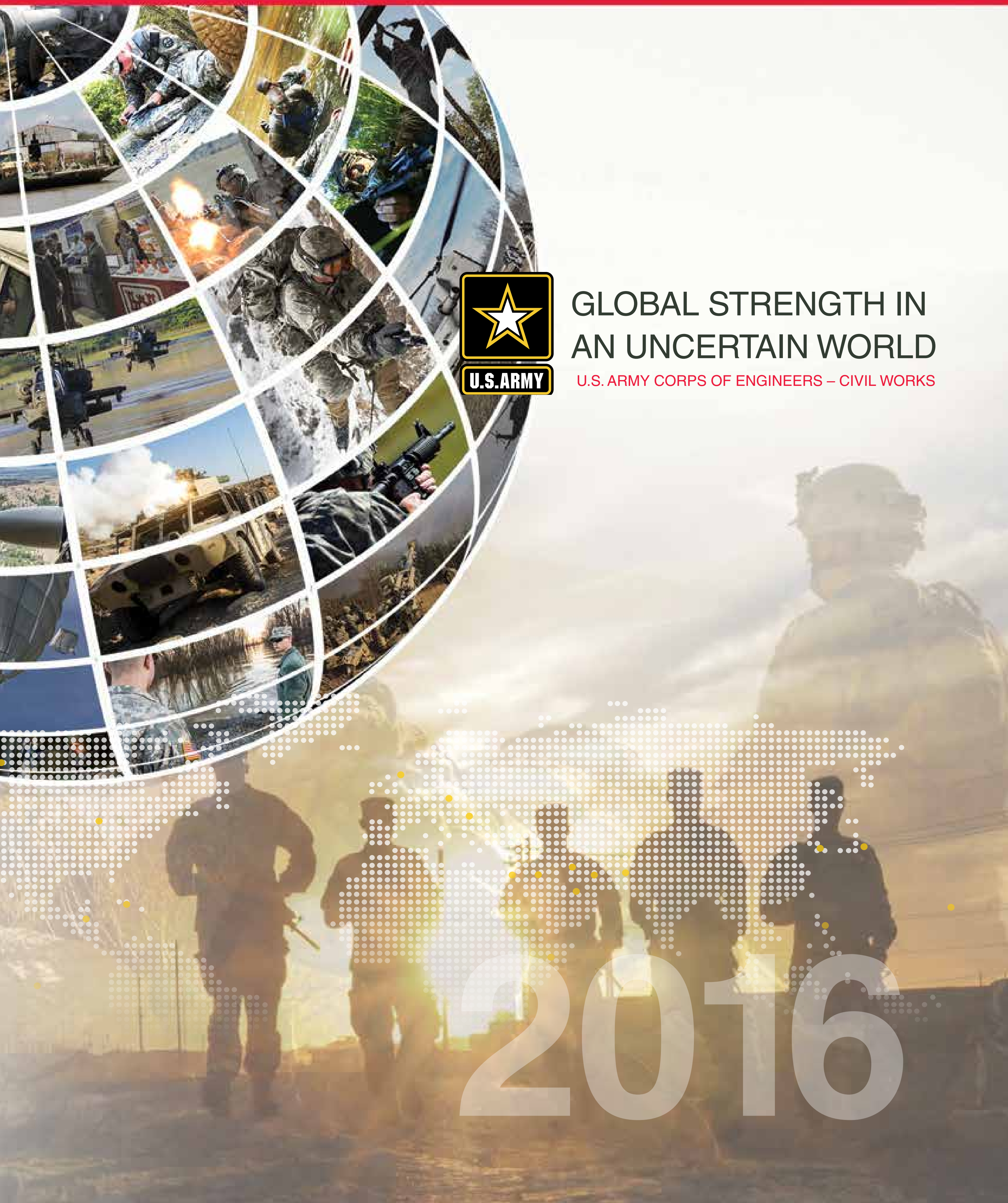
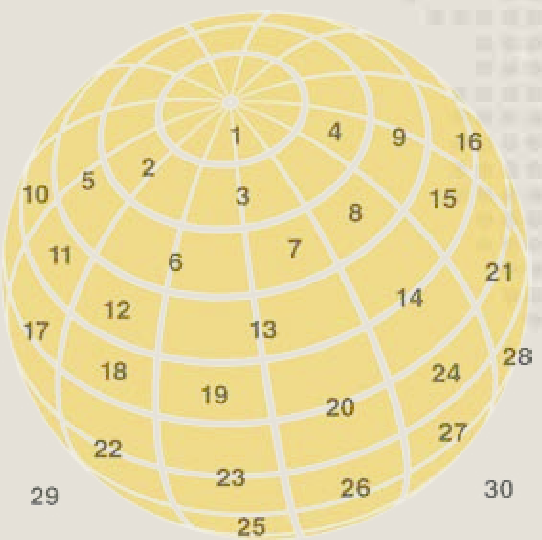
FISCAL YEAR 2016 UNITED STATES ARMY ANNUAL FINANCIAL REPORT



U.S. ARMY

GLOBAL STRENGTH IN AN UNCERTAIN WORLD

U.S. ARMY CORPS OF ENGINEERS – CIVIL WORKS



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(Photo courtesy of U.S. Army Corps of Engineers)

2016

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GLOBAL STRENGTH IN AN UNCERTAIN WORLD

Today's Army faces many challenges in an unpredictable world. The Corps is recognized as a leader in the Federal government's climate change research.

The U.S. Army Corps of Engineers (Army Corps) serves the Nation through the identification, construction, operation and maintenance of water resources infrastructure that reduce flood risk to communities; facilitate commercial navigation; and restore degraded aquatic ecosystems.

The Army Civil Works Program is funded through direct Energy and Water Development Act appropriations, supplemental appropriations, and funding provided from non-Federal cost-sharing partners and other receipts. These funds are used to accomplish the Program's core missions of flood risk management, navigation, and ecosystem restoration, as well as to provide renewable hydropower, prevent future environmental losses, and provide stewardship and recreation opportunities for the public.

In an ongoing effort to maximize taxpayer dollars and return the highest value to the Nation, the Army Corps seeks opportunities to deliver planning study solutions in a timely and cost-effective manner, to manage the cost, schedule, and scope growth of ongoing construction projects, and to use risk to prioritize maintenance needs.

Today's Army faces many challenges in an unpredictable world. Unprecedented floods, destructive tornadoes, ravaging wildfires, extensive drought and harmful hurricanes continue to affect our nation's operations and safety. We are going to see more aggressive weather patterns in the future and consistent sea level rise.

The Army Corps has been factoring climate change and its impacts into all our missions and operations for decades. The Corps is recognized as a leader in the Federal government's climate change research. We work with the Obama Administration to identify and address the existing and future risks and vulnerabilities of climate change and ensure that communities and ecosystems are protected and flourish.

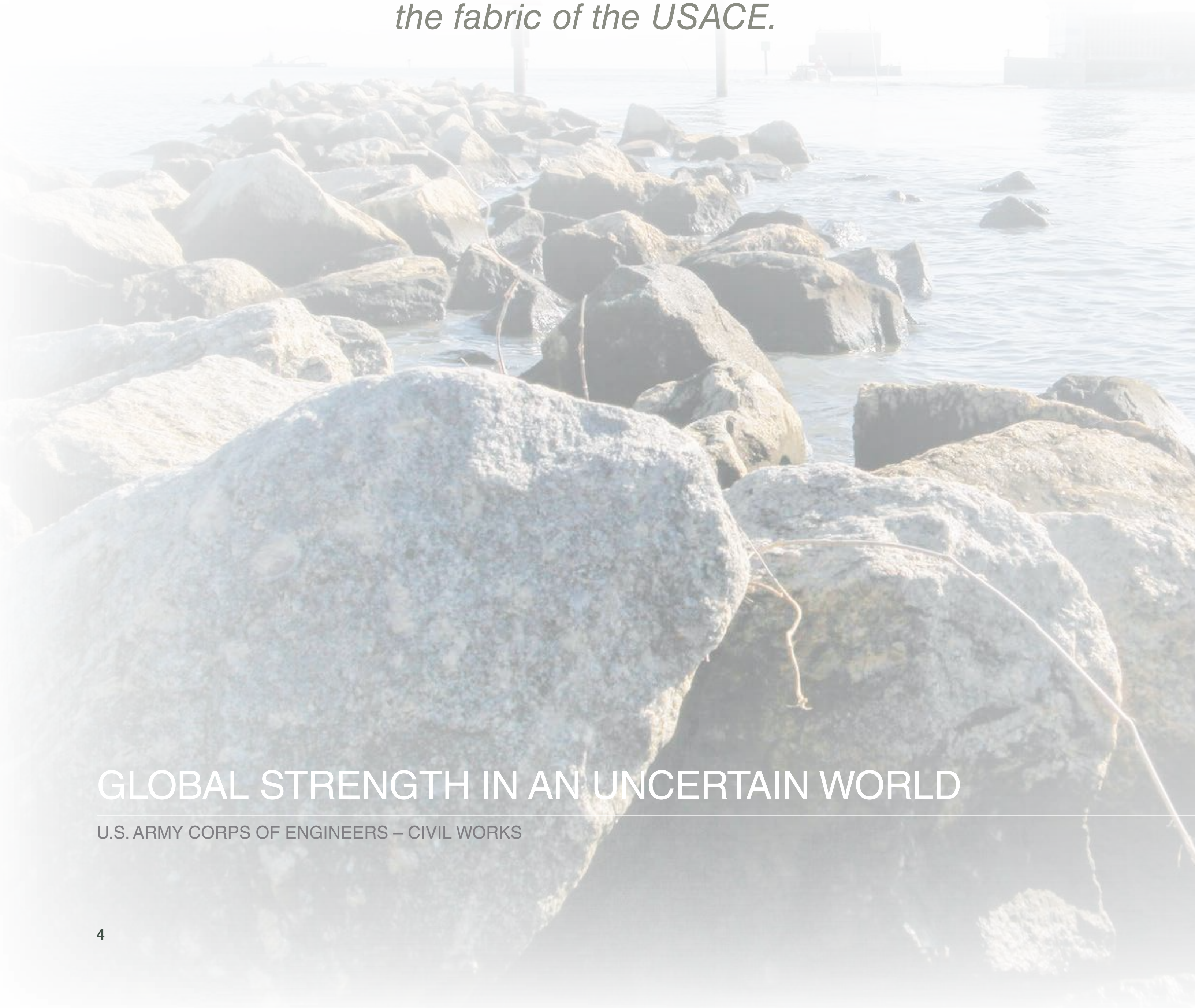
We preserve and protect our waters also means making sustainability a factor in all that we do. The Army Corps is saving taxpayer dollars, reducing carbon emissions, cutting waste and saving energy. The Army Corps concentrates on several focus areas, to include implementing energy and water conservation measures; reducing CO_2 emissions; increasing renewables; and influencing visitors' behavior at Army Corps recreation facilities to reduce energy and water consumption.

The Army Corps is also actively carrying out President Obama's "Performance Contracting Challenge" to help Federal agencies accelerate progress on energy and water conservation and greenhouse gas reduction, including specific actions to increase use of energy savings performance contracts.

As is demonstrated in the following pages, the Army Corps is committed to managing the Nation's water resources in a fiscally responsible manner.

JO-ELLEN DARCY
Assistant Secretary of the Army (Civil Works)

Among the several key influences shaping our financial management culture, it is evident integrity, stewardship, and a high standard of performance are etched into the fabric of the USACE.



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) 2016. We are able to provide assurance over the reliability of our financial reporting for the approximately $9.8 billion in obligations in FY 2016 for Civil Works activities.

I would like first and foremost to take this opportunity to thank each every member of the USACE team for their extraordinary contributions in making FY 2016 such a success. Among the several key influences shaping our financial management culture, it is evident integrity, stewardship, and a high standard of performance are etched into the fabric of the USACE. The Financial Management Team looks forward to the challenge of working to sustain that culture and building upon the legacy of excellence established here at USACE.

The discipline and dedication of USACE employees in the execution of our financial business processes is the reason for our ninth consecutive unmodified "clean" audit opinion. This report and all the outstanding accomplishments it describes reflect great credit upon our employees' extraordinary dedication to duty and I am honored to serve alongside them.

Each and every reporting activity worked diligently to ensure USACE maintained its unmodified audit opinion. These efforts along with USACE's exceptional Financial Management System, the synchronization within our Financial Management Community of Practice and the superb leadership and work ethic of the USACE Finance Center will continue to position USACE as one of the "best in class" in audit sustainability.

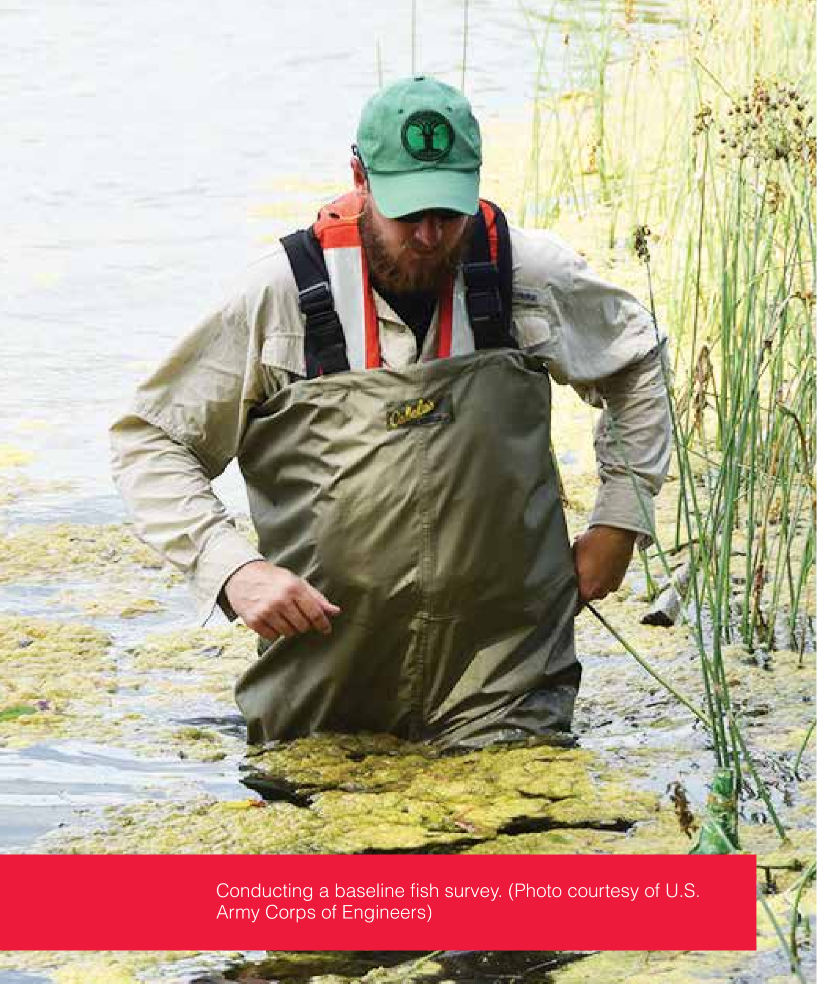
As our Nation continues to face uncertainty and the reality of a fiscally constrained resource environment, I assure you USACE's commitment to integrity, stewardship, and a high standard of performance will remain solid and unwavering. As demonstrated in FY 2016 and for FY 2017 and beyond, USACE will play an integral role in assisting the Army and the Department of Defense (DoD) in their efforts to obtain an unmodified opinion on their Statement of Budgetary Resources (SBR). Despite the increase in expected workload, I am confident that our financial management system capabilities, business processes, and internal control framework will position USACE to fully support the audit requirements of both the Army and the Department of Defense.

THOMAS C. STEFFENS

Chief Financial Officer

GLOBAL STRENGTH
IN AN UNCERTAIN WORLD

Dredging more than one million cubic yards of sand to build a dune and berm on behalf of the U.S. Fish & Wildlife Service. (Photo by Tim Boyle)



Conducting a baseline fish survey. (Photo courtesy of U.S. Army Corps of Engineers)

OVERVIEW

The United States Army Corps of Engineers (USACE) is comprised of two major programs: the Civil Works program and the Military program. This Annual 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

The USACE-CW mission is to contribute to the national welfare and to serve the nation by (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.

DEVELOPING AND MANAGING THE NATION'S WATER RESOURCES

The original role of the USACE-CW, as it related to water resources, was to support lake, riverine, coastal, and inland navigation by building breakwaters and other structures by developing navigation channels. USACE-CW mission areas are: (1) flood risk management; (2) improvement of aquatic habitat; and (3) regulation of obstructions in and discharges into navigable waters. Over the years, the USACE-CW role expanded to include: (1) flood risk management; (2) improvement of aquatic habitat; (3) generation of hydroelectric power at USACE-CW dams constructed primarily for other purposes; (4) recreational opportunities at USACE-CW dams constructed primarily for other purposes; (5) water storage for municipal and industrial water at USACE-CW dams constructed primarily for other purposes; (6) regulation of obstructions in and discharges into navigable waters; and (7) disaster response and emergency planning and management.

PROTECTING, RESTORING AND MANAGING THE AQUATIC ENVIRONMENT

The Rivers and Harbors Act of 1890 requires 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.

RESPONDING AND ASSISTING IN DISASTER RELIEF

The USACE-CW responds to disasters under two primary authorities: the Flood Control and Coastal Emergency Act (Public Law [P.L.] 84-99, as amended) and to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288, as amended). The USACE-CW primary role in emergency relief and recovery operations is to provide public works and engineering support.

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 includes 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.

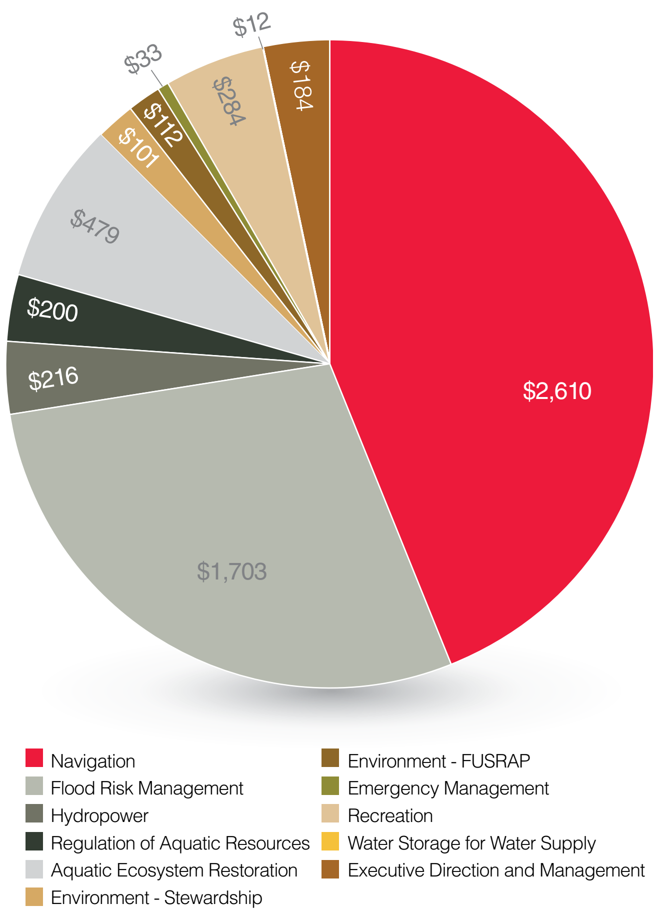
FIGURE 1. FY 2016 USACE-Civil Works Funding by Source (in Millions)

	Unobligated Carry-In	Unexpended Carry-In	New FY 2016 Budget Authority	Recovery of prior obligations	Available for expenditure
Direct and Supplemental	$8,618	$5,565	$8,546	$168	$22,897
Reimbursable	617	879	1,579	40	3,115
Total	$9,235	$6,444	$10,125	$208	$26,012

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 apportioned 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 2016.

FIGURE 2. FY 2016 USACE-Civil Works Appropriations (in Millions) by Business Line[1]



[1] *Executive Direction and Management includes $179 million for Expenses and $5 million for OASA-CW.*

Through the Disaster Relief Appropriations Act 2013, (P.L. 113-2), the USACE-CW received $5,100 million (net of sequestration) for repairs, rehabilitation, and recovery from the effect of Hurricane Sandy. Funds were provided in six appropriations – I, C, O&M, FCCE, MR&T, and Expenses. The funds were used primarily for flood risk management, including developing a comprehensive risk management plan, sustainable risk management projects, repairing and restoring damaged flood risk management projects, and maintenance dredging of affected navigation channels. These funds remain available until expended and, in the case of studies and construction, will be used over a period of years to implement recovery and sustainable development plans.

Through the American Recovery and Reinvestment Act (ARRA) of 2009, the USACE-CW received $4,600 million. All of the USACE-CW business lines, except emergency management, received ARRA funding for various programs, projects, and activities. Specific information on ARRA funding may be found at the USACE-CW Recovery website. All ARRA funds were expended by the end of FY 2015.

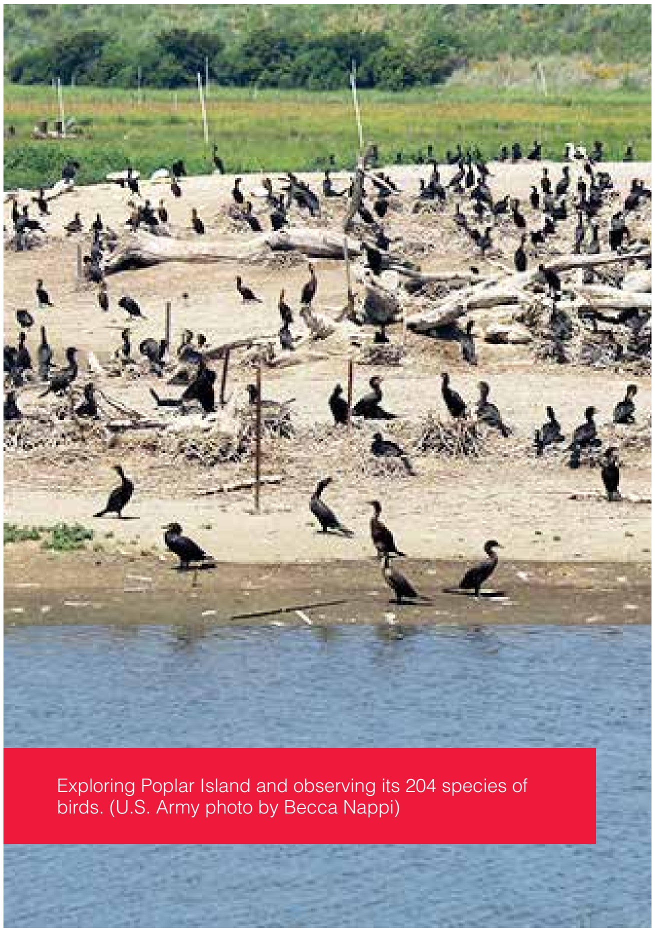
NAVIGATION

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 97% of America's overseas international trade (by volume) and 64% of its international trade (by value) moves through our ports. 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 220 locks at 171 sites; approximately 300 deep-draft and 600 shallow-draft Great Lakes and coastal ports extending 13,000 miles and include 21 locks at 15 sites; and more than 900 coastal navigation structures.

In FY 2016, the Navigation business line received approximately $2,610 million or almost 44% of the FY 2016 USACE-CW appropriations.

FLOOD RISK MANAGEMENT

The Flood Risk Management (FRM) business line works with communities to reduce the risk to human safety and property damage from flooding, in river valleys and along the coast. 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. With the exception of reservoirs, upon completion, most infrastructure built under the auspices of FRM is transferred to the sponsoring



Exploring Poplar Island and observing its 204 species of birds. (U.S. Army photo by Becca Nappi)

cities, towns, and special use districts that own and operate the projects.

Over the years, the USACE-CW mission of addressing the causes and impacts of flooding has 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 for the federal, state, local, and individual partnerships needed to fully manage the risks caused by coastal storms and heavy rains. The USACE-CW flood risk management projects represent sound scientific and engineering strategies that help reduce flood risks.

In FY 2016, the Flood Risk Management business line received approximately $1,703 million, which is more than 28% of the FY 2016 USACE-CW appropriations.

AQUATIC ECOSYSTEM RESTORATION

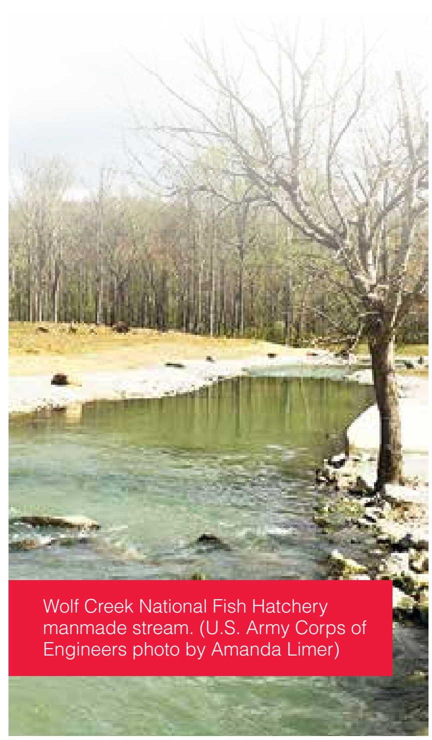
The USACE-CW mission in aquatic ecosystem restoration, is to help restore aquatic habitat to a more natural condition in ecosystems in which structure, function, and dynamic processes have become degraded. The emphasis is on restoration of nationally or regionally significant habitats where the solution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

In FY 2016, the Aquatic Ecosystem Restoration business line received approximately $479 million or almost 8% of the total FY 2016 USACE-CW 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 470 multipurpose USACE-CW projects. USACE-CW personnel monitor water quality at the USACE-CW dams and operate fish hatcheries in cooperation with state wildlife agencies. 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.



Wolf Creek National Fish Hatchery manmade stream. (U.S. Army Corps of Engineers photo by Amanda Limer)

In FY 2016, the Environmental Stewardship business line received approximately $101 million or 1.7% of the FY 2016 USACE-CW appropriations.

FUSRAP: Under FUSRAP, the USACE-CW remediates 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 2016, the FUSRAP business line received approximately $112 million or 1.9% of the total FY 2016 USACE-CW 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. In addition 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 2016, at $200 million, the Regulatory appropriation accounted for 3.3% of total FY 2016 USACE-CW appropriations.

Conducting maintenance dredging of the Ocean City Inlet. (U.S. Army photo by Becca Nappi)

EMERGENCY MANAGEMENT

Emergency management continues to be an important part of the USACE-CW, and directly supports the Federal Emergency Management Agency (FEMA) in carrying out the National Response Framework. Through this framework, the USACE-CW provides emergency support in public works and engineering and conducts emergency response and recovery activities under authority of P.L. 84-99, which authorizes USACE-CW to supplement local efforts in the repair of flood control projects (e.g. levees) which are damaged by a flood. In a typical year, the USACE-CW responds to approximately 100 flood and coastal storm events and about 30 presidential disaster declarations.

In FY 2016, the Emergency Management business line received approximately $33 million or 0.5% of total FY 2016 USACE-CW appropriations.

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 2016, Hydropower business line received approximately $216 million or 3.6% of the total FY 2016 USACE-CW appropriations. The USACE-CW Hydropower program also receives approximately $300 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 more than 20% of the visits among the top five federal recreation agencies on 2% of the land. Visitors to Corps Lakes spent $13 billion pursuing their favorite outdoor recreation activities.

In FY 2016, the Recreation business line received approximately $284 million or 4.7% of the FY 2016 USACE-CW appropriations.

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.

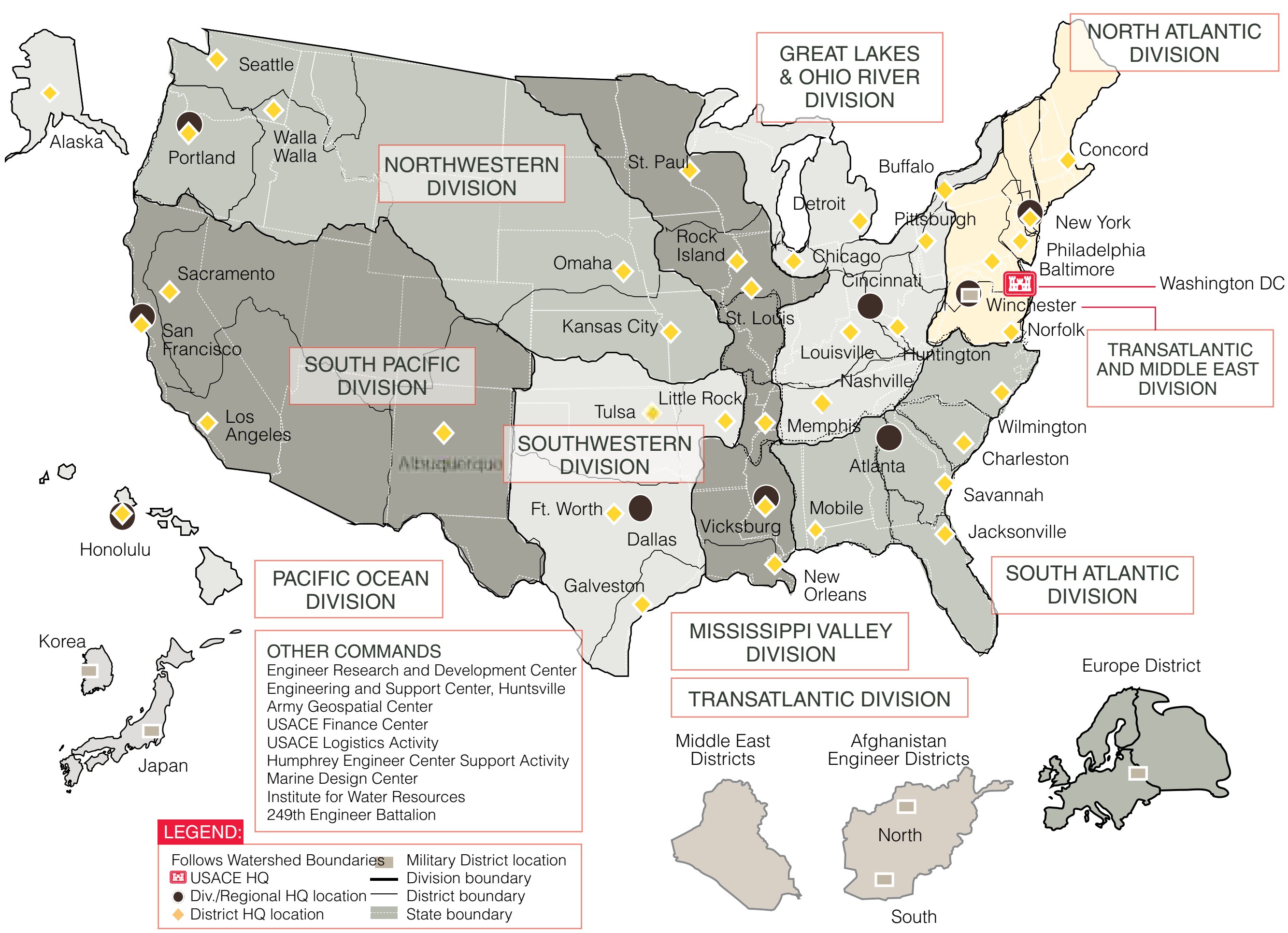
In FY 2016, the Water Supply business line received approximately $33 million, or less than 1% of total FY 2016 USACE-CW appropriations.

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. The entire organization employs approximately 37,000 people, including approximately 765 Army officers, noncommissioned officers, and enlisted soldiers. Approximately 24,000 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 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

The Strategic Goals are:

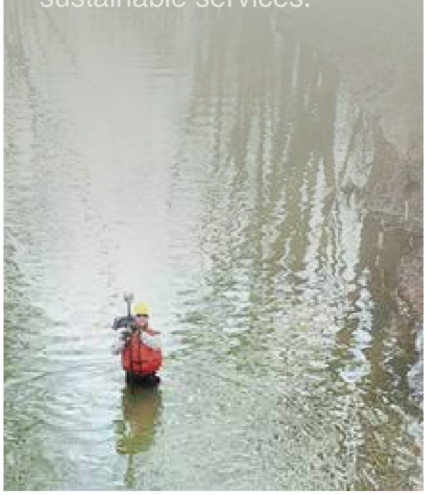
STRATEGIC GOAL 1: Transform the Civil Works Program to deliver sustainable water resources solutions through integrated water resource management.

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.



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 to 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 and 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.

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

STRATEGIC OBJECTIVES AND 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 exceeded the goal of having 70% of planners trained in all three core planning courses by the end FY 2016. Of the 865 USACE-CW planners, 621 planners (72%) have been trained in all three core planning courses. The planning workforce is trained and ready – 85% have completed Civil Works Project Development Process, 82% have completed Planning Essentials, and 76% have completed Plan Formulation and Evaluation Capstone. In FY 2016, the planning community updated the first of the three core planning course series, Civil Works Project Development Process, which is a 9-hour Distance Learning course. The updates incorporate SMART Planning lessons learned and reflect elimination of the reconnaissance phase of planning. The planning community delivered three sessions each of the remaining two core planning courses – 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. 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 250 planners are certified to conduct Agency Technical Review - 60 economists, 33 cultural resource specialists, 73 plan formulators, and 84 environmental specialists. Some planners are certified to conduct ATR for multiple areas of expertise (e.g ATR-certified for plan formulation and environmental).

TABLE 1. Planning Modernization

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Planners trained in Core Curriculum Courses	Note 1	29%	70%	70%	72%
Percent of planners achieving certification under the National Planner Certification Program		0%	0%	15%	0%

Note 1: FY 2014 was the first year of reporting on this measure.

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%. This metric was used for the first time in FY 2014. The score was 93% in FY 2014, 89% in FY 2015 and 91% in FY 2016.

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 2015, 89.1% of customers (across all USACE divisions) rated USACE-CW "High" on *Delivering Quality Products and Services*.

TABLE 2. Quality Solutions and Services

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Percent of Projects on Schedule	Note 1	93%	89%	85%	91%
Percent of customers rating USACE-CW "High" on delivery of products and services	Note 1	89%	89%	90%	Note 2

Note 1: FY 2014 was the first year of reporting on this measure.

Note 2: FY 2016 results will not be available until 3rd quarter FY 2017.

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-CW staff complete essential training in mission critical occupations that are essential for successful completion of engineering designs and construction. Mission critical occupations are the nine 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

USACE has not met the FY 2016 target of 75% completion and deployment of Command Training Plans (CTP) for all MCOs. However, USACE continues to make progress in that direction. Nineteen of 29 plans developed by the respective MCO Communities of Practice (CoP) are available for employees to use. Developing the 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. Current CTPs available can be utilized by Engineering Technicians (0802), Mechanical Engineers (0830) and Electrical Engineers (0850). The CTP for the Construction Management CoP will also cover the Construction Control Technicians (0809) and the CTP for Civil Engineering CoP will cover Civil Engineers (0810). Both CTPs are currently being finalized.

In FY 2016, 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 2016, USACE-CW began collecting functional assessments by specific engineering discipline (e.g., Structural Engineering) at its 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 will be 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

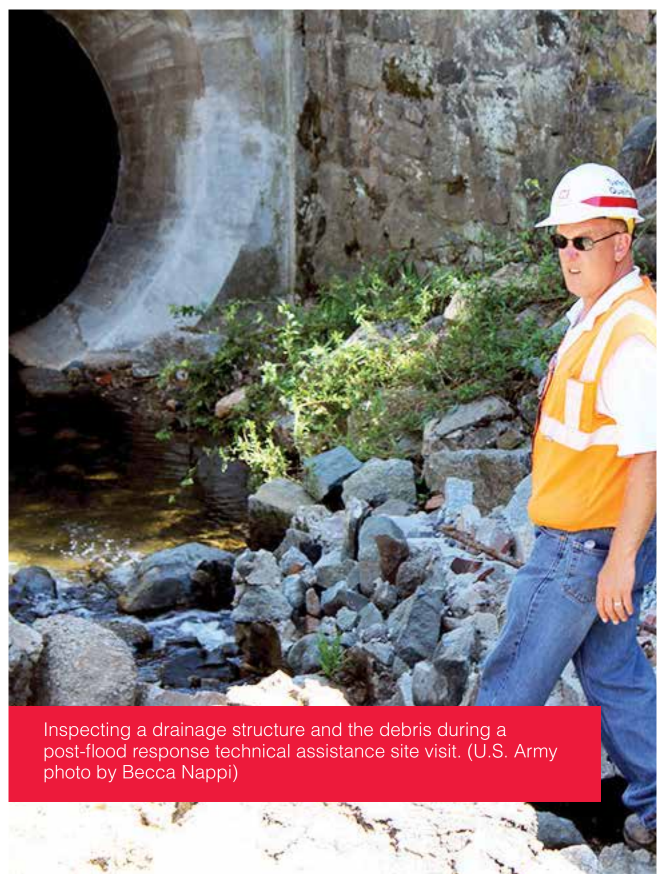
Relevant Objectives:

- **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



Inspecting a drainage structure and the debris during a post-flood response technical assistance site visit. (U.S. Army photo by Becca Nappi) 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 38 continuing feasibility studies and pre-construction, engineering, and design (PED) activities for a total of $22 million. A portion of the funding was used to fund 9 studies and 1 PED activity to completion.

Studies and PED funded to completion included:

- St. Johns County, FL
- St. Lucie County Beaches, FL
- Passaic River Mainstem, NJ (General Reevaluation Report)
- Westchester County Streams, Byram River Basin, NY
- Sabine Pass to Galveston Bay, TX
- American River Common Features, Natomas Basin, CA (PED)
- Enourse Creek, MI
- Puyallup River, WA
- SW Coastal LA Hurricane Protection, LA
- Little Colorado River, Winslow, AZ

Investigation funds were used to support state and local flood risk mitigation priorities through the Silver Jackets program. Three new state-level Silver Jacket teams were established in Delaware, Rhode Island and Vermont in FY 2016.   The Corps currently supports participation on “Silver Jackets” teams in 47 states and the District of Columbia. (The remaining states are Michigan, Hawaii, and Wyoming.) These State interagency teams initiated 45 special study and technical assistance activities in 30 states 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,

The Olmsted Dam construction project on the lower Ohio River.
(Photo courtesy of U.S. Army Corps of Engineers)

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.

Funding also was provided in FY 2016 to initiate or continue feasibility studies within five of the nine focus areas identified in the North Atlantic Coast Comprehensive Study:

- The District of Columbia, DC
- New Jersey Back Bay, NJ
- Nassau County Back Bays, NY
- NY-NJ Harbor & Tributaries, NY & NJ
- City of Norfolk, VA

Performance Results—Construction

Construction funding was used to continue work on 55 construction projects, including work on nine high-risk DSAC I and II dams (Center Hill Dam, TN; Herbert Hoover Dike, FL; Bluestone Dam, WV; Canton Lake, OK; Bolivar Dam, OH; East Branch, PA; Addicks and Barker Dams, TX; Isabella Lake, CA; and Pine Creek, OK). In FY 2016, USACE-CW determined that the Canton Lake, OK project will physically and fiscally complete with prior year funds. Additionally, FY 2016 appropriations funded 23 flood risk management construction projects to completion, including completion of scheduled beach re-nourishments on seven coastal storm damage reduction projects.

Projects funded to completion include:

- Bethel Bank Stabilization, AK
- Rio De Flag Flagstaff, AZ (Clay Ave Detention Basin)
- Coyote & Berryessa Creek, CA
- Brevard County, FL (Mid Reach, Beach Re-nourishment)
- Nassau County, FL (Beach Re-nourishment)
- St. Johns County, FL (Beach Re-nourishment)
- Des Moines & Raccoon Rivers, IA
- Missouri River Levee System, IA, NE, KS, & MO (L-385 Deficiency Correction)
- McCook Reservoirs, IL (Stage 1)
- Indiana Shoreline Erosion, IN (Beach Re-nourishment)
- Indianapolis, White River (North), IN
- Cape Girardeau (Floodwall), MO
- Brigantine Inlet to Great Egg Inlet (Absecon Island, Beach Re-nourishment), NJ
- Alamogordo, NM (McKinley and South Diversion Channels)
- Rio Grande Floodway, San Acacia to Bosque Del Apache, NM
- Tropicana & Flamingo Washes, NV (Deficiency Correction)
- Pine Creek Lake, OK (Dam Safety)
- Myrtle Beach, SC (Reach 3, Beach Re-nourishment)
- Dallas Floodway Extension, Trinity River Basin, TX
- Greens Bayou, Houston, TX
- Lower Colorado River Basin, Wharton/Onion Creek, TX
- Surfside Sunset, Newport Beach, CA (Beach Re-nourishment)
- South Florida Ecosystem Restoration, Upper St. Johns River Basin, FL

Dam Safety and Seepage/Stability Correction Program construction funds were used to complete 14 dam safety studies and continue efforts on another 39 dams. Completed studies and assessments included nine Semi-Quantitative Risk Assessments (Big Creek Barrier Dam, Big Creek Remedial Works Diversion Dam, Patoka Dam, Hidden Dam, Santa Fe Dam, West Point Dam, Saylorville Dam, Big Creek Remedial Works Terminal Dam, and Soo Locks), two Issue Evaluation Studies (Terminus Dam and Abiquiu Dam), two Dam Safety Modification Studies (Herbert Hoover Dike and Zoar Levee), and one Post Implementation Evaluation (Dover Dam).

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 69 dams in FY 2016. These studies and assessments resulted in reduced Dam Safety Action Classification (DSAC) ratings on 34 dams, increased ratings on eleven dams, and no classification change on 24 dams. The DSAC ratings depict the degree of urgency in taking dam safety related actions, with 1 being considered very high urgency and 5 being considered normal urgency. This is a revised definition of DSAC ratings from what was previously reported where 1 was considered "Unsafe" and 5 was considered "Adequately Safe".

The following 34 dams had reduced Dam Safety Action Classification (DSAC) ratings in FY 2016; 33 were based on the further evaluation of project risks, and one was due to remedial measures (marked with an asterisk).

- Dover Dam Muskingum River Lakes, OH (Dover Dam) - Post-Construction Risk Assessment - DSAC 2 to 4*
- Yazoo River Demonstration Erosion Control, MS (Flood Water Retarding Structure Site 30 Dam) – Periodic Assessment – DSAC 3 to 4
- Yazoo River Demonstration Erosion Control, MS (Flood Water Retarding Structure Site 38 Dam) - Periodic Assessment - DSAC 3 to 4
- Yazoo River Demonstration Erosion Control, MS (Flood Water Retarding Structure Site 47 Dam) - Periodic Assessment - DSAC 2 to 4
- Yazoo River Demonstration Erosion Control, MSd (Flood Water Retarding Structure Site 52 Dam) - Periodic Assessment - DSAC 3 to 4
- North Fork Dam (Lake Clementine), CA - Periodic Assessment - DSAC 3 to 4
- Saylorville Lake, IA (Big Creek Barrier Dam) - Semi-Quantitative Risk Assessment - DSAC 3 to 4
- Wilson Dam, KS - Periodic Assessment - DSAC 3 to 4
- Saylorville Lake, IA (Big Creek Remedial Works Diversion Dam) - Semi-Quantitative Risk Assessment - DSAC 2 to 3
- Starved Rock Lock and Dam, Illinois Waterway, IL - Periodic Assessment - DSAC 3 to 4
- Gaithright Dam and Lake Moomow, VA - Periodic Assessment - DSAC 2 to 3
- Terminus Dam (Lake Kaweah), CA - Issue Evaluation Study - DSAC 2 to 4
- Ice Harbor Lock and Dam, WA - Periodic Assessment - DSAC 3 to 4
- Patoka Lake Dam, IN - Semi-Quantitative Risk Assessment - DSAC 2 to 4
- Aberdeen Lock and Dam, MS - Periodic Assessment - DSAC 3 to 4
- Tennessee-Tombigbee Waterway, AL (Howell Heflin Lock and Dam) - Periodic Assessment - DSAC 3 to 4
- Martis Creek Dam, CA - Existing Conditions Risk Assessment - DSAC 1 to 3
- Hidden Dam (Hensley Lake), CA - Semi-Quantitative Risk Assessment - DSAC 2 to 4
- Fort Lyons Protective Works, CO - Periodic Assessment - DSAC 2 to 4
- Homme Lake, ND - Periodic Assessment - DSAC 3 to 4
- El Dorado Lake, KS (El Dorado Dam) - Periodic Assessment - DSAC 3 to 4
- East Brimfield Lake Dam, MA - Periodic Assessment - DSAC 3 to 4
- Herbert Hoover Dike, FL (Herbert Hoover Dike Dam) - Dam Safety Modification Study – The structure was divided into Consequence Inundation Zones (CIZ). CIZ A remains DSAC 1, CIZ B, C, and D DSAC 1 to 2, CIZ E and F DSAC 1 to 3, CIZ G DSAC 1 to 4
- Chena River Lakes Flood Control Project, AK (East Cutoff Dike) - Periodic Assessment - DSAC 3 to 4
- DeGray Lake, AR (DeGray Dam and Reregulating Dam) - Periodic Assessment - DSAC 3 to 4
- Los Angeles County Drainage Area, San Gabriel River Improvements, Santa Fe Dam, CA - Semi-Quantitative Risk Assessment - DSAC 2 to 3

- William H. Harsha Lake, OH (William H. Harsha Dam) - Periodic Assessment - DSAC 3 to 4
- Mohawk Dam, Muskingum River Lakes, OH – Existing Conditions Risk Assessment - DSAC 2 to 3
- Lock and Dam No. 18 – Mississippi River between Missouri River and Minneapolis, IA - Periodic Assessment - DSAC 3 to 4
- Lock and Dam No. 13 – Mississippi River between Missouri River and Minneapolis IA - Periodic Assessment - DSAC 3 to 4
- West Point Dam and Lake, GA (West Point Dam) – Semi-Quantitative Risk Assessment - DSAC 2 to 3
- Abiquiu Dam, NM – Issue Evaluation Study - DSAC 2 to 3
- McNary Lock and Dam, OR (McNary Dam Levee System (Pasco Levees)) - Periodic Assessment - DSAC 2 to 4
- Dover Dam Muskingum River Lakes, OH (Zoar Levee and Diversion Dam) – Dam Safety Modification Study - DSAC 1 to 3

DSAC ratings were increased to a higher urgency on the following eleven 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. Additionally, initial DSAC ratings were given to two dams.

- Yazoo River Demonstration Erosion Control, MS (Flood Water Retarding Structure 35 Dam) - Periodic Assessment - DSAC 4 (initial DSAC due to legal clarification that USACE has responsibilities as the designer and constructor of record)
- Fort Peck Dam, MT - Periodic Assessment - DSAC 4 to 2
- John Martin Dam, CO - Periodic Assessment - DSAC 3 to 2
- Indiana Harbor, IN (Indiana Harbor and Canal Confined Disposal Facility) - Periodic Assessment - DSAC 4 (initial DSAC for new dam))
- Pawnee Dam, NE (Salt Creek Dam Site 14) - Periodic Assessment - DSAC 4 to 3
- Libby Dam, MT - Periodic Assessment - DSAC 4 to 3
- Green Peter and Foster Lake, OR (Foster Dam) - Periodic Assessment - DSAC 3 to 2
- Pipestem Lake, ND (Pipestem Dam) - Periodic Assessment - DSAC 3 to 2
- North San Gabriel Dam and Lake Georgetown, TX (North Fork Dam) - Periodic Assessment - DSAC 4 to 3
- Benbrook Lake, TX (Benbrook Dam) - Periodic Assessment - DSAC 4 to 2
- Los Angeles County Drainage Area, San Gabriel River Improvements, Whittier Narrows Dam, CA (Whittier Narrows Dam) - Periodic Assessment - DSAC 2 to 1

DSAC ratings remained the same on the following 24 dams.

- Mississippi River between Missouri River and Minneapolis, IA (Lock and Dam No. 10) - Periodic Assessment - DSAC 3
- Saylorville Lake, IA – Semi-Quantitative Risk Assessment - DSAC 4
- Saylorville Lake IA (Big Creek Remedial Works Terminal Dam) - Semi-Quantitative Risk Assessment - DSAC 4
- W. Kerr Scott Dam and Reservoir, NC - Periodic Assessment - DSAC 3
- St. Marys River, MI (Soo Locks) – Semi-Quantitative Risk Assessment - DSAC 2
- Clendening Lake, Muskingum River Lakes, OH (Clendening Dam) - Periodic Assessment - DSAC 3
- Twin Lakes Dam, NE (Salt Creek Dam Site 13) - Periodic Assessment - DSAC 4
- Kaw Lake, OK (Kaw Dam) - Periodic Assessment - DSAC 4
- Clarence J. Brown Dam and Reservoir (formerly Buck Creek Reservoir), OH - Periodic Assessment - DSAC 4

- Okeechobee Waterway Project, FL (St. Lucie Lock and Dam (Structure 80)) - Periodic Assessment - DSAC 4
- McClellan-Kerr Arkansas River Navigation System, AR (Murray Lock and Dam) - Periodic Assessment - DSAC 4
- McClellan-Kerr Arkansas River Navigation System, AR (Joe Hardin Lock and Dam) - Periodic Assessment - DSAC 4
- Black Warrior and Tombigbee Rivers, AL (John Hollis Bankhead Lock and Dam) - Periodic Assessment - DSAC 3
- Harlan County Lake, NE (Harlan County Dam) - Periodic Assessment - DSAC 3
- (McClellan-Kerr Arkansas River Navigation System, OK (Chouteau Lock and Dam) - Periodic Assessment - DSAC 4
- Ohio River Locks and Dams, KY (Cannelton Locks and Dam) - Periodic Assessment - DSAC 4
- Mount Morris Dam, NY - Periodic Assessment - DSAC 4
- Cordell Hull Dam and Reservoir, TN (Cordell Hull Lock and Dam) - Periodic Assessment - DSAC 3
- Buffumville Lake, MA (Buffumville Dam and Pierpoint Pond Dike) - Periodic Assessment - DSAC 4
- Blue Marsh Lake, PA (Bernville Levee, Appurtenant Structure to Blue Marsh Dam) - Periodic Assessment - DSAC 3
- Blue Marsh Lake, PA (Blue Marsh Dam) - Periodic Assessment - DSAC 3
- Blue Marsh Lake, PA (Blue Marsh Dikes A and B) - Periodic Assessment - DSAC 4
- Papillion Creek, NE (Dam Site 16 (Standing Bear Lake)) - Periodic Assessment - DSAC 4
- Albeni Falls Dam, ID - Periodic Assessment - DSAC 4

TABLE 3. Flood Risk Management – Construction and Investigations

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Number of dam safety classification ratings reduced	25	15	25	10	34

Performance Results—Operation and Maintenance (O&M)
Systematic and coordinated operation of these projects play a key role in reducing the nation's flood risks, as was seen in the Missouri, Mississippi, and Ohio River watersheds in 2011 when these watersheds were exposed to historic flood levels. The operations of USACE-CW projects in these watersheds were able to significantly mitigate potential damages to life and property during that historic flood event.

The FY 2016 O&M program funding provided for the operation and maintenance of 353 flood risk management 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 16 projects with high consequences and failed or inadequate project condition ratings to address non-routine maintenance requirements.

In FY 2016, five higher level risk assessments were completed on high risk levee systems. These risk assessments validated district concerns on the system performance risks, prioritized the risk, informed the local sponsor of interim risk reduction measures, and contributed to an ongoing feasibility study, Sabine Pass to Galveston Bay, TX. In addition, these higher level risk assessments have helped to support public awareness of the risks associated with levees and reinforced the importance of shared responsibility.

TABLE 4. Flood Risk Management – Operation and Maintenance

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Percentage of Levee Safety Action Classifications (LSAC) completed	Note 1	59%	93%	100%	100%

Note 1: FY 2014 was the first year of reporting on this measure.

EMERGENCY MANAGEMENT

Disaster preparedness and response capabilities are not limited to flood and coastal storm events, but also contribute to a broad range of natural disasters and national emergencies. Emergency readiness contributes to national security.

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.

Dispatched personnel and resources assist a community with its limited flood risk minimization measures. (Photo courtesy of U.S. Army Corps of Engineers)

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 of 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 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 being prepared to respond.

- ☐ Measure 2.2.b: Percent of current Annual updated All-hazards contingency plans across USACE-CW. 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 of 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 (e.g., Federal Emergency Management Agency (FEMA), Environmental Protection Agency (EPA), Department of Transportation (DOT)). 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 2016, USACE-CW responded to 59 events with over 1,000 personnel engaged spending over $19.5 million of FCCE funding on response activities, including emergency response to the historic flooding in South Carolina and coastal erosion in both North and South Carolina, record flooding within the Mississippi River Basin, advance measure in preparation for potential El Nino effects in California, and spring flooding events in the lower Mississippi Valley and the states of Texas and Arkansas. An additional $16 million was provided by FEMA to provide additional reimbursable support to FEMA for the events listed above.

The National Flood Characterization tool is now able to support near-term and long-term budget decisions 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. The tool was provided to select personnel within USACE-CW and from other key federal agencies for testing and review; feedback received is informing further refinement.

TABLE 5. Emergency Management

	FY 2013	FY 2014	FY 2015	FY 2016 Target	FY 2016 Actual
Measure 2.1.a: Percent of 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%	85%	100%
Measure 2.2.b: Percentage of current Annual updated All-hazards contingency plans across USACE-CW		75%	86%	85%	100%
Measure 2.3.a: Percentage of scheduled and executed assigned and funded missions and programs		100%	100%	100%	100%
Measure 2.3.b: Number of active state-led interagency flood risk management teams (Silver Jackets)		43	45	48	48

Note 1: FY 2014 was the first year of reporting on this measure.

Note 2: 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 3: 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 4: The FY 2016 target was to test and refine the prototype within the USACE and other interested Federal agencies.

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 of $34 million were used on 28 studies in FY 2016 to evaluate the benefits and costs of options for navigation improvements, the pre-construction engineering and design cost of three proposed 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. Chief of Engineers' reports were completed for deepening Brazos Island Harbor (Brownsville), Texas; Calcasieu Lock, Louisiana, Modifications for Navigation Improvement; Craig Harbor Navigation Improvements, Alaska, and the Upper Ohio River Navigation Study, Pennsylvania, to construct three new locks. A portion of the funds were used to fund one feasibility study and one PED activity to completion.

Studies and PED activities funded to completion included:

- Saginaw River Deepening, Saginaw, MI
- Boston Harbor Deep Draft Investigation, MA (PED)

Performance Results - Construction
Construction funds of $512 million were used for 24 coastal channel and inland waterways improvements. Six navigation construction projects were funded to completion:

- Charleston Harbor, SC (Dredged Material Placement Facilities)
- Grays Harbor, WA
- Gulf Intracoastal Waterway, Chocolate Bayou, TX (Dredged Material Placement Facilities)
- Illinois Waterway, Lockport Lock & Dam, IL
- Port Lions Harbor, AK

FY 2016 and prior year 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; and Kentucky Lock and Dam, Tennessee River, Kentucky; and Chickamauga Lock, Tennessee River, Tennessee; (2) construct additional training dikes in the middle Mississippi River to improve navigation reliability and reduce O&M costs; and (3) complete major rehabilitation of the Illinois Waterway, Lockport Lock and Dam, Illinois. Major rehabilitation of Emsworth L&D, Ohio River was completed using previously appropriated Construction funds and Inland Waterways Trust Funds (IWTF).

FY 2016 and prior year funds were used on coastal navigation projects for: (1) Channel deepening improvement projects at Delaware River Main Channel, Delaware, New Jersey, Pennsylvania; and Savannah Harbor Expansion, Georgia; (2) rehabilitation of the jetties at the Mouth of the Columbia River, Oregon & Washington; (3) construction of dredged material and beneficial use placement sites, including at Calcasieu River and Pass, Louisiana; Charleston Harbor, South Carolina; Calumet Harbor and River Illinois and Indiana; and Gulf Intracoastal Waterway Chocolate Bayou, Texas; (4) mitigation of impacts caused by deepening of Oakland Harbor, California; (5) construction completions at Grays Harbor, Washington and Port Lions Harbor, Alaska; and (6) mitigation of impacts caused by construction of coastal projects at Cape May Inlet to Lower Township, New Jersey; Surfside – Sunset – Newport Beach, California; Nassau County, Florida and St. Johns County, Florida.

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 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 has improved over the last few years. 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 2013	FY 2014	FY 2015	FY 2016 Target	FY 2016 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.	28	35	29	<42	37
	Measure 3.1.b: The number of instances where mechanically driven failure at locks results in delays of more than one week.	16	18	13	<24	18

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 8.

- 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
Investigations funding was used to advance 17 continuing feasibility studies and three preconstruction, engineering, and design (PED) activities for a total of $9.6 million. A portion of the funding was used to fund two feasibility studies to completion: Northern Kentucky Riverfront Commons, KY and Illinois River Basin Restoration, IL.

Performance Results - Construction
Construction funds were used to advance 14 construction projects, including completion of the Marsh Lake project in Minnesota. This project will restore habitat within the lake, and improve habitat connectivity between lakes by reconnecting the Lac qui Parle with 750 miles of streams.

Three projects in the Upper Mississippi River Restoration program completed in FY 2016 - Capoli Slough, WI, Lake Odessa, IA and Batchtown Management Area, IL - which provide island, floodplain forest, and deep water habitat for fish species and migratory waterfowl. These projects restored over 5,000 acres.

Progress continued on the Louisiana Coastal Areas Beneficial Use of Dredged Material Program, with the construction of the West Bay project, which created 44 acres of initial acres of marsh and will generate 246 acres of marsh and 430 acres of submerged aquatic vegetation within 20 years.

Funding was provided to continue implementation of Everglades restoration efforts. Construction continues on the C-44 Reservoir and Stormwater Treatment Area project. Agreements were signed on three additional projects that will provide for further restoration of the South Florida ecosystem. Three studies were initiated to address problems identified in the ecosystem: Western Everglades Restoration, Lake Okeechobee Watershed, and the Loxahatchee River Watershed Restoration.

In the Great Lakes, funds were provided to complete construction of the Chicago Sanitary Ship Canal Dispersal Barrier, IL in an effort to prevent the invasion of the Great Lakes by the Asian Carp and the interbasin transfer of other invasive species between the Great Lakes and Mississippi River Basins.

A newborn common tern is fitted with a band that helps with monitoring the species. (U.S. Army photo by Rebecca Nappi)

In Chesapeake Bay, work continues on the restoration of Poplar Island (Maryland) using dredged material from the Baltimore Channel in Chesapeake Bay, with 57 acres planted in FY 2016. Construction began on the expansion of the project with over 60,000 cubic yards of dredged sand that is being stockpiled for use in raising the dikes on the existing upland cells. Further, 32.5 acres of previously constructed oyster beds were seeded in the Chesapeake Bay.

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 200 acres of shallow water habitat were created at two sites in FY 2016, as well as 127 acres of rearing habitat for sturgeon. Approximately 400 acres of quality riparian habitat was acquired for future habitat creation.

The Lower Snake River Fish and Wildlife Compensation plan, which provides compensatory mitigation work related to the impacts from construction of the four mainstem dams on the Snake River, was funded to completion FY 2016.

Reimbursements to sponsors for completed work were provided to the San Antonio Channel Improvement Project, TX, Baltimore-Metro Gwynns Falls, MD, and the Chicago Sanitary and Ship Canal Fish Barrier project.

TABLE 7. Aquatic Ecosystem Restoration

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Acres of habitat restored, created, improved, or protected (annual)[1]	3,400	4,098	9,686	13,860	6,274

Note 1: Acres of habitat restored, created, improved, or protected in ecosystems identified as priorities through interagency coordination 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 4.2.a: Percentage of standard permits and letter of permission permit decisions made within 120 days.

Performance Results

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.

TABLE 8. Regulatory

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Percentage of general permit application decisions made within 60 days	89%	86%	86%	75%	87%
Percentage of standard permits and letter of permission permit decisions made within 120 days.	69%	59%	60%	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 2016, 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 Hazelwood Interim Storage/Latty Avenue; the St. Louis Downtown Sites in St. Louis, Missouri; and DuPont Chamberworks, New Jersey. A Remedial Investigation was completed for the Colonie Site Vicinity Property operable unit in New York and the Middlesex Municipal Landfill in New Jersey. Approximately 77,500 cubic yards of contaminated material was removed. Of this amount, 40,000 cubic yards was from the Maywood Site. Nine (171 cumulative) properties located in St. Louis, Missouri were returned to beneficial use. Remedial Investigation activities continued at most other FUSRAP sites.

TABLE 9. Formerly Used Sites Remedial Action Program

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Number of individual properties returned to beneficial use.	17	10	14	9	9

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-CW 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. USACE-CW fee owned property falls 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 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

As shown in Table 10, performance under this main indicator continues to increase.

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 approximately 6%, from 27% to 33%, from FY 2015 to FY 2016 with over double the amount of master plans in compliance since FY 2008. These plans inform land use decisions.

TABLE 10. Environmental Stewardship

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Percent of USACE-CW fee-owned and/or administered lands and waters that have achieved desired natural resource conditions	Note 1	86%	89%	86%	89%[2]

Note 1: FY 2014 was the first year of reporting on this measure.

Note 2: This figure is an estimate; actual performance will not be available until January 2017 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

Nearly 70 disabled military Veterans took part in the 5th Annual Warrior on the Lake fishing event at Pine Flat Lake. (Photo courtesy of U.S. Army Corps of Engineers) 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

The 2,072 Corps-managed Project Site Areas were evaluated at the end of FY 2013 (does not include outgrant sites). Results concluded that 87% were in compliance with facility condition standards, 66% were in compliance with efficiency standards and 54% were in compliance health and safety standards. The USACE-CW is committed to ensuring that all recreation areas provide visitors a level of service that will enable a secure, safe, and quality experience. Each project maintains multiple parks and multiple areas (e.g., 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 where changes could be made in management and operations of facilities to respond to changing economic, financial, and operational demands. Changes implemented included reductions in services and maintenance levels, hours of operations, and releasing recreation areas from USACE-CW management and control, either by assignment to an outside interest or by closure. Available funding was directed toward providing necessary maintenance of grounds and sanitary facilities, protection of project assets and public property, security and visitor safety, and managing visitation. Historic flood events in FY 2016 resulted in extensive damages to various recreation facilities; funding was diverted to cleanup and repair efforts and is reflected in PSA compliance results shown in the table below.

TABLE 11. Recreation

				FY 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
PSA Compliance with facility condition standards	87%	86%	87%	90%	87%
PSA Compliance with efficiency standards	66%	67%	68%	69%	68%
PSA Compliance with health and safety standards	54%	54%	55%	57%	59%

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 2016 is 20% (relative to the FY 2005 baseline), but official data for FY 2016 will not be available until 31 January 2017. At the end of FY 2015, 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 once again to achieve the 20% petroleum reduction goal in FY 2016. Measure 5.1.a will be updated for FY 2016 year-end reporting in response to Executive Order 13693, *Planning for Federal Sustainability in the Next Decade*, (19 March 2015). While 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 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 FY 2016-2025. Official FY 2016 data for this measure will not be available until 31 January 2017.

TABLE 12. Sustainability and Energy

	FY 2013	FY 2014	FY 2015	FY 2016 Target	FY 2016 Actual
Percent Reduction in Non-tactical Vehicle (NTV) Petroleum Use	13%	19%	20%	20%	Note 1
Percent reduction in Goal Subject Facility Energy Intensity	5%	11%	15%	30%	

Note 1: Data for FY 2016 will not be available until FY2017

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

USACE-CW operates, maintains, and manages more than $259 billion worth of the Nation's water resources infrastructure. USACE-CW is the steward of the fourth largest asset portfolio, by value, of all federal agencies. From navigation locks and hydropower plants to dams and recreation areas, these assets contribute to the Nation's economy and safety, and must be accountably and responsibly managed.

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

The USACE-CW Infrastructure Strategy (UIS) has been instrumental in establishing better clarity of assets across all functional areas of Civil Works using a system-based, risk-informed, lifecycle perspective to develop and provide better information to support investment decisions. In FY 2015, USACE-CW developed baseline knowledge, with a high degree of certainty, of the type, quantity, and location of over 170,000 assets. In FY 2016, USACE-CW initiated an enterprise-wide collection of minimum required maintenance data that will allow the development of the baseline Preventive Maintenance reporting.

With the issuance of new operating regulations during FY 2016, managers are now accountable for properly coding preventative maintenance work orders and tracking labor, materials, and service cost of the affected assets. The intent behind the new regulations is to provide guidance and consistency across the enterprise. Despite the potential benefits this first-ever consistency in asset visibility and maintenance documentation offers, varying levels of maturity across diverse maintenance organizations in USACE-CW have required follow-up guidance and manager training to improve and ensure reliable data. USACE-CW has been preliminarily monitoring results since implementation; while some baseline amounts are emerging, additional leadership within the maintenance community of practice and quality assurance attention are required before these metrics could be considered authoritative.

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.

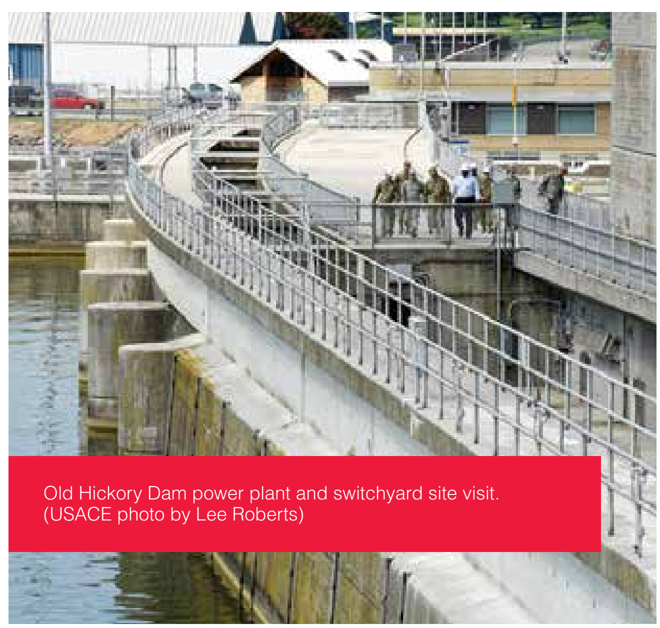
- Measure 5.3.b: Percentage of time units are out of service due to an unplanned outage. This measure tracks the percentage of time hydropower generating units are in an unscheduled or unplanned outage status. The lower the forced outage rate, the more reliable and less expensive the electrical power 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 2016 the USACE-CW signed 58 new sub-agreements and a modification to 11 existing sub-agreement resulting in an additional $170 million for non-routine work at USACE-CW power plants outside of the Pacific Northwest.

Compared to the previous year, there was a slight decrease (approximately 1%) in the amount of time hydropower generating units were actually available to produce power during peak demand periods. This decrease resulted from an increase in scheduled equipment outages and additional forced 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 2.5% from the previous year. The target was not more than 4%.



Old Hickory Dam power plant and switchyard site visit. (USACE photo by Lee Roberts)

TABLE 13. Hydropower

	FY 2013	FY 2014	FY 2015	FY 2016 Target	FY 2016 Actual
Peak unit availability (percentage of time generating units are available during periods of peak demand)	85.75%	87.89%	87.72%	87%	86.1%
Percentage of time units are out of service due to unplanned outages	5.85%	7.07%	6.08%	3.5%	8.53%

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 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.

Water returning to normal levels following a historic period of flooding. (Photo courtesy of U.S. Army Corps of Engineers)

Performance Results

FY 2016 further realized efforts to evaluate water storage reallocation for water supply needs to fulfill requests from non-federal entities. Building on efforts in the previous four fiscal years, in FY 2016, 10 reallocation studies were ongoing, for a total of $1.87 million. These included the study of J. Percy Priest, TN; Cumberland Lake, Wolf Creek Dam, KY; Hartwell Lake, GA & SC; Greers Ferry Dam and Lake, AR; Stockton Lake, MO; Granger Dam & Lake, TX; and Willamette River Basin Review, OR (13 reservoir study). Completion of these studies will facilitate reallocations of storage which provide much needed storage to the non-federal entities and allow recovered waters supply costs to be returned to the U.S. Treasury. In addition to the ongoing studies listed above, Sulphur River Basin, TX was funded to completion in FY 2016.

In addition, $5.3 million funded construction activities associated with non-traditional water supply projects at Grand Prairie, Arkansas and Bayou Metro, Arkansas, and $37 million funded water supply related Environmental Infrastructure. The remainder of the current funding level provides only the minimum amount necessary to continue the operation and maintenance of the water supply function.

Quality control of the water supply and irrigation module of the Operations and Maintenance Business

Information Link (OMBIL) continued during the year. This module provides (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 2016	
	FY 2013	FY 2014	FY 2015	Target	Actual
Percentage of available acre-feet under contract	95.6%	95.7%	95.5%	96.1%	95.9%
Percentage of investment costs recovered	56.3%	57.7%	57.5%	62%	57.6%

Note 1: Includes funding for non-traditional water supply projects at Grand Prairie and Bayou Metro.

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 our infrastructure is experiencing various stages of degradation and disrepair. Almost 60 percent of our locks are at least 50 years old. Almost half of our dams are more than 50 years old. However, we have rehabilitated many of the components of these locks and dams, hydropower facilities and other water resource infrastructure since then. All structures age over time. With proper maintenance and periodic rehabilitation, we are attempting to extend the effective lifetime of the facilities 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: Approximately 40% of the dams managed by USACE-CW are classified as DSAC I, II, or III and may require additional study and/or modification. The USACE-CW implements interim risk reduction measures to reduce short term risk on dam safety projects.

Levees: The USACE-CW continues to implement its Levee Safety Initiative, which began in FY 2012 and includes inspections and assessments of the levee systems within the USACE-CW levee safety program. Approximately 2,500 levee systems are currently included within the USACE-CW Levee Safety 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.

Bird-watching at Raystown Lake are spring and winter months.
(U.S. Army photo by Alicia Palmer)

ANALYSIS OF FINANCIAL STATEMENTS

USACE-CW prepares annual Civil Works 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 2015 to FY 2016. 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, 2016 and 2015. Total assets amounted to $57,200 million in FY 2016 and $56,977 million in FY 2015, a .39% increase. The less than one percent increase is mainly attributed to an increase in the balance of General Property, Plant and Equipment in FY 2016 over the balance in FY 2015.

FIGURE 4. Assets Comparison

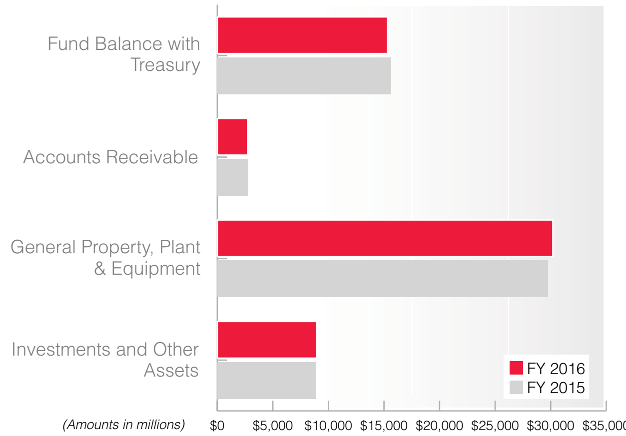
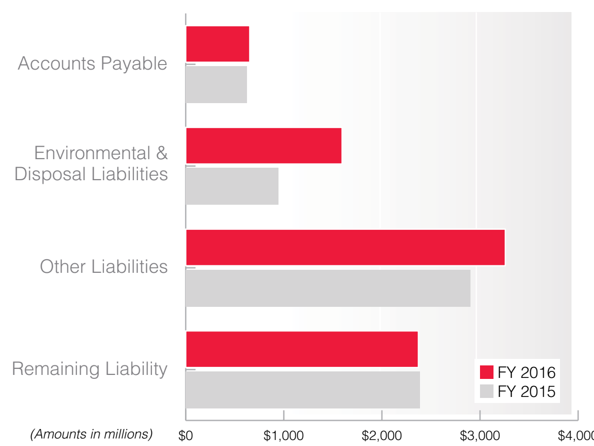


Figure 5 shows the USACE-CW Liabilities Comparison as of September 30, 2016 and 2015. Total liabilities amounted to $7,877 million in FY 2016 and $6,865 million in FY 2015, a 14.7% increase. The increase in Environmental & Disposal Liabilities is due to a feasibility study being completed adding over $523 million and Other Liabilities increased due to an advance from the Department of Veteran Affairs for construction of a hospital in Aurora, CO.

FIGURE 5. Liabilities Comparison



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 $10,013 million in FY 2016 and $9,426 million in FY 2015, and earned revenues amounting to $2,459 million in FY 2016 and $2,286 million in FY 2015. Both elements are comprised of both intragovernmental and public costs. Total net costs of operations increased by $414 million, or 5.8%, which is attributed to the two factors below.

Program costs increased by $587 million, or 6.2%. Non-Federal Costs increased due to a new environmental liability estimate related cleanup of radioactive residues and wastes from uranium ore processing. The respective site is part of the Formerly Used Site Remedial Action Program.

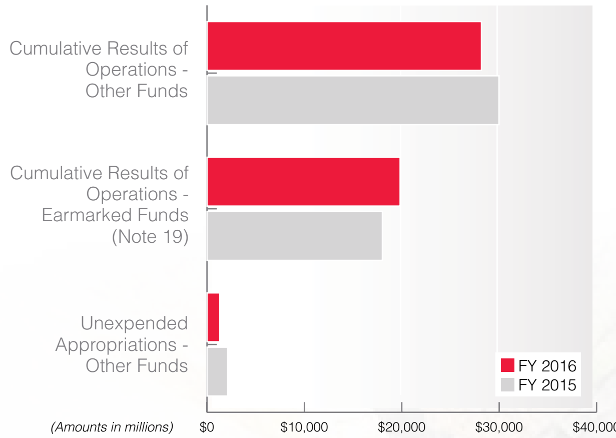
Earned revenue increased by $173 million, or 7.6%. The Intragovernmental Earned Revenue increase is attributed to the Department of Veterans Affairs for construction projects at the Veterans Affairs Medical Hospitals in Aurora, Colorado. Public Earned Revenue decreased and offset the increase in Intragovernmental Earned Revenue.

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 2016 and FY 2015. Total net position amounted to $49,322 million in FY 2016 and $50,112 million in FY 2015, a 1.6% decrease. The decrease is attributed to a decrease in "Cumulative Results of Operations-Other Funds."

FIGURE 6. Net Position



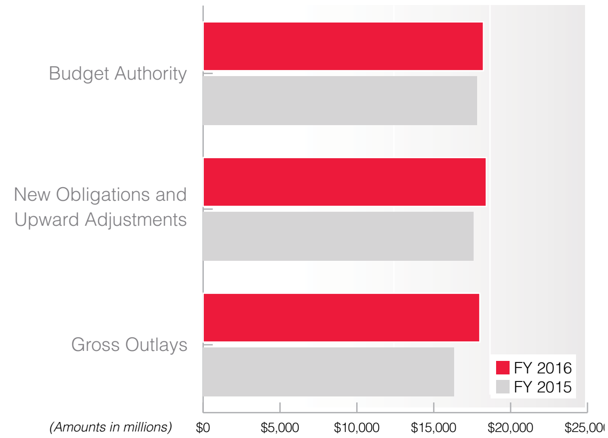
COMBINED STATEMENT OF BUDGETARY RESOURCES

The Combined Statements of Budgetary Resources provide information on the budgetary resources that were made available to the USACE-CW as of September 30, 2016 and 2015, 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 2016 and FY 2015. The reported total USACE-CW budget authority was $17,999 million and $16,312 million as of September 30, 2016 and 2015, respectively. New obligations and upward adjustments amounted to $18,419 million as of

September 30, 2016 and $17,600 million as of September 30, 2015. Gross outlays amounted to $18,233 million as of September 30, 2016 and $17,808 million as of September 30, 2015. The increase in budget authority is due to increases in General Funds, Revolving Funds, and Trust Funds. The increase in new obligations and upward adjustments is due to increases in General Funds, Trust Funds, and Revolving Funds. The increase in outlays is attributed to increases in Revolving Funds, Trust Funds, and General Funds.

FIGURE 7. Budgetary Resources



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, 2016.

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, 2016 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, 2016.

JAMES C. DALTON, P.E.
Director, Civil Works
1 November 2016

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 2016 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 2017.

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 2016 did not identify any material weaknesses as of or subsequent to June 30, 2016.

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.

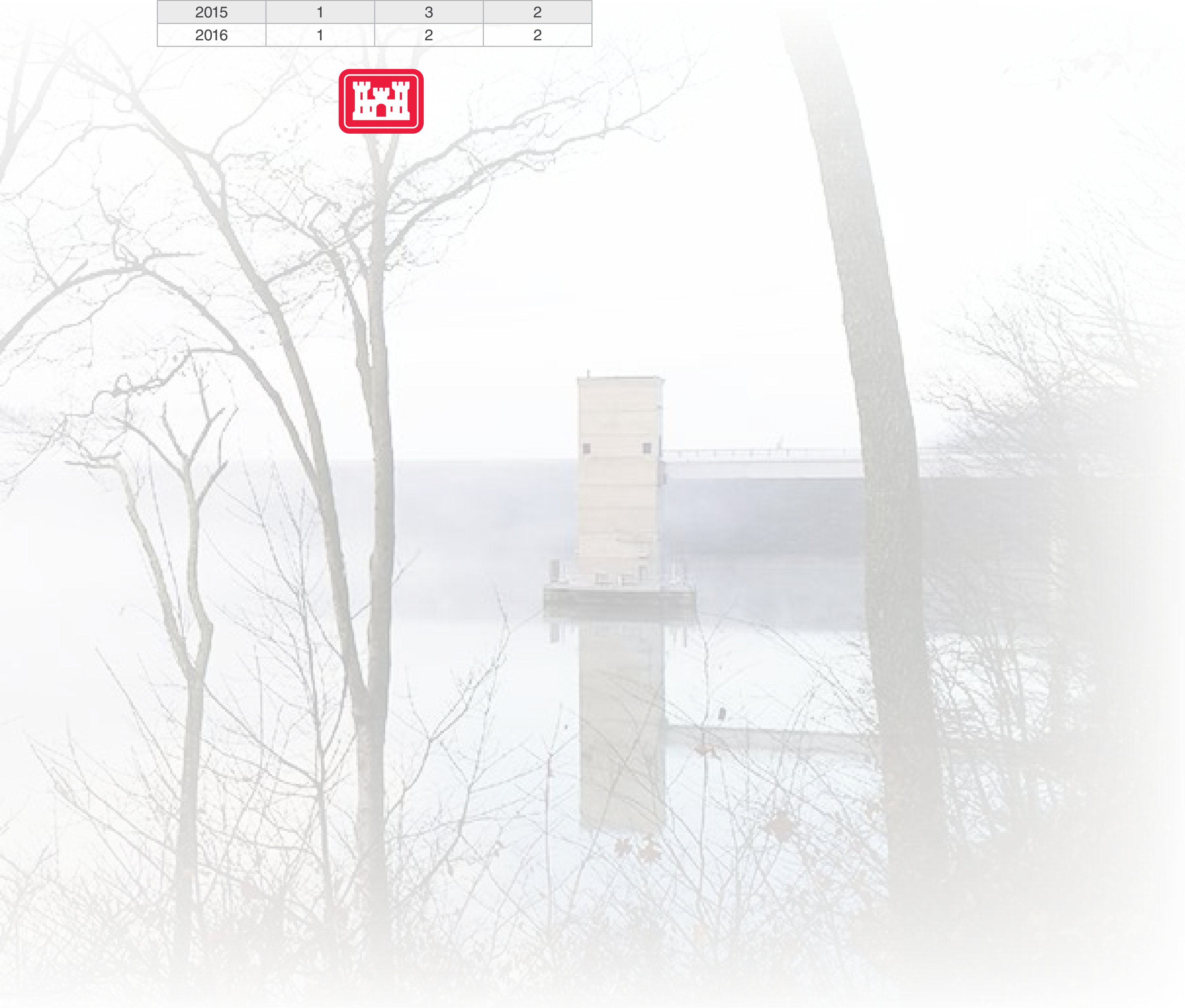
OMB defines significant improper payments as gross annual improper payments (i.e. the total amount of overpayments plus underpayments) in a program exceeding (1) both 1.5% of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million, 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 the risk assessment for the period ended September 30, 2016, USACE-CW concluded there were no programs susceptible to significant improper payments.

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 2012 through FY 2016:

Fiscal Year End	Number of Material Weaknesses	Number of Significant Deficiencies	Number of Legal Requirements Not in Compliance
2012	0	3	3
2013	0	3	2
2014	0	3	2
2015	1	3	2
2016	1	2	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, 2016 and 2015

($ in thousands)		2016		2015
ASSETS (Note 2)				
Intragovernmental:				
Fund Balance with Treasury (Note 3)	$	15,321,306	$	15,649,769
Investments (Note 4)		8,885,545		8,818,857
Accounts Receivable (Note 5)		620,349		600,263
Total Intragovernmental Assets	$	24,827,200	$	25,068,889
Cash and Other Monetary Assets (Note 6)		629		577
Accounts Receivable, Net (Note 5)		2,154,527		2,155,665
Operating Materials and Supplies (Note 7)		25,762		24,959
General Property, Plant and Equipment, Net (Note 8)		30,191,676		29,727,256
Other Assets		78		91
TOTAL ASSETS	$	57,199,872	$	56,977,437
Stewardship PP&E (Note 9)				
LIABILITIES (Note 10)				
Intragovernmental:				
Accounts Payable	$	55,284	$	53,761
Debt (Note 11)		1,028		1,260
Due to Treasury - General Fund (Note 13)		2,134,085		2,142,821
Other Liabilities (Notes 13 & 14)		1,123,632		790,699
Total Intragovernmental Liabilities	$	3,314,029	$	2,988,541
Accounts Payable - Public		597,581		572,125
Federal Employee and Veterans' Benefits		238,484		244,497
Environmental and Disposal Liabilities (Note 12)		1,594,653		946,496
Other Liabilities (Notes 13 & 14)		2,132,645		2,113,541
TOTAL LIABILITIES	$	7,877,392	$	6,865,200
Contingencies (Note 14)				
NET POSITION				
Unexpended Appropriations - Other Funds	$	1,317,498	$	2,126,627
Cumulative Results of Operations - Dedicated Collections (Note 19)		19,828,490		18,003,543
Cumulative Results of Operations - Other Funds		28,176,492		29,982,067
TOTAL NET POSITION	$	49,322,480	$	50,112,237
TOTAL LIABILITIES AND NET POSITION	$	57,199,872	$	56,977,437

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

CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2016 and 2015

($ in thousands)		2016		2015
Program Costs				
Gross Costs (Note 15)	$	10,013,327	$	9,426,525
Less: Earned Revenue		(2,459,244)		(2,286,622)
Net Cost of Operations	$	7,554,083	$	7,139,903

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2016 and 2015

($ 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.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2016 and 2015

($ in thousands)	2015 Dedicated Collections	2015 Other	2015 Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	$ 16,233,262	$ 29,769,384	$ 46,002,646
Budgetary Financing Sources:			
Appropriations used	-	6,891,143	6,891,143
Nonexchange revenue	1,598,689	25,002	1,623,691
Transfers-in/out without reimbursement	140,494	13,454	153,948
Other Financing Sources (Non-exchange):			
Donations and forfeitures of property	-	11,979	11,979
Transfers-in/out without reimbursement	-	118,267	118,267
Imputed financing from costs absorbed by others	4,999	279,473	284,472
Other	61,571	(22,204)	39,367
Total Financing Sources	1,805,753	7,317,114	9,122,867
Net Cost of Operations	35,472	7,104,431	7,139,903
Net Change	1,770,281	212,683	1,982,964
Cumulative Results of Operations	$ 18,003,543	$ 29,982,067	$ 47,985,610
UNEXPENDED APPROPRIATIONS			
Beginning Balances	$ -	$ 4,903,537	$ 4,903,537
Budgetary Financing Sources:			
Appropriations received	-	4,164,862	4,164,862
Other adjustments (rescissions, etc.)	-	(50,629)	(50,629)
Appropriations used	-	(6,891,143)	(6,891,143)
Total Budgetary Financing Sources	-	(2,776,910)	(2,776,910)
Unexpended Appropriations	-	2,126,627	2,126,627
Net Position	$ 18,003,543	$ 32,108,694	$ 50,112,237

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the years ended September 30, 2016 and 2015

($ in thousands)	2016 Combined	2015 Combined
Budgetary Resources		
Unobligated balance brought forward, October 1	$ 10,034,700	$ 10,987,390
Recoveries of unpaid prior year obligations	287,421	337,131
Other changes in unobligated balance (+ or -)	9,469	(2,309)
Unobligated balance from prior year budget authority, net	10,331,590	11,322,212
Appropriations (discretionary and mandatory)	6,551,663	6,151,717
Spending Authority from offsetting collections (discretionary and mandatory)	11,447,615	10,160,499
Total Budgetary Resources	$ 28,330,868	$ 27,634,428
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 18,419,034	$ 17,599,728
Unobligated balance, end of year		
Apportioned, unexpired accounts	8,281,251	8,549,817
Exempt from Apportionment, unexpired accounts	1,626,944	1,484,787
Unexpired unobligated balance, end of year	9,908,195	10,034,604
Expired unobligated balance, end of year	3,639	96
Unobligated balance, end of year (total)	9,911,834	10,034,700
Total Budgetary Resources	$ 28,330,868	$ 27,634,428
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	$ 7,593,725	$ 8,139,045
New obligations and upward adjustments	18,419,034	17,599,728
Outlays (gross) (-)	(18,232,698)	(17,807,917)
Recoveries of prior year unpaid obligations (-)	(287,421)	(337,131)
Unpaid obligations, end of year	7,492,640	7,593,725
Uncollected payments:		
Uncollected payments, Fed sources, brought forward, October 1 (-)	(1,647,780)	(1,900,141)
Change in uncollected payments, Federal Sources (+ or -)	(118,724)	252,361
Uncollected customer payments, Federal sources, end of year (-)	(1,766,504)	(1,647,780)
Obligated balance, start of year (net)	5,945,945	6,238,904
Obligated balance, end of year	$ 5,726,136	$ 5,945,945
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	$ 17,999,278	$ 16,312,216
Actual offsetting collections (discretionary and mandatory) (-)	(11,227,311)	(10,320,407)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(118,724)	252,361
Recoveries of prior year paid obligation (discretionary and mandatory)	9,480	15,320
Budget Authority, net (discretionary and mandatory)	$ 6,662,723	$ 6,259,490
Outlays, gross (discretionary and mandatory)	18,232,698	17,807,917
Actual offsetting collections (discretionary and mandatory) (-)	(11,227,311)	(10,320,407)
Outlays, net (total) (discretionary and mandatory)	7,005,387	7,487,510
Distributed offsetting receipts	(614,699)	(797,588)
Agency Outlays, net (discretionary and mandatory)	$ 6,390,688	$ 6,689,922

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 trust, contributed, and special 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 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 3135* Operation and Maintenance – Recovery Act (fiscal year)
096 3138 General Expenses – Recovery Act (fiscal year)

*These funds were cancelled in FY 2015. Due to ongoing contract disputes, there are still minimal ongoing activity in these funds in FY 2016.

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

096F3875 Budget Clearing Account (suspense)
096F3880 Unavailable Check Cancellations and Overpayments (suspense)
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 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 assets and liabilities and the disclosure of 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 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 or another method obtaining similar results. 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 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*; SFFAS No. 23, *Eliminating the Category National Defense Property, Plant And Equipment*; and SFFAS No. 35, *Estimating the Historical Cost of General Property, Plant, and Equipment*: *Amending Statements of Federal Financial Accounting Standards 6 and 23*; 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 and not used as of the Balance Sheet date. Sick leave is expensed as 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 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 Departments of Agriculture, Interior, Transportation, Energy and the Appalachian Regional Commission.

1.Y. Reclassification

Certain prior year balances were reclassified to conform with the current year presentation.

NOTE 2. NONENTITY ASSETS

As of September 30	2016	2015
($ in thousands)		
Nonentity Assets		
Intragovernmental Assets		
Fund Balance with Treasury	$ 11,010	$ 12,367
Accounts Receivable	20	-
Total Intragovernmental Assets	11,030	12,367
Cash and Other Monetary Assets	629	577
Accounts Receivable	2,134,191	2,143,000
Total Nonfederal Assets	2,134,820	2,143,577
Total Nonentity Assets	2,145,850	2,155,944
Total Entity Assets	55,054,022	54,821,493
Total Assets	$ 57,199,872	$ 56,977,437

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	2016	2015
($ in thousands)		
Fund Balances		
General Funds	$ 12,085,810	$ 12,329,804
Revolving Funds	1,732,803	1,802,682
Trust Funds	112,110	107,640
Special Funds	114,964	101,956
Contributed Funds	1,264,609	1,251,442
Other Fund Types	11,010	56,245
Total Fund Balances	$ 15,321,306	$ 15,649,769

Status of Fund Balance with Treasury

As of September 30		2016		2015
($ in thousands)				
Unobligated Balance				
Available	$	9,908,195	$	10,034,604
Unavailable		3,639		96
Obligated Balance not yet Disbursed		7,492,640		7,593,725
Nonbudgetary FBwT		95,019		88,821
Non FBwT Budgetary Accounts		(2,178,187)		(2,067,477)
Total	$	15,321,306	$	15,649,769

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

	2016									
As of September 30		Cost	Amortization Method		Amortized (Premium) / Discount		Investments, Net		Market Value Disclosure
($ in thousands)									
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

As of September 30	2015				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
($ in thousands)					
Intragovernmental Securities					
Nonmarketable, Market-Based	$ 8,904,369	Effective Interest	$ (105,702)	$ 8,798,667	$ 8,842,974
Accrued Interest	20,190		-	20,190	20,190
Total Intragovernmental Securities	$ 8,924,559		$ (105,702)	$ 8,818,857	$ 8,863,164

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 2016 and FY 2015 are $8.8 billion and $8.7 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, 2016 and September 30, 2015, respectively.

NOTE 5. ACCOUNTS RECEIVABLE, NET

As of September 30	2016		
($ in thousands)	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

As of September 30	2015		
($ in thousands)	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 600,263	$ N/A	$ 600,263
Nonfederal Receivables (From the Public)	2,160,472	(4,807)	2,155,665
Total Accounts Receivable	$ 2,760,735	$ (4,807)	$ 2,755,928

Other Information

As of September 30, 2016 and September 30, 2015, Accounts Receivable Intragovernmental includes $492.4 million and $492.8 million, respectively, for amounts received from the Coastal Wetlands Restoration Trust Fund for projects in the New Orleans District.

As of September 30, 2016 and September 30, 2015, 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.

NOTE 6. CASH AND OTHER MONETARY ASSETS

As of September 30	2016	2015
($ in thousands)		
Foreign Currency	$ 629	$ 577
Total Cash and Foreign Currency	$ 629	$ 577

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, 2016 and September 30, 2015, 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	2016	2015
($ in thousands)		
Operating Materials and Supplies:		
Items Held for Use	$ 25,762	$ 24,959
Total	$ 25,762	$ 24,959

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, 2016 and 2015, 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, 2016 and 2015, 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 ($ in thousands)	2016				
	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

As of September 30 ($ in thousands)	2015				
	Depreciation/ Amortization Method	Service Life (yrs)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Land	N/A	N/A	$ 9,059,754	$ N/A	$ 9,059,754
Buildings, Structures, and Facilities	S/L	20 - 100	33,869,008	(17,703,266)	16,165,742
Leasehold Improvements	S/L	Lease term	61,744	(38,201)	23,543
Software	S/L	2 - 10	138,346	(111,666)	26,680
General Equipment	S/L	5 - 50	2,098,151	(1,114,809)	983,342
Construction-in-Progress	N/A	N/A	3,468,195	N/A	3,468,195
Total General PP&E			$ 48,695,198	$ (18,967,942)	$ 29,727,256

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 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 351 heritage assets in this category which reflects a net increase of 11 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 193 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 Spring Mill in Kentucky, which serves as a full service visitor center.

2. Archaeological Sites. Cemeteries and archaeological sites are archaeological properties listed on or 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 Hidebrande Ranch in Littleton, CO. There are a total of 697 archaeological sites in this category which reflects a net increase of 8 from the prior fiscal yearend report. In addition the archaeological heritage assets that were added or removed this year, one heritage asset was reclassified from an archaeological site to a building and structures 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 one item from the Museum Collection Items in FY 2016.

Heritage Assets

	As of 10/1/14	Increase	Decrease	As of 9/30/15	Increase	Decrease	As of 9/30/16
Building and Structures	343	9	(12)	340	22	(11)	351
Archaeological Sites	695	7	(13)	689	26	(18)	697
Museum Collection Items	219	-	-	219	-	(1)	218

Acquisition and Withdrawal of Heritage Assets

USACE had a net increase of 18 heritage assets during FY 2016 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		2016		2015
($ in thousands)				
Intragovernmental Liabilities				
Debt	$	1,028	$	1,260
Due to Treasury - General Fund		2,134,085		2,142,821
Other		495,819		498,497
Total Intragovernmental Liabilities	$	2,630,932	$	2,642,578
Accounts Payable		478		479
Federal Employee and Veterans' Benefits		238,484		244,497
Environmental and Disposal Liabilities		1,594,653		946,496
Contingent Liabilities		175,374		87,867
Total Liabilities Not Covered by Budgetary Resources	$	4,639,921	$	3,921,917
Total Liabilities Covered by Budgetary Resources	$	3,237,471	$	2,943,283
Total Liabilities	$	7,877,392	$	6,865,200

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 liability 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. The FECA actuarial liability is a future funded expense and will be funded in future appropriations.

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

As of September 30 *($ in thousands)*	2015 Beginning Balance	2015 Net Borrowing	2015 Ending Balance
Agency Debt (Intragovernmental)			
Debt to the Treasury	$ 1,491	$ (231)	$ 1,260

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 $1.0 million in principal due from Arlington County as of September 30, 2016. The remaining debt balance is scheduled to be paid off in FY 2023. Actual cumulative amount of funds borrowed from the U.S. Treasury was $74.9 million of which $1.0 million was outstanding at September 30, 2016 and $1.3 million was outstanding at September 30, 2015. There were no withdrawals from the U.S. Treasury for FY 2016 or FY 2015. Total principal repayments in FY 2016 were $232.1 thousand and total principal repayments in FY 2015 were $231.6 thousand.

NOTE 12. ENVIRONMENTAL AND DISPOSAL LIABILITIES

As of September 30	2016	2015
($ in thousands)		
Formerly Utilized Sites Remedial Action Program (FUSRAP)	$ 1,584,628	$ 934,042
Other	10,025	12,454
Total Environmental and Disposal Liabilities	$ 1,594,653	$ 946,496

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, 2016 and 2015 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. There was a significant increase in the FUSRAP liability during FY 2016 that was primarily due to a feasibility study being completed for a project.

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	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

As of September 30 *($ in thousands)*	2015 Current Liability	 Noncurrent Liability	 Total
Intragovernmental			
Due to Treasury - General Fund	$ 5,779	$ 2,137,042	$ 2,142,821
Advances from Others	254,333	-	254,333
Deposit Funds and Suspense Account Liabilities	32	-	32
Disbursing Officer Cash	577	-	577
Judgment Fund Liabilities	452,118	-	452,118
FECA Reimbursement to the Department of Labor	20,554	25,248	45,802
Employer Contribution and Payroll Taxes Payable	37,837		37,837
Total Intragovernmental	$ 771,230	$ 2,162,290	$ 2,933,520
Accrued Funded Payroll and Benefits	$ 396,960	$ -	$ 396,960
Advances from Others	326,062	-	326,062
Deferred Credits	1,235,169	-	1,235,169
Deposit Funds and Suspense Accounts	12,545	-	12,545
Contract Holdbacks	54,938	-	54,938
Contingent Liabilities	87,867	-	87,867
Total Other Liabilities	$ 2,884,771	$ 2,162,290	$ 5,047,061

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 2016 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 27 cases, as of September 30, 2016, above the materiality threshold of $4.4 million. The USACE Office of the Chief Counsel has determined that four cases are probable, 18 cases are reasonably possible, and five 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 $175.4 million – $456.6 million and $87.9 – $321.6 million as of September 30, 2016 and September 30, 2015, respectively. The 2016 lower range of loss was determined by adding the total amount of probable unfavorable outcome of $169 million to the historical percentage payout of $6.4 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 - $8.2 billion and $17 - $7.7 billion as of September 30, 2016 and September 30, 2015, 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 18 cases with a likelihood of loss identified as reasonably possible, 13 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: Levee, Mississippi River Gulf Outlet (MRGO), and Barge. The MRGO category, Barge category, and Levee category, involving similar geographic area, are most relevant to USACE at this point.

Concerning the Levee Master consolidated class action complaint, the Court granted the United States’ motion to dismiss. By Order entered on October 14, 2010, the Court certified this decision as a final judgment. On September 24, 2012, the U.S. Fifth Circuit Court of Appeals issued a substitute ruling affirming the trial court order of dismissal. The plaintiffs appealed this decision to the Supreme Court in other matters, but did not appeal the relevant holding in this matter, effectively ending the litigation.

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.

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	2016	2015
($ in thousands)		
Intragovernmental Costs	$ 1,704,219	$ 1,567,292
Public Costs	8,309,108	7,859,233
Total Costs	$ 10,013,327	$ 9,426,525
Intragovernmental Earned Revenue	$ (1,826,445)	$ (1,565,988)
Public Earned Revenue	(632,799)	(720,634)
Total Earned Revenue	$ (2,459,244)	$ (2,286,622)
Net Cost of Operations	$ 7,554,083	$ 7,139,903

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 $2.0 billion during FY 2016 and $2.0 billion during FY 2015 in appropriated trust, contributed, and special fund receipts included in Appropriations on the SBR. These funds do not update the proprietary appropriations received amount reported on the SCNP. 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	2016		2015	
($ in thousands)				
Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$	6,476,288	$	6,458,079

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 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.

For FY 2015, the amount of direct new obligations and upward adjustments include: $6.9 billion for Category A; $1.2 billion for Category B, and $545.4 million exempt from apportionment. The amount of reimbursable new obligations and upward adjustments include: $1.2 billion for Category A and $7.8 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 2016 and FY 2015. 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 2016 has not yet been published. The FY