental Liabilities - Due to Treasury - General Fund includes offsetting custodial liability to accounts receivable. The custodial liability is for amounts that will be deposited in the general fund of the U.S. Treasury when collected and are primarily related to long-term water storage and Louisiana coastal restoration, flood control and hurricane protection agreements. Budgetary resources are not required for these types of liabilities.

Intragovernmental Liabilities - Other includes Judgment Fund Liabilities - Contract Dispute Act (CDA) and Notification and Federal Anti-discrimination and Retaliation (NoFEAR) Act claims, as well as workmen's compensation liabilities under the Federal Employees Compensation Act (FECA). The FECA actuarial liability is a future funded expense and will be funded in future appropriations.

Accounts Payable represent liabilities in canceled appropriations that, if paid, will be disbursed using current year funds.

Federal Employee and Veterans' Benefits include an actuarial liability for FECA. Refer to Note 13, *Due to Treasury - General Fund and Other Liabilities*, for additional details and disclosures.

Environmental and Disposal Liabilities represent estimated cleanup costs for environmental liabilities, which will be funded in future appropriations. Refer to Note 12, *Environmental and Disposal Liabilities*, and Note 13, *Due to Treasury - General Fund and Other Liabilities*, for additional details and disclosures.

Contingent liabilities represent probable losses related to lawsuits filed against USACE. Contingent liabilities may be funded in future appropriations. Refer to Note 14, *Contingencies*, for additional details and disclosures.

NOTE 11. DEBT

As of September 30	2017		
($ in thousands)	Beginning Balance	Net Borrowing	Ending Balance
Agency Debt (Intragovernmental)			
Debt to the Treasury	$ 1,028	$ (234)	$ 794

As of September 30	2016		
($ in thousands)	Beginning Balance	Net Borrowing	Ending Balance
Agency Debt (Intragovernmental)			
Debt to the Treasury	$ 1,260	$ (232)	$ 1,028

Other Information

The outstanding debt consists of interest and principal payments due to the U.S. Treasury. USACE executed three promissory notes totaling $75.0 million with the U.S. Treasury for capital improvements to the Washington Aqueduct. USACE entered into an agreement with Arlington County, Virginia to provide funding to USACE to repay the debt. USACE recognized a receivable for $794.0 thousand in principal due from Arlington County as of September 30, 2017. The remaining debt balance is scheduled to be paid off in FY 2023. The actual cumulative amount of funds borrowed from the U.S. Treasury was $74.9 million, of which $794.0 thousand was outstanding at September 30, 2017 and $1.0 million was outstanding at September 30, 2016. There were no withdrawals from the U.S. Treasury for FY 2017 or FY 2016. Total principal repayments in FY 2017 were $234.0 thousand and total principal repayments in FY 2016 were $232.1 thousand.

NOTE 12. ENVIRONMENTAL AND DISPOSAL LIABILITIES

As of September 30	2017	2016
($ in thousands)		
Formerly Utilized Sites Remedial Action Program (FUSRAP)	$ 1,717,922	$ 1,584,628
Other	8,622	10,025
Total Environmental and Disposal Liabilities	$ 1,726,544	$ 1,594,653

Assumptions and Uncertainties

Estimating environmental liabilities requires making assumptions about future activities and is inherently uncertain. The cleanup estimates reflect local decisions and expectations as to the extent of cleanup and site reuse, and include assessments of the effort required to complete the project based on data collected during the remedial investigation and feasibility study phases of each project. For most projects, the volume of contaminated material to be removed and the cost to dispose of such material, including transportation, are the elements of the estimates with the greatest uncertainty and potential for significant increase in project costs. For some projects the estimate includes contingency provisions intended to account for the uncertainties associated with estimating these elements and other factors.

Based on the inherent uncertainties associated with environmental cleanup the initial cost estimate for each site is not exact and will change as more relevant data becomes available. Estimates are refined as alternative approaches are evaluated and a preferred alternative is approved in a record of decision. USACE recognizes expenses related to cleanup costs during the period incurred.

USACE considers various key factors in determining whether future outflows of resources can be reasonably estimated, including:

- Completion of remedial investigation/feasibility study or other study,
- Experience with similar site and/or conditions, and
- Availability of remediation technology.

In addition to the liability amount reported above, USACE is subject to other potential environmental liabilities for which the exact amount or range of loss is unknown.

Formerly Utilized Sites Remedial Action Program

USACE is responsible for the Formerly Utilized Sites Remedial Action Program (FUSRAP), established to respond to radiological contamination from early U.S. Atomic Energy and Weapons Programs. For each FUSRAP site, USACE has received Congressional authorization to ascertain the extent of environmental contamination; select a remedy with input from state and Federal authorities and local stakeholders; perform the cleanup work; and dispose of wastes. After cleanup work is completed at each site, USACE transfers responsibility for long-term surveillance and monitoring to the U.S. Department of Energy.

Changes in the FUSRAP liability during the fiscal years ended September 30, 2017 and 2016 resulted from inflation adjustments to reflect changes in costs for the current year, cleanup activities performed, adjustments to estimates of soil volumes, and approval of new projects.

Other Environmental Liabilities

Other environmental liabilities relate to environmental contamination at current or former USACE project sites and includes Asbestos-Related Cleanup Costs.

NOTE 13. DUE TO TREASURY – GENERAL FUND AND OTHER LIABILITIES

As of September 30	2017		
($ in thousands)	Current Liability	Noncurrent Liability	Total
Intragovernmental			
Due to Treasury - General Fund	$ 15,597	$ 2,117,013	$ 2,132,610
Advances from Others	513,986	-	513,986
Deposit Funds and Suspense Account Liabilities	(518)	-	(518)
Disbursing Officer Cash	749	-	749
Judgment Fund Liabilities	469,400	-	469,400
FECA Reimbursement to the Department of Labor	18,400	22,526	40,926
Employer Contribution and Payroll Taxes Payable	23,435	-	23,435
Total Intragovernmental	$ 1,041,049	$ 2,139,539	$ 3,180,588
Accrued Funded Payroll and Benefits	$ 208,203	$ -	$ 208,203
Advances from Others	364,356	-	364,356
Deferred Credits	1,282,887	-	1,282,887
Deposit Funds and Suspense Accounts	11,580	-	11,580
Contract Holdbacks	48,458	-	48,458
Contingent Liabilities	378,298	-	378,298
Total Other Liabilities	$ 3,334,831	$ 2,139,539	$ 5,474,370

As of September 30	2016					
($ in thousands)	Current Liability		Noncurrent Liability		Total	
Intragovernmental						
Due to Treasury - General Fund	$	5,691	$	2,128,394	$	2,134,085
Advances from Others		605,551		-		605,551
Deposit Funds and Suspense Account Liabilities		(284)		-		(284)
Disbursing Officer Cash		629		-		629
Judgment Fund Liabilities		451,324		-		451,324
FECA Reimbursement to the Department of Labor		20,135		23,730		43,865
Employer Contribution and Payroll Taxes Payable		22,547		-		22,547
Total Intragovernmental	$	1,105,593	$	2,152,124	$	3,257,717
Accrued Funded Payroll and Benefits	$	266,349	$	-	$	266,349
Advances from Others		368,728		-		368,728
Deferred Credits		1,256,213		-		1,256,213
Deposit Funds and Suspense Accounts		11,420		-		11,420
Contract Holdbacks		54,560		-		54,560
Contingent Liabilities		175,375		-		175,375
Total Other Liabilities	$	3,238,238	$	2,152,124	$	5,390,362

Other Information

Intragovernmental - Due to Treasury - General Fund is the custodial liability held with U.S. Treasury for repayment of interest and accounts receivable which, when collected, will be deposited in the U.S. Treasury. USACE records a custodial liability for payables from water storage and hydraulic mining contracts and for flood control, coastal restoration and hurricane protection measures with the Coastal Protection and Restoration Authority of Louisiana.

Intragovernmental - Judgment Fund Liabilities - USACE has recognized an unfunded liability arising from Judgment Fund Contract Disputes Act (CDA) settlements in accordance with a provision of the CDA requiring agencies to reimburse the Judgment Fund for payments to claimants in cases involving Federal contract disputes. USACE cannot fund the CDA claims since it is funded for projects and does not receive funding for this type of claim. USACE sought supplemental appropriations for payment of CDA claims in FY 2000, FY 2006, and FY 2007, but these requests were not approved. The FY 2017 budget does not provide funding for payment of the CDA claims.

NOTE 14. CONTINGENCIES

Legal Contingencies

The USACE is a party in various administrative proceedings and legal actions related to claims for environmental damage, tort actions, contractual bid protests and administrative procedures act cases. The USACE has accrued contingent liabilities for legal actions where USACE's Office of the Chief Counsel considers an adverse decision probable and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the U.S. Treasury Judgment Fund. The USACE records contingent liabilities in Note 13, *Due to Treasury – General Fund and Other Liabilities*.

Within certain monetary threshold, the U.S. Army Claims Service (USARCS) supervises processing, investigates, adjudicates, and negotiates the settlement of non-contractual administrative claims on behalf of and against the Department of the Army (including USACE); however, because of their uniqueness and size, the Hurricane Katrina-related administrative claims are processed by the U.S. Department of Justice (DOJ). By law, administrative claims filed against the Government are either adjudicated, denied, or are effectively denied if no action is taken within six months from the claim filing date. Barring such resolution within six months from the date of filing, claimants may file legal cases with the Federal Court. Filing of an administrative claim for resolution is a required precursor to a claimant's filing against the Government in Federal Court.

Claims settled below the statutory threshold of $2,500 are paid using Civil Works appropriations; settlements above this threshold are referred to the Judgment Fund for payment. With the exception of CDA settlements disclosed in Note 13, *Due to Treasury – General Fund and Other Liabilities*, amounts that are paid by the Judgment Fund are recorded as expenses and imputed financing sources.

The amounts disclosed for litigations, claims, and assessments are supportable and agree with USACE's legal representation letters and management summary schedule. USACE has a total of 29 cases, as of September 30, 2017, above the materiality threshold of $4.4 million. The USACE Office of the Chief Counsel has determined that six cases are probable, 20 cases are reasonably possible, and three cases are remote.

Probable Likelihood of an Adverse Outcome

The USACE is subject to potential liabilities where adverse outcomes are probable, and claims are approximately $378.3 million – $579.2 million and $175.4 – $456.6 million as of September 30, 2017 and September 30, 2016, respectively. The 2017 lower range of loss was determined by adding the total amount of probable unfavorable outcome of $363.3 million to the historical percentage payout of $15 million for the under threshold cases. The contingent liabilities were included in Note 13, *Due to Treasury – General Fund and Other Liabilities.*

Reasonably Possible Likelihood of an Adverse Outcome

The USACE is subject to potential liabilities where adverse outcomes are reasonably possible, and claims are approximately $0 - $9.7 billion and $0 - $8.2 billion as of September 30, 2017 and September 30, 2016, respectively.

Cases in which legal counsel is unable to make a determination of the outcome are reported as reasonably possible for financial reporting purposes. Of the 20 cases with a likelihood of loss identified as reasonably possible, 14 were reported as unable to determine by counsel.

Hurricane Katrina-Related Claims and Litigation

Various parties filed administrative claims and lawsuits against USACE as a result of Hurricane Katrina in 2005. Most of the Katrina-related litigation was consolidated before a single federal judge sitting in the Federal District Court in New Orleans. The court, for case management purposes, classified the individual cases into three categories and ordered the filing of superseding, master complaints in most categories: Mississippi River Gulf Outlet (MRGO), and Barge. The MRGO category, Barge category, involving similar geographic area, are most relevant to USACE at this point.

Following the exhaustion of appeals in the MRGO category, including denial of certiorari by the United States Supreme Court, the U.S. filed a global motion to dismiss or in the alternative for summary judgment in each of the 259 individual hurricane cases before the court. The court granted the motion by Order entered on December 20, 2013. Appeals were taken in 10 individual cases; one pertains to the Levee category; however, the U.S. Fifth Circuit Court of Appeals affirmed the dismissal of these 10 cases. In light of the resolution of these Katrina tort litigation cases, the government issued approximately 527,000 denial letters on July 23, 2014, for these outstanding administrative claims. Approximately 10 individual plaintiffs filed suit following the denial of their claims. Most were dismissed by the trial court, and some plaintiffs have appealed their dismissal.

Aside from the very few post-claim denial lawsuits, all of the tort litigation relating to Hurricane Katrina is resolved. The only remaining case arising from Hurricane Katrina is the Saint Bernard Parish Government case. This is a Fifth Amendment takings case pending before the Court of Federal Claims. The Saint Bernard Parish Government case is listed as reasonably possible and is disclosed above.

Hurricane Harvey-Related Claims and Litigation

Multiple claims have been filed in relation to flooding in the aftermath of Hurricane Harvey. Nearly all of these claims are constitutional takings claims under the Fifth Amendment, and almost none have filed tort actions. Most of the plaintiffs are home owners or owners of business who filed suit due to flooding resulting from releases from Addicks and Barker Dams down Buffalo Bayou. While 60 claims have been filed, as of October 24, 2017, only seven of those cases claim any amount in damages. It is expected that more claims will continue to be filed, and that the remaining claims will eventually state some amount of damages. As of October 24, 2017, the total amount claimed so far is $3.275 billion. The court has not yet consolidated any of the claims, though it is expected cases will be consolidated once all related claims have been filed.

Other Litigation

In addition to the matters described above, USACE is subject to other potential liabilities for which the exact amount or range of loss is unknown.

Commitments and Other Contingencies

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

The USACE does not have contractual arrangements which may require financial obligations, such as fixed price contracts with escalation, price redetermination, or incentive clauses, which may require future financial obligations.

NOTE 15. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Year ended September 30	2017	2016
($ in thousands)		
Intragovernmental Costs	$ 1,681,714	$ 1,704,219
Public Costs	7,725,624	8,309,108
Total Costs	$ 9,407,338	$ 10,013,327
Intragovernmental Earned Revenue	$ (1,870,115)	$ (1,826,445)
Public Earned Revenue	(659,581)	(632,799)
Total Earned Revenue	$ (2,529,696)	$ (2,459,244)
Net Cost of Operations	$ 6,877,642	$ 7,554,083

Other Information

Intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government. Public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity.

The consolidated Statement of Net Cost (SNC) is unique because its principles are driven on understanding the net cost of programs and/or organizations that the Federal Government supports through appropriations or other means. The SNC represents the Civil Works Program for USACE.

USACE incurred no costs associated with acquiring, constructing, improving, reconstructing or renovating heritage assets.

NOTE 16. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

Other Information

Appropriations received on the Statement of Budgetary Resources (SBR) should not and do not agree with appropriations received on the Statement of Changes in Net Position (SCNP) due to differences between proprietary and budgetary accounting concepts and reporting requirements. The difference is due to additional resources of $1.8 billion during FY 2017 and $2.0 billion during FY 2016 in appropriated trust, contributed, and special fund receipts included in Appropriations on the SBR. These additional resources are not recognized as appropriations received on the SCNP in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*. Refer to Note 17, *Disclosures Related to the Statement of Budgetary Resources*, for additional disclosures and details.

NOTE 17. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

As of September 30	2017	2016
($ in thousands)		
Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 6,389,081	$ 6,476,288

Other Information

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

For FY 2017, the amount of direct new obligations and upward adjustments include: $7.1 billion for Category A; $1.2 billion for Category B; and $433.2 million exempt from apportionment. The amount of reimbursable new obligations and upward adjustments include: $1.3 billion for Category A and $8.2 billion exempt from apportionment. Undelivered orders presented in the SBR include undelivered orders-unpaid for both direct and reimbursable funds.

For FY 2016, the amount of direct new obligations and upward adjustments include: $6.8 billion for Category A; $1.4 billion for Category B; and $344.0 million exempt from apportionment. The amount of reimbursable new obligations and upward adjustments include: $1.9 billion for Category A and $8.0 billion exempt from apportionment. Undelivered orders presented in the SBR include undelivered orders-unpaid for both direct and reimbursable funds.

Intraentity transactions have not been eliminated because the SBR is presented as a combined statement.

Permanent Indefinite Appropriations - USACE receives receipts from hydraulic mining in California; leases of land acquired for flood control, navigation, and allied purposes; and licenses under the Federal Power Act for improvements of navigable water including maintenance and operation of dams. These funds are available for expenditure.

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

There are differences between amounts reported on the SBR and the SF133, Report on Budget Execution (SF133) for FY 2017 and FY 2016. Treasury account symbol 096X6094 (Advances from the District of Columbia) is not included in the SF133. This money is not from appropriated funds and is not included in the OMB's data for budget formulation. USACE does include this appropriation in the SBR.

The President's Budget with actual figures for FY 2017 has not yet been published. The FY 2019 President's Budget will include actual figures for FY 2017 reporting. The FY 2019 President's Budget can be found on OMB's website early in FY 2018. The following chart is a reconciliation of the FY 2018 President's Budget actual figures for FY 2016 to FY 2016 Statement of Budgetary Resources as required by OMB Circular No. A-136.

Reconciliation of FY 2016 SBR to 2018 President's Budget

(in millions of dollars)

	Budgetary Resources Line 1930	New Obligations and upward adjustments Line 0900	Offsetting Receipts Line 0299	Net Outlays Line 4190	Explanation for reconciling differences
SBR	28,331	18,419	615	7,005	
Reconciling Difference	(69)	(56)		(2)	The SBR includes Treasury symbol 096X6094 for advances from the District of Columbia for work on the Washington Aqueduct. It is not included in the President's budget since these are not appropriated funds.
Reconciling Difference			(93)		General funds receipt and clearing accounts are included as distributed offsetting receipts on the SBR in accordance with DFAS yearend guidance. It is not included in the President's Budget amount.
Reconciling Difference			1,499		The President's Budget lines 1199/1999 includes total receipts and collections for the trust funds. The SBR includes only USACE's distributed offsetting receipts to Rivers and Harbors Contributed Fund per Treasury Financial Manual, Federal Account Symbols and Titles (FAST Book). Other trust fund receipts are included in the budgetary resources line.
Reconciling Difference			8		Per the FAST Book, receipt account 096R5125 is not a distributed offsetting receipt account and is not included in the SBR as a distributed offsetting receipt. It is included in the President's Budget amount.
Total	28,262	18,363	2,029	7,003	
President's Budget	28,260	18,362	2,031	7,002	
Difference	(2)	(1)	2	(1)	Due to rounding.

NOTE 18. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

Year ended September 30	2017	2016
($ in thousands)		
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
New obligations and upward adjustments	$ 18,261,287	$ 18,419,034
Less: Spending authority from offsetting collections and recoveries	(12,155,980)	(11,633,456)
New obligations and upward adjustments net of offsetting collections and recoveries	6,105,307	6,785,578
Less: Offsetting receipts	(649,197)	(614,699)
Net obligations	5,456,110	6,170,879
Other Resources:		
Donations and forfeitures of property	1,539	1,784
Transfers in/out without reimbursement	160,207	144,160
Imputed financing from costs absorbed by others	223,409	324,685
Other (+/-)	54,495	54,878
Net other resources used to finance activities	439,650	525,507
Total resources used to finance activities	$ 5,895,760	$ 6,696,386

Year ended September 30	2017	2016
($ in thousands)		
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided:		
Undelivered Orders	$ 87,207	$ (18,209)
Unfilled Customer Orders	825,518	534,352
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	49,515	40,308
Resources that finance the acquisition of assets	(2,429)	(3,418)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations:		
Other	(85,868)	(98,792)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	$ 873,943	$ 454,241
Total Resources Used to Finance the Net Cost of Operations	$ 6,769,703	$ 7,150,627
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Change in environmental and disposal liability	$ 131,891	$ 648,157
Change in exchange revenue receivable from the public	(2,094)	(5,722)
Other	220,309	78,766
Total components of Net Cost of Operations that will not Require or Generate Resources in future periods	$ 350,106	$ 721,201
Components not Requiring or Generating Resources:		
Depreciation and amortization	$ 494,348	$ 694,690
Revaluation of assets or liabilities	1,875	5,629
Other		
Cost of Goods Sold	1,388	1,537
Operating Material and Supplies Used	(1)	20
Cost Capitalization Offset	(895,667)	(830,849)
Other	155,590	(188,772)
Total Components of Net Cost of Operations that will not Require or Generate Resources	(242,167)	(317,745)
Total components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	107,939	403,456
Net Cost of Operations	$ 6,877,642	$ 7,554,083

Other Information

The following note schedule lines are presented as combined instead of consolidated due to intraentity budgetary transactions not being eliminated:

- New Obligations and Upward Adjustments
- Spending Authority from Offsetting Collections and Recoveries
- New Obligations and Upward Adjustments Net of Offsetting Collections and Recoveries
- Offsetting Receipts
- Net Obligations
- Undelivered Orders
- Unfilled Customer Orders

Composition of Other Resources – Other, and Other Resources or Adjustments to Net Obligated Resources that do not affect Net Cost of Operations: Other – The FY 2017 and FY 2016 amounts include the net amount of assets transferred between USACE and other government agencies.

Composition of Components Requiring or Generating Resources in Future Periods: Other – The FY 2017 amounts include a current year increase in contingent liabilities for pending contract claims, civil litigation and tort cases. The FY 2017 amounts also include an increase to unfunded Judgment Fund Contract Disputes Act claims. The FY 2016 amounts include a current year decrease in unfunded Judgment Fund Contract Disputes Act claims. The FY 2016 amounts also include the current year decrease to the Federal Employees' Compensation Act (FECA) liability and the FECA actuarial liability. The FY 2016 amounts include the current year increase in unfunded Judgment Fund Notification and Federal Anti-discrimination and Retaliation Act claims.

Composition of Components not Requiring or Generating Resources: Other – The FY 2017 and FY 2016 amounts include bad debt expense and cost capitalization offset expense. The cost capitalization offset account provides a mechanism to offset all direct costs in the expense accounts when those costs are subsequently capitalized into an in-process account. Current year costs associated with nonfederal cost share projects in the contributed fund and costs related to the acquisition of operating materials and supplies in the revolving fund are also recorded as other expenses not requiring budgetary resources. In FY 2017 and FY 2016 costs associated with fish mitigation studies in the general fund are also recorded as other expenses not requiring budgetary resources.

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS

BALANCE SHEET	FY 2017				
As of September 30 *($ in thousands)*	Maintenance Fund	Contributed Fund	Other Funds	Eliminations	Consolidated Total
ASSETS					
Fund balance with Treasury	$ 118,728	$ 1,279,474	$ 119,040	$ 10,955,501	$ 12,472,743
Investments	9,095,335	-	-	-	9,095,335
Accounts and Interest Receivable	509,200	6,428	1,914	-	517,542
Other Assets	597,371	288,448	590	-	886,409
Total Assets	$ 10,320,634	$ 1,574,350	$ 121,544	$ 10,955,501	$ 22,972,029
LIABILITIES and NET POSITION					
Accounts Payable and Other Liabilities	6,080	1,324,490	537	(107)	1,331,000
Total Liabilities	$ 6,080	$ 1,324,490	$ 537	$ (107)	$ 1,331,000
Cumulative Results of Operations	10,314,554	249,860	121,007	10,955,608	21,641,029
Total Liabilities and Net Position	$ 10,320,634	$ 1,574,350	$ 121,544	$ 10,955,501	$ 22,972,029
STATEMENT OF NET COST					
Year ended September 30					
Program Costs	$ 64,827	$ 318,742	$ 18,422	$ (62,631)	$ 339,360
Less Earned Revenue	-	(439,496)	-	65	(439,431)
Net Program Costs	$ 64,827	$ (120,754)	$ 18,422	$ (62,566)	$ (100,071)
Net Cost of Operations	$ 64,827	$ (120,754)	$ 18,422	$ (62,566)	$ (100,071)
STATEMENT OF CHANGES IN NET POSITION					
Year ended September 30					
Net Position Beginning of the Period	$ 9,972,219	$ 232,926	$ 117,193	$ 9,506,152	$ 19,828,490
Net Cost of Operations	64,827	(120,754)	18,422	(62,566)	(100,071)
Budgetary Financing Sources	407,162	-	(54,598)	1,275,312	1,627,876
Other Financing Sources	-	(103,820)	76,834	111,578	84,592
Change in Net Position	$ 342,335	$ 16,934	$ 3,814	$ 1,449,456	$ 1,812,539
Net Position End of Period	$ 10,314,554	$ 249,860	$ 121,007	$ 10,955,608	$ 21,641,029

BALANCE SHEET	FY 2016									
As of September 30 *($ in thousands)*	Maintenance Fund		Contributed Fund		Other Funds		Eliminations		Consolidated Total	
ASSETS										
Fund balance with Treasury	$	112,110	$	1,264,609	$	114,964	$	9,506,038	$	10,997,721
Investments		8,773,283		-		-		-		8,773,283
Accounts and Interest Receivable		492,428		586		1,755		-		494,769
Other Assets		600,472		260,798		632		-		861,902
Total Assets	$	9,978,293	$	1,525,993	$	117,351	$	9,506,038	$	21,127,675
LIABILITIES and NET POSITION										
Accounts Payable and Other Liabilities		6,074		1,293,068		157		(114)		1,299,185
Total Liabilities	$	6,074	$	1,293,068	$	157	$	(114)	$	1,299,185
Cumulative Results of Operations		9,972,219		232,925		117,194		9,506,152		19,828,490
Total Liabilities and Net Position	$	9,978,293	$	1,525,993	$	117,351	$	9,506,038	$	21,127,675
STATEMENT OF NET COST										
Year ended September 30										
Program Costs	$	86,303	$	162,938	$	15,495	$	(47,837)	$	216,899
Less Earned Revenue		-		(428,519)		-		39		(428,480)
Net Program Costs	$	86,303	$	(265,581)	$	15,495	$	(47,798)	$	(211,581)
Net Cost of Operations	$	86,303	$	(265,581)	$	15,495	$	(47,798)	$	(211,581)
STATEMENT OF CHANGES IN NET POSITION										
Year ended September 30										
Net Position Beginning of the Period	$	9,897,965	$	(14,151)	$	104,292	$	8,015,437	$	18,003,543
Net Cost of Operations		86,303		(265,581)		15,495		(47,798)		(211,581)
Budgetary Financing Sources		160,557		-		(46,920)		1,418,300		1,531,937
Other Financing Sources		-		(18,504)		75,316		24,617		81,429
Change in Net Position	$	74,254	$	247,077	$	12,901	$	1,490,715	$	1,824,947
Net Position End of Period	$	9,972,219	$	232,926	$	117,193	$	9,506,152	$	19,828,490

Other Disclosures

All intragovernmental activity within USACE between funds from dedicated collections and other funds has been eliminated from the consolidated total column.

USACE funds from dedicated collections are presented by fund type vice individual fund due to the volume of individual funds from dedicated collections based on SFFAS No. 27, *Identifying and Reporting Earmarked Funds* as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*.

There has been no change in legislation during or subsequent to the reporting periods and before the issuance of the financial statements that significantly changes the purpose of these funds or that redirects a material portion of the accumulated balances.

USACE has the following Funds from Dedicated Collections as of September 30, 2017 and 2016:

Maintenance Fund

Harbor Maintenance Trust Fund (HMTF). This fund was established by Title XIV of the Water Resources Development Act (the Act) of 1986, Public Law 99-662. The HMTF is authorized to recover 100% of USACE eligible operation and maintenance (O&M) expenditures for the maintenance of commercial navigation in harbors and channels as well as 100% of the O&M cost of St. Lawrence Seaway by the St. Lawrence Seaway Development Corporation. As provided in the Act, amounts in HMTF shall be available for making expenditures to carry out the functions specified in the Act and for the payment of all expenses of administration incurred by the U.S. Treasury, USACE, and the Department of Commerce. Collections are made into the trust fund from fees assessed on port use associated with imports, imported merchandise admitted into a foreign trade zone, passengers, and movements of cargo between domestic ports. The collections are invested and investment activity is managed by Bureau of Fiscal Service (BFS). The revenue is received from the public and is an inflow of resources to the government. This fund utilizes receipt and expenditure accounts in accounting for and reporting the fund.

Contributed Fund

Rivers and Harbors Contributed and Advance Funds. These funds are authorized by Title 33 United States Code (USC) 701h, 702f, and 703, establishes funding to construct, improve, and maintain levees, water outlets, flood control, debris removal, rectification and enlargement of river channels, etc., in the course of flood control and river/harbor maintenance. Whenever any state or political subdivision thereof shall offer to advance funds for a flood control project duly adopted and authorized by law, the Secretary may at his discretion, receive such funds and expend the same in the immediate prosecution of such work. Advances are from the public and are inflows of resources to the government. This fund utilizes both receipt and expenditure accounts in accounting for and reporting the fund.

Other Funds

Coastal Wetlands Restoration Trust Fund. This fund is authorized by Title 16 USC 3951-3956. This title grants parallel authority to USACE, along with the Environmental Protection Agency, and the Fish and Wildlife Service of the Department of Interior to work with the state of Louisiana to develop, review, evaluate, and approve a plan that is proposed to achieve a goal of "no net loss of wetlands" in coastal Louisiana. USACE is also responsible for allocating the funds from dedicated collections among the named task force members. Federal contributions of the dedicated collections are established at 75% of project costs or 85% if the state has an approved Coastal Wetlands Conservation Plan. This fund is an expenditure account and receives funding transfers from the Sport Fish Restoration and Boating Trust Fund, a trust with collections from excise taxes on fishing equipment, motorboat and small engine fuels, import duties, and interest.

Inland Waterways Trust Fund (IWTF). This fund is authorized by Title 26 USC 9506. The title made IWTF available for USACE expenditures for navigation, construction, and rehabilitation projects on inland waterways. Collections into the trust fund are from excise taxes on fuel used in commercial transportation on inland waterways. The revenue is received from the public and is an inflow of resources to the government. The collections are invested and investment activity is managed by BFS. This fund utilizes receipt and expenditure accounts in accounting for and reporting the fund.

Special Recreation Use Fees. Title 16 USC 4601-6a and 36 CFR 327.23 granted USACE the authority to charge and collect fair and equitable Special Recreation Use Fees at recreation facilities and campgrounds located at lakes or reservoirs under the jurisdiction of USACE. Types of allowable fees include daily use fees, admission fees, recreational fees, annual pass fees, and other permit type fees. The revenue is received from the public and is an inflow of resources to the government. The purpose of the fund is to maintain and operate the recreation and camping facilities.

Hydraulic Mining in California, Debris. Title 33 USC 683 states that those operating hydraulic mines through which debris flows in part or in whole to a body restrained by a dam or other work erected by the California Debris Commission shall pay a tax as determined by the Federal Power Commission, now known as the Federal Energy Regulatory Commission (FERC). The tax is paid annually on a date fixed by FERC. Taxes imposed under this code are collected and then expended under the supervision of USACE and the direction of the Department of the Army. The revenue is received from the public and is an inflow of resources to the government. The purpose of the fund is for repayment of funds advanced by the Federal Government or other agencies for construction, restraining works, settling reservoirs, and maintenance.

Payments to States, Flood Control Act of 1954. Flood Control Act of 1954, Title 33 USC 701c-3, established that 75% of all funds received and deposited from the leasing of lands acquired by the U.S. for flood control, navigation and allied purposes, including the development of hydroelectric power, shall be returned to the state in which the property is located. USACE collects lease receipts into a receipt account. The revenue is received from the public and is an inflow of resources to the government. Funds are appropriated in the amount of 75% of the receipts in the following fiscal year and disbursed to the states. The funds may be expended by the states for the benefit of public schools and public roads of the county, or counties, in which such property is situated, or for defraying any of the expense of county government.

Maintenance and Operation of Dams and Other Improvements of Navigable Waters. Title 16 USC 803f, 810, states that whenever a reservoir or other improvement is constructed by the U.S., FERC shall assess charges against any licensee directly benefited, and any amount so assessed shall be paid into the U.S. Treasury. The title further states that all charges arising from other licenses, except those charges established by FERC for purpose of administrative reimbursement, shall be paid to the U.S. Treasury from which specific allocations will be made. From the specific allocations, 50% of charges from all other licenses is reserved and appropriated as a special fund in the U.S. Treasury. This special fund is to be expended under the direction of the Secretary of the Army (Secretary) for the maintenance and operation of dams and other navigation structures that are owned by the U.S. or for construction, maintenance, or operation of headwater or other improvements of U.S. navigable waters. The revenue is received from the public and is an inflow of resources to the government.

Fund for Nonfederal Use of Disposal Facilities (for dredged material). This fund was established by Title 33 USC 2326a. This title provides that the Secretary may permit the use of any dredged material disposal facility under the jurisdiction of, or managed by, the Secretary by a nonfederal interest if the Secretary determines that such use will not reduce the availability of the facility for project purposes. The Secretary may impose fees to recover capital, operation and maintenance costs associated with such use. Any monies received through collection of fees under this law shall be available to the Secretary, and shall be used by the Secretary, for the operation and maintenance of the disposal facility from which the fees were collected. The revenue is received from the public and is an inflow of resources to the government.

Interagency America the Beautiful (ATB) Pass Revenues. This fund was established by the Water Resources Reform and Development Act 2014, Section 1048 and the Federal Lands Recreation Enhancement Act 2004. This fund authorizes USACE recreation facilities and campgrounds to collect fees from ATB Interagency annual passes. Funds collected are available for expenditure without further appropriation for operation and maintenance and other uses. The revenue is received from the public and is an inflow of resources to the government.

Special Use Permit Fees. This fund was established by the Water Resources Reform and Development Act 2014, Section 1047. This fund authorizes USACE recreation facilities and campgrounds to collect fees for special use permits. The revenue is received from the public and is an inflow of resources to the government. Funds collected are available for expenditures without further appropriation for operation and maintenance and other uses.

Special funds utilize both receipt and expenditure accounts in accounting for and reporting the fund.

NOTE 20. LEASES

As of September 30	2017 Asset Category				
($ in thousands)		Building Space	Other		Total
ENTITY AS LESSEE Operating Leases					
Future Payments Due for Non-cancellable Operating Leases					
Fiscal Year					
2018	$	77,483	140	$	77,623
2019		78,328	99		78,427
2020		79,393	62		79,455
2021		80,442	35		80,477
2022		81,687	9		81,696
After 5 Years		430,710	24		430,734
Total Future Lease Payments Due	$	828,043	369	$	828,412

As of September 30, 2017, USACE has various non-cancelable operating leases mainly for office space and storage facilities maintained by many USACE Districts. Many of these leases contain clauses to reflect inflation and renewal options. USACE has no assets under capital lease.

As of September 30		2017 Easements
($ in thousands)		
ENTITY AS LESSOR		
Operating Leases		
2018	$	8,322
2019		6,523
2020		5,662
2021		4,857
2022		3,989
After 5 Years		16,717
Total Future Lease Payments	$	46,070

USACE also has a small volume of operating leases for mostly easements. Private companies and individuals lease easements from USACE to operate marinas, restaurants, and other businesses on USACE lands.

NONFEDERAL PHYSICAL PROPERTY

Yearly Investment in Physical Property Owned by State and Local Governments

For the Current and Four Preceding Fiscal Years ended September 30

($ in millions)

Categories	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Transferred Assets:					
1. National Defense Mission Related	$990	$1,244	$1,286	$1,092	$1,356
Funded Assets:					
2. National Defense Mission Related	$0	$0	$0	$0	$0
Total	$990	$1,244	$1,286	$1,092	$1,356

The U.S. Army Corps of Engineers (USACE) incurs investments in Nonfederal Physical Property for construction of physical property owned by state and local governments. USACE has the authority to enter into cost sharing agreements with nonfederal sponsors which are governed under numerous Water Resources Development Acts starting with the *Act of 1986*.

Investment values included in this report are based on Nonfederal Physical Property expenditures.

Unaudited, See Accompanying Auditors' Report

As of September 30, 2017

REAL PROPERTY DEFERRED MAINTENANCE AND REPAIR

For Fiscal Year Ended September 30, 2017

($ in millions)

	Current Fiscal Year (CFY)		
Property Type	1. Plant Replacement Value	2. Required Work (Deferred Maintenance & Repair)	3. Percentage (Required Work/Plant Replacement Value)
1. Category 1: Buildings, Structures, and Utilities (Enduring Facilities)	$267,077	$1,967	0.73%
2. Category 2: Buildings, Structures, and Utilities (Excess Facilities or Planned for Replacement)	$0	$0	N/A
3. Category 3: Buildings, Structures, and Utilities (Heritage Assets)	$0	$0	N/A

Deferred maintenance and repair (DM&R) is defined as maintenance and repairs not performed when it should have been or was scheduled to be, but delayed for a future period. Deferred maintenance and repair for FY17 was $1,967 million for Other Structures. The beginning balance for DM&R was $3,286 million and the ending balance was $1,967 million for FY 2017. Assets contained in category one above include Dams, Locks, Powerhouses, multi-use Heritage Assets and other structures used to carry out the USACE Civil Works Program.

USACE policy mandates that project maintenance resources be applied across the functional business areas (i.e., flood control, navigation, hydropower, recreation, etc.) to ensure that the appropriate level of maintenance is performed for each of the functional areas. The District Chief of Operations or Construction/Operations is the individual responsible for the overall management of the District's Operation and Maintenance (O&M) Program, to include balancing the appropriate O&M resources among the District's projects. The Regional Operations or Construction/Operations element is responsible for the appropriate balancing of O&M resources among the Districts.

USACE's DM&R activities are separate from other Civil Works activities since the "O&M" appropriation is a separate appropriation account within the USACE Civil Works program.

This O&M account funds operation, maintenance, and related activities at the water resources projects that USACE operates and maintains. Work to be accomplished consists of dredging, maintenance, repair, and operation of structures and other facilities, as authorized in the various River and Harbor, Flood Control, and Water Resources Development Acts, or any other act of Congress that authorizes a Civil Works mission.

O&M budget priority is given to key O&M infrastructure based on the condition and the potential consequences (e.g., economic, environmental, and public safety impacts) of project performance if the O&M activity is not undertaken in the Budget Year (BY), as well as legal factors. As a result, USACE does not set "acceptable condition standards." USACE adopts a risk-informed, performance-based asset management structure to identify the criticality and inform the priority of maintenance activities similar to a condition assessment survey. This approach recognizes that project conditions have inherent risk and reliability that affect performance outputs, and thus focuses on potential consequences related to project performance in the event of failures.

USACE measures all PP&E assets and the DM&R applies to all PP&E assets USACE owns and operates including non-capitalized or fully depreciated general PP&E. A significant reduction in the DM&R balance was accomplished compared to the year prior due to an annual increase in regular O&M to target critical maintenance that had not been addressed the previous two to three years; and a better evaluation of risk and consequences that identifies the criticality and informs the appropriate priority of maintenance activities.

Heritage Asset Condition

Condition of heritage assets is based on factors such as quality of design and construction, location, adequacy of maintenance performed, and continued usefulness. The USACE's heritage assets overall condition is deemed to be fair; therefore, no significant deferred maintenance has been assessed.

Disaggregated Schedule of Budgetary Resources by Major Fund

Statement of Federal Financial Accounting Standard 7, *Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires information to be presented by major fund which USACE believes provides a better presentation, as the USACE – Civil Works is a single program and aligns with our funding and management of the program.

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2017 (in thousands)

	FUSRAP	Special Funds	Trust Funds	Borrowing Authority	Revolving Funds
Budgetary Resources					
Unobligated balance brought forward, October 1	$ 5,500	$ 30,560	$ 302,131	$ 4	$ 824,814
Recoveries of unpaid prior year obligations	374	36	6,853	-	80,210
Other changes in unobligated balance (+ or -)	-	124	20	-	5,756
Unobligated balance from prior year budget authority, net	5,874	30,720	309,004	4	910,780
Appropriations (discretionary and mandatory)	112,000	21,241	1,301,148	-	-
Spending Authority from offsetting collections (discretionary and mandatory)	7,984	-	-	10	8,171,851
Total Budgetary Resources	$ 125,858	$ 51,961	$ 1,610,152	$ 14	$ 9,082,631
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	$ 121,532	$ 18,746	$ 1,273,349	$ 10	$ 8,161,056
Unobligated balance, end of year					
Apportioned, unexpired accounts	4,326	33,091	336,803	-	-
Exempt from Apportionment, unexpired accounts	-	-	-	4	921,575
Unapportioned, unexpired accounts	-	124	-	-	-
Unexpired unobligated balance, end of year	4,326	33,215	336,803	4	921,575
Expired unobligated balance, end of year	-	-	-	-	-
Unobligated balance, end of year (total)	4,326	33,215	336,803	4	921,575
Total Budgetary Resources	$ 125,858	$ 51,961	$ 1,610,152	$ 14	$ 9,082,631
Change in Obligated Balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, October 1	$ 74,521	$ 387	$ 191,849	$ -	$ 1,033,716
New obligations and upward adjustments	121,532	18,746	1,273,349	10	8,161,056
Outlays (gross) (-)	(99,752)	(18,005)	(1,280,997)	(10)	(8,151,710)
Recoveries of prior year unpaid obligations (-)	(374)	(36)	(6,853)	-	(80,210)
Unpaid Obligations, end of year	95,927	1,092	177,348	-	962,852
Uncollected payments:					
Uncollected payments, Federal sources, brought, October 1 (-)	(5,435)	-	-	-	(132,647)
Change in uncollected pymts, Fed sources (+ or -)	(1,648)	-	-	-	39,202
Uncollected pymts, Fed sources, end of year (-)	(7,083)	-	-	-	(93,445)
Obligated balance, start of year (+ or -)	69,086	387	191,849	-	901,069
Obligated balance, end of year (+ or -)	$ 88,844	$ 1,092	$ 177,348	$ -	$ 869,407
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	$ 119,983	$ 21,241	$ 1,301,148	$ 10	$ 8,171,850
Actual offsetting collections (discretionary and mandatory) (-)	(6,335)	-	(20)	(244)	(8,218,533)
Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	(1,648)	-	-	-	39,202
Recoveries of prior year paid obligations (discretionary and mandatory)	-	-	20	-	5,756
Budget Authority, net (total) (discretionary and mandatory)	$ 112,000	$ 21,241	$ 1,301,148	$ (234)	$ (1,725)
Outlays, gross (discretionary and mandatory)	99,752	18,005	1,280,997	10	8,151,710
Actual offsetting collections (discretionary and mandatory) (-)	(6,335)	-	(20)	(244)	(8,218,533)
Outlays, net (total) (discretionary and mandatory)	93,417	18,005	1,280,977	(234)	(66,823)
Distributed offsetting receipts	-	(69,569)	-	-	-
Agency Outlays, net (discretionary and mandatory)	$ 93,417	$ (51,564)	$ 1,280,977	$ (234)	$ (66,823)

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2017 (in thousands)

	Contributed Funds	General Funds	General ARRA	2017 Combined
Budgetary Resources				
Unobligated balance brought forward, October 1	$ 789,294	$ 7,959,517	$ 14	$ 9,911,834
Recoveries of unpaid prior year obligations	41,636	202,068	-	331,177
Other changes in unobligated balance (+ or -)	2	997	(14)	6,885
Unobligated balance from prior year budget authority, net	830,932	8,162,582	-	10,249,896
Appropriations (discretionary and mandatory)	459,850	5,731,507	-	7,625,746
Spending Authority from offsetting collections (discretionary and mandatory)	586	3,749,361	-	11,929,792
Total Budgetary Resources	$ 1,291,368	$ 17,643,450	$ -	$ 29,805,434
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 433,450	$ 8,253,144	$ -	$ 18,261,287
Unobligated balance, end of year				
Apportioned, unexpired accounts	-	9,364,109	-	9,738,329
Exempt from Apportionment, unexpired accounts	857,918	21,065	-	1,800,562
Unapportioned, unexpired accounts	-	-	-	124
Unexpired unobligated balance, end of year	857,918	9,385,174	-	11,539,015
Expired unobligated balance, end of year	-	5,132	-	5,132
Unobligated balance, end of year (total)	857,918	9,390,306	-	11,544,147
Total Budgetary Resources	$ 1,291,368	$ 17,643,450	$ -	$ 29,805,434
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 466,006	$ 5,726,160	$ 1	$ 7,492,640
New obligations and upward adjustments	433,450	8,253,144	-	18,261,287
Outlays (gross) (-)	(445,705)	(8,014,561)	-	(18,010,740)
Recoveries of prior year unpaid obligations (-)	(41,636)	(202,068)	-	(331,177)
Unpaid Obligations, end of year	412,115	5,762,675	1	7,412,010
Uncollected payments:				
Uncollected payments, Federal sources, brought, October 1 (-)	(5)	(1,628,417)	-	(1,766,504)
Change in uncollected pymts, Fed sources (+ or -)	(280)	(938,906)	-	(901,632)
Uncollected pymts, Fed sources, end of year (-)	(285)	(2,567,323)	-	(2,668,136)
Obligated balance, start of year (+ or -)	466,001	4,097,743	1	5,726,136
Obligated balance, end of year (+ or -)	$ 411,830	$ 3,195,352	$ 1	$ 4,743,874
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 460,436	$ 9,480,870	$ -	$ 19,555,538
Actual offsetting collections (discretionary and mandatory) (-)	(308)	(2,697,731)	-	(10,923,171)
Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	(280)	(938,906)	-	(901,632)
Recoveries of prior year paid obligations (discretionary and mandatory)	2	997	-	6,775
Budget Authority, net (total) (discretionary and mandatory)	$ 459,850	$ 5,845,230	$ -	$ 7,737,510
Outlays, gross (discretionary and mandatory)	445,705	8,014,561	-	18,010,740
Actual offsetting collections (discretionary and mandatory) (-)	(308)	(2,697,731)	-	(10,923,171)
Outlays, net (total) (discretionary and mandatory)	445,397	5,316,830	-	7,087,569
Distributed offsetting receipts	(460,263)	(119,365)	-	(649,197)
Agency Outlays, net (discretionary and mandatory)	$ (14,866)	$ 5,197,465	$ -	$ 6,438,372

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2016 (in thousands)

	FUSRAP	Special Funds	Trust Funds	Borrowing Authority	Revolving Funds
Budgetary Resources					
Unobligated balance brought forward, October 1	$ 7,587	$ 24,610	$ 304,987	$ 4	$ 800,140
Recoveries of unpaid prior year obligations	820	18	20,518	-	79,278
Other changes in unobligated balance (+ or -)	-	-	9	-	657
Unobligated balance from prior year budget authority, net	8,407	24,628	325,514	4	880,075
Appropriations (discretionary and mandatory)	112,000	20,974	1,454,274	-	-
Spending Authority from offsetting collections (discretionary and mandatory)	6,873	-	-	6	7,874,345
Total Budgetary Resources	$ 127,280	$ 45,602	$ 1,779,788	$ 10	$ 8,754,420
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	$ 121,780	$ 15,042	$ 1,477,657	$ 6	$ 7,929,606
Unobligated balance, end of year					
Apportioned, unexpired accounts	5,500	30,560	302,131	-	-
Exempt from Apportionment, unexpired accounts	-	-	-	4	824,814
Unexpired unobligated balance, end of year	5,500	30,560	302,131	4	824,814
Expired unobligated balance, end of year	-	-	-	-	-
Unobligated balance, end of year (total)	5,500	30,560	302,131	4	824,814
Total Budgetary Resources	$ 127,280	$ 45,602	$ 1,779,788	$ 10	$ 8,754,420
Change in Obligated Balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, October 1	$ 57,926	$ 926	$ 197,933	$ -	$ 1,150,148
New obligations and upward adjustments	121,780	15,042	1,477,657	6	7,929,606
Outlays (gross) (-)	(104,365)	(15,563)	(1,463,223)	(6)	(7,966,760)
Recoveries of prior year unpaid obligations (-)	(820)	(18)	(20,518)	-	(79,278)
Unpaid Obligations, end of year	74,521	387	191,849	-	1,033,716
Uncollected payments:					
Uncollected payments, Federal sources, brought forward, October 1 (-)	(4,269)	-	-	-	(152,826)
Change in uncollected pymts, Fed sources (+ or -)	(1,166)	-	-	-	20,179
Uncollected pymts, Fed sources, end of year (-)	(5,435)	-	-	-	(132,647)
Obligated balance, start of year (+ or -)	53,657	926	197,933	-	997,322
Obligated balance, end of year (+ or -)	$ 69,086	$ 387	$ 191,849	$ -	$ 901,069
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	$ 118,873	$ 20,974	$ 1,454,274	$ 6	$ 7,874,345
Actual offsetting collections (discretionary and mandatory) (-)	(5,706)	-	(9)	(238)	(7,896,881)
Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	(1,166)	-	-	-	20,179
Recoveries of prior year paid obligations (discretionary and mandatory)	-	-	8	-	657
Budget Authority, net (total) (discretionary and mandatory)	$ 112,001	$ 20,974	$ 1,454,273	$ (232)	$ (1,700)
Outlays, gross (discretionary and mandatory)	104,365	15,563	1,463,223	6	7,966,760
Actual offsetting collections (discretionary and mandatory) (-)	(5,706)	-	(9)	(238)	(7,896,881)
Outlays, net (total) (discretionary and mandatory)	98,659	15,563	1,463,214	(232)	69,879
Distributed offsetting receipts	-	(68,049)	-	-	-
Agency Outlays, net (discretionary and mandatory)	$ 98,659	$ (52,486)	$ 1,463,214	$ (232)	$ 69,879

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2016 (in thousands)

	Contributed Funds	General Funds	General ARRA	2016 Combined
Budgetary Resources				
Unobligated balance brought forward, October 1	$ 667,794	$ 8,229,564	$ 14	$ 10,034,700
Recoveries of unpaid prior year obligations	7,382	179,405	-	287,421
Other changes in unobligated balance (+ or -)	-	8,803	-	9,469
Unobligated balance from prior year budget authority, net	675,176	8,417,772	14	10,331,590
Appropriations (discretionary and mandatory)	458,329	4,506,086	-	6,551,663
Spending Authority from offsetting collections (discretionary and mandatory)	132	3,566,259	-	11,447,615
Total Budgetary Resources	$ 1,133,637	$ 16,490,117	$ 14	$ 28,330,868
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 344,343	$ 8,530,600	$ -	$ 18,419,034
Unobligated balance, end of year				
Apportioned, unexpired accounts	-	7,943,060	-	8,281,251
Exempt from Apportionment, unexpired accounts	789,294	12,832	-	1,626,944
Unexpired unobligated balance, end of year	789,294	7,955,892	-	9,908,195
Expired unobligated balance, end of year	-	3,625	14	3,639
Unobligated balance, end of year (total)	789,294	7,959,517	14	9,911,834
Total Budgetary Resources	$ 1,133,637	$ 16,490,117	$ 14	$ 28,330,868
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 569,373	$ 5,617,418	$ 1	$ 7,593,725
New obligations and upward adjustments	344,343	8,530,600	-	18,419,034
Outlays (gross) (-)	(440,328)	(8,242,453)	-	(18,232,698)
Recoveries of prior year unpaid obligations (-)	(7,382)	(179,405)	-	(287,421)
Unpaid Obligations, end of year	466,006	5,726,160	1	7,492,640
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, October 1 (-)	-	(1,490,685)	-	(1,647,780)
Change in uncollected pymts, Fed sources (+ or -)	(5)	(137,732)	-	(118,724)
Uncollected pymts, Fed sources, end of year (-)	(5)	(1,628,417)	-	(1,766,504)
Obligated balance, start of year (+ or -)	569,373	4,126,733	1	5,945,945
Obligated balance, end of year (+ or -)	$ 466,001	$ 4,097,743	$ 1	$ 5,726,136
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 458,461	$ 8,072,345	$ -	$ 17,999,278
Actual offsetting collections (discretionary and mandatory) (-)	(127)	(3,324,350)	-	(11,227,311)
Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	(5)	(137,732)	-	(118,724)
Recoveries of prior year paid obligations (discretionary and mandatory)	-	8,815	-	9,480
Budget Authority, net (total) (discretionary and mandatory)	$ 458,329	$ 4,619,078	$ -	$ 6,662,723
Outlays, gross (discretionary and mandatory)	440,328	8,242,453	-	18,232,698
Actual offsetting collections (discretionary and mandatory) (-)	(127)	(3,324,350)	-	(11,227,311)
Outlays, net (total) (discretionary and mandatory)	440,201	4,918,103	-	7,005,387
Distributed offsetting receipts	(453,368)	(93,282)	-	(614,699)
Agency Outlays, net (discretionary and mandatory)	$ (13,167)	$ 4,824,821	$ -	$ 6,390,688

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 13, 2017

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
COMMANDING GENERAL, UNITED STATES ARMY CORPS OF ENGINEERS
DIRECTOR, UNITED STATES ARMY CORPS OF ENGINEERS, CIVIL WORKS

SUBJECT: Transmittal of Independent Auditor's Report on the United States Army Corps of Engineers, Civil Works, FY 2017 and FY 2016 Basic Financial Statements (Project No. D2017-D000FI-0084.000, Report No. DODIG-2018-022)

We contracted with the independent public accounting firm of KPMG, LLP, (KPMG) to audit the financial statements of the United States Army Corps of Engineers, Civil Works, (USACE CW) Basic Financial Statements as of September 30, 2017, and 2016, and for the years then ended, and to provide a report on internal controls over financial reporting and compliance with laws and regulations. The contract required KPMG to conduct the audit in accordance with generally accepted government auditing standards (GAGAS), Office of Management and Budget audit guidance, and the Government Accountability Office/President's Council on Integrity and Efficiency, "Financial Audit Manual," July 2008. KPMG's Independent Auditor's Report is attached.

KPMG's audit resulted in an unmodified opinion. KPMG concluded that the USACE CW Basic Financial Statements as of September 30, 2017, and 2016, and for the years then ended are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. KPMG's report identified Material Weaknesses (Exhibit I) in these two areas:

1. Financial Oversight and Reporting

2. General Property, Plant, and Equipment

KPMG's report also includes a Significant Deficiency (Exhibit II) related to Financial Management Systems and two instances of noncompliance with laws and regulations related to the "Federal Managers' Financial Integrity Act of 1982" and the "Federal Financial Management Improvement Act of 1996" (Exhibit III).

In connection with the contract, we reviewed KPMG's report and related documentation and discussed the audit results with KPMG representatives. Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the USACE CW financial statements, conclusions about the effectiveness of internal controls, conclusions as to whether the USACE CW financial systems substantially complied with the "Federal Financial Management Improvement Act of 1996," or conclusions on whether USACE CW complied with laws and regulations. KPMG is responsible for the attached report, dated November 13, 2017, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945.

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting

Attachment: As stated

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Commanding General, Chief of Engineers,
United States Army Corps of Engineers – Civil Works; and
United States Department of Defense Inspector General:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Army Corps of Engineers – Civil Works (USACE – Civil Works), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (herein referred to as "consolidated financial statements").

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the USACE – Civil Works as of September 30, 2017 and 2016, and its net costs, KPMG

changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Message from the Assistant Secretary of the Army (Civil Works) and Message from the USACE Chief Financial Officer are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2017, we considered the USACE – Civil Work's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the USACE – Civil Work's internal control. Accordingly, we do not express an opinion on the effectiveness of the USACE – Civil Work's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in Exhibit I as items A and B to be material weaknesses.

USACE – Civil Works management did not report the material weaknesses entitled *Financial Oversight and Reporting* and *General Property, Plant and Equipment* in its *Statement of Assurance*, included in the

KPMG

Management's Discussion and Analysis section of the *Fiscal Year 2017 United States Army Corps of Engineers Annual Financial Report*.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Exhibit II as item C to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USACE – Civil Work's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03, and which are described in Exhibit III as item D.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance, described in Exhibit III as item E, in which the USACE – Civil Work's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

USACE – Civil Work's Responses to Findings

The USACE – Civil Work's responses to the findings identified in our audit are described in Exhibits I, II, and III. The USACE – Civil Work's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the USACE – Civil Work's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 13, 2017

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Material Weaknesses
September 30, 2017

A. Financial Oversight and Reporting

Effective financial oversight and reporting controls assists management with preventing, detecting, and correcting errors in a timely manner. In the performance of our FY 2017 procedures, we identified deficiencies in controls over the recording of journal vouchers and financial reporting that when aggregated, could cause material misstatements in the consolidated financial statements and related notes.

Preparation and Related Review and Approval of Journal Vouchers

The United States Army Corps of Engineers – Civil Works (USACE – Civil Works) control over the review of Defense Departmental Reporting System (DDRS) journal vouchers was not operating effectively to prevent the improper recording of DDRS journal vouchers and detect material post closing journal vouchers that did not post correctly.

The USACE – Civil Works eliminated unreconciled variances by recording "unsupported" DDRS journal vouchers to reclassify amounts to complete the Departmental financial statement preparation process.

The USACE – Civil Works control over the review of Structured Query Language (SQL) scripts was not designed properly to prevent the improprer recording of script transactions in the Corps of Engineers Financial Management System (CEFMS).

Financial Reporting

As per guidance provided under Office of Management and Budget (OMB) Circular Number (No.) A-11, the USACE – Civil works has inappropriately included a deposit fund in the Statement of Budgetary Resources. The inclusion of which creates a reconciling item between the Standard Form 133s, *Reports on Budget Execution and Budgetary Resources* used in the preparation of the President's Budget and the FY 2017 USACE – Civil Works SBR. Title 40 United State Code (USC) Section 9501 only provides the USACE – Civil Works immediate superintendence rather than ownership and operational authority over the deposit fund.

The USACE – Civil Works' control over the review of DDRS import sheets was not operating effectively to determine that balances in CEFMS were accurately uploaded into DDRS for financial reporting.

The USACE – Civil Works' control over the intra-agency/eliminations review process was not properly designed, as management does not currently have the appropriate policies and procedures in place to ensure that manual changes made to trading partner codes are reviewed and approved before being processed in the financial system.

We noted deficiencies in internal controls over undelivered order (UDO) balances (unliquidated obligations). Specifically, the USACE – Civil Works' internal controls, were not designed properly nor operating effectively to identify invalid, inaccurate, and/or unsupported UDO balances which could result in a misstatement to the unpaid obligations line item.

The Formerly Utilized Sites Remedial Action Program (FUSRAP) and Non-FUSRAP project environmental liability estimates review was not performed at an appropriate level (i.e. project) to prevent or detect and correct errors in the estimates recorded in the financial statements. Further, management's control did not include procedures to properly address relevant financial assertions, did not consider reliance on CEFMS system reports or include a retrospective review to determine if the estimation methodology warrants revision.

OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, states: "Management is responsible for the establishment of a governance structure to effectively implement, direct and oversee implementation of a robust process of risk management and internal control." Effective internal control provides assurance that significant weaknesses in the design or operation of internal control, that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, states that "transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded."

Recommendations

We recommend the USACE – Civil Works management:

1. Strengthen and develop policies and procedures to enhance the internal controls over the completeness, existence, accuracy, rights and obligations, and presentation of journal vouchers and to identify and correct variances between federal expenses and revenues recorded in the DDRS trial balance and the trading partner activity associated with these expenses and revenues in a timely manner.
2. Design and implement automated data validation checks in CEFMS and design and implement policies and procedures to ensure that SQL script transactions are properly supported. Additionally, adhere to monitoring procedures to verify that scripts are adequately reviewed and approved.
3. Investigate the deposit fund further and revise their accounting treatment of the deposit fund to be in accordance with the guidance provided under OMB Circular No. A-11.
4. Adhere to monitoring procedures to verify that the DDRS import sheets are appropriate and consistently and adequately reviewed.
5. Develop control policies and procedures over the review and approval of manual changes made to trading partner codes in CEFMS Corporate Reporting.
6. Strengthen policies and procedures to de-obligate invalid obligations in a timely manner (i.e., prior to fiscal year-end).
7. Strengthen and develop policies and procedures to enhance the internal controls over the review of Environmental Liabilities reported in the financial statements.
8. Perform an analysis over any proposed changes to estimation methodology and monitor the methodology on an ongoing basis, to include a retrospective review to determine if the estimation methodology warrants revision.

Management Response

USACE – Civil Works concurs with the findings and has taken corrective action to cure the material weakness.

B. General Property, Plant, and Equipment

Property, Plant & Equipment (PP&E) is the largest line item on the USACE – Civil Works financial statements with approximately $31B of Net PP&E inclusive of $5B of Construction in Progress (CIP). During our FY 2017 audit, management's control over the classification of work items used during the construction of new assets failed to detect work items improperly classified as capital assets. In addition, management did not perform a complete and thorough review over CIP projects, as certain projects were not expensed or placed in service timely or not reviewed at all. Further, the reconciliations between assets recorded in CEFMS and in the personal and real property systems did not show evidence of how variances identified were addressed and corrected for certain districts. We noted that these are recurring deficiencies around the design, implementation, and operating effectiveness of the key controls that are needed to further prevent or detect potential misstatements on a timely basis.

In addition, management did not adjust the financial system in a timely manner for: (1) inactive CIP balances that should have been expensed and completed CIP projects that should have been placed in service; (2) new assets that are replacing old ones, but they are added as components of larger assets even though they have different useful lives, and thus are being incorrectly depreciated; (3) unsupported transactions for CIP and PP&E additions; and (4) untimely placed in service of additions and betterments and new assets. Additionally, the USACE – Civil Works recorded certain equipment items purchased as CIP rather than PP&E and recognizing depreciation. Further, these certain equipment items are not being depreciated in the periods in which the equipment is being used.

Key internal controls are not appropriately designed and/or operating effectively at all USACE Districts. Communications within some Districts were inconsistent and sometimes did not occur timely. In some cases, resource management did not follow-up with operations personnel regarding unusual PP&E transactions. In other cases, operations personnel were aware of certain PP&E transactions but did not communicate these PP&E transactions to resource management and did not consider the accounting impact to PP&E. Additionally, the USACE – Civil Works did not consistently perform or complete management reviews and reconciliations of PP&E that are designed to address these conditions.

Statement of Federal Financial Accounting Standards No. 6 *Accounting for Property, Plant, and Equipment*, provides guidance for Federal entities in accounting for PP&E transactions. The Army Corps of Engineers Regulations, Engineering Regulation (ER) 37-1-30, "Financial Administration – Accounting and Reporting," contains general asset accounting policies, including accounting for CIP and PP&E. These policies include Civil Works-specific items such as: (1) proper classification of asset work items, (2) costs incurred that should be expensed and (3) appropriate useful life of each property category. Additionally, the USACE – Civil Works FY 2017 PP&E test plan provides policies and procedures to strengthen controls over PP&E reconciliations and transactions.

Recommendations

We recommend the USACE – Civil Works: (1) strengthen controls related to management reviews, reconciliations, maintenance of supporting documentation, timely recording in the financial system, and communication among and between districts and headquarters for PP&E (including CIP); and (2) design and implement controls to review CIP costs and CIP inactivity timely.

Management Response

USACE – Civil Works non-concurs with the elevation of General Property, Plant and Equipment (PP&E) to the level of a material weakness as testing over the past several years has shown improvement in internal controls and the change in classification is not in line with our own internal testing.

Auditor Response

Management did not agree with our elevation of the PP&E finding to a material weakness based on the results of their internal testing. The results of our procedures continue to identify repeat matters related to internal control deficiencies rather than improvement, requiring increased attention from management. We maintain our position that the PP&E finding warrants elevation to a material weakness.

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Significant Deficiency
September 30, 2017

C. Financial Management Systems

The United States Army Corps of Civil Engineers – Civil Works (USACE – Civil Works) has not implemented adequate information technology controls to protect its financial management system, as required by the Office of Management and Budget (OMB) Circular Number (No.) A-130, *Managing Information as a Strategic Resource*. These deficiencies in information technology controls have existed for several years and while USACE – Civil Works has taken corrective action, these efforts have not been fully effective. These conditions could affect the USACE – Civil Work's ability to prevent and detect erroneous or unauthorized changes to financial information, control electronic access to sensitive information, protect its information resources and ensure the completeness and accuracy of information produced by USACE – Civil Works without effective complementary manual reconciliation controls. Specifically, we identified the following:

Access Control Weaknesses
The USACE – Civil Works should strengthen access controls at the operating system and database level, as management had not properly implemented a process for transmitting audit logs from the two log aggregation servers to the audit log review servers. While USACE – Civil Works did not configure the audit logging triggers to capture information within the log aggregation servers, management was still in the process of fully automating this data transfer process to reduce the occurrence of data transmission issues to the audit log review servers. This condition resulted in instances where USACE – Civil Works did not properly perform audit log reviews for database and operating system audit logs.

By not implementing appropriate audit logging processes and procedures, there is an increased risk that financial data could be modified inappropriately without management's approval, which could have an adverse impact on the availability and integrity of the data.

Additionally, USACE – Civil Works had not properly configured all application roles affecting the segregation of duties controls within the general ledger system during the fiscal year.

By not implementing appropriate roles affecting the segregation of duties controls within the general ledger system for the full fiscal year, there is an increased risk that a user with inappropriate access could modify financial data, which may have an adverse impact on the availability of integrity of the data.

Recommendations
We recommend the USACE – Civil Works Management continue their efforts to appropriately configure the audit logging process to timely respond to potential instances of inappropriate access. USACE – Civil Works Management should review the process for adding or modifying roles affecting the segregation of duties controls and implement changes to the controls to ensure roles are properly configured within the general ledger system. In addition, USACE – Civil Works Management should consider information they rely upon in the performance of internal controls and whether they have appropriate system configuration and/or manual reconciliation controls designed and implemented over the completeness and accuracy of the information.

Management Response

USACE – Civil Works concurs with the findings and has taken corrective action to cure the significant deficiency.

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Summary of Noncompliance
September 30, 2017

D. Federal Managers Financial Integrity Act of 1982 (FMFIA)

The Office of Management and Budget (OMB) Circular Number (No.) A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control,* requires agencies to (1) develop and implement management controls; (2) assess the adequacy of management controls; (3) identify needed improvements; (4) take corresponding corrective action; and (5) report annually on management controls.

We noted the United States Army Corps of Engineers - Civil Works (USACE – Civil Works) has not established effective systems, processes, policies and procedures to implement effective internal controls and has not conformed accounting systems to properly comply with FMFIA Sections 2 and 4 and OMB No. A-123 Appendix D.

Recommendations
We recommend the USACE – Civil Works management continue to improve its' FMFIA process by developing more thorough corrective action plans and correcting system limitations.

Management Response

USACE – Civil Works concurs with the findings and will take corrective action to cure the non-compliance item.

E. Federal Financial Management Improvement Act (FFMIA) of 1996

Section 803(a) of FFMIA, requires that agency Federal financial management systems comply with (1) Federal accounting standards, (2) Federal system requirements, and (3) the United States Standard General Ledger (USSGL) at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability. We noted that the USACE – Civil Works did not comply with the three requirements of FFMIA, as effective internal controls over financial reporting and financial systems were not in place during the fiscal year. Multiple financial adjustments were required to adjust transactions recorded within the main system of accounting for compliance with the USSGL. Further, the USACE – Civil Works main system of accounting is not capable of producing financial statements that are compliant with OMB Circular No. A – 136.

Recommendations
We recommend the USACE – Civil Works management improve its processes to comply with FFMIA by updating its financial management systems to comply with accounting principles, and comply with USSGL requirements and Federal system requirements.

Management Response

USACE – Civil Works concurs with the findings and will take corrective action to cure the non-compliance item.

[CD-ROM]

U.S. ARMY CORPS OF ENGINEERS – CIVIL WORKS

Fiscal Year 2017 United States Army Annual Financial Report

We are interested in your feedback regarding the content of this report.
Please feel free to e-mail your comments to AAFS@hqda.army.mil or write to:

Department of the Army
Office of the Deputy Assistant Secretary of the Army
(Financial Management and Comptroller)
Office of the Financial Reporting Directorate
Room 3A312, 109 Army Pentagon
Washington, DC 20310-0109

Additional copies of this report can be obtained by sending a written request to the e-mail or mailing address listed above.

You may also view this document at: http://www.asafm.army.mil/fo/fod/cfo/cfo.asp

THE SOLDIER'S CREED

I am an American Soldier.
I am a Warrior and a member of a team.
I serve the people of the United States and live the Army Values.

I will always place the mission first.
I will never accept defeat.
I will never quit.
I will never leave a fallen comrade.

I am disciplined, physically and mentally tough, trained and proficient in my warrior tasks and drills.
I always maintain my arms, my equipment and myself.

I am an expert and I am a professional.

I stand ready to deploy, engage, and destroy the enemies of the United States of America in close combat.

I am a guardian of freedom and the American way of life. *I am an American Soldier.*

United States Army : 1500 Army Pentagon : Washington, DC, 20310-1500 : www.army.mil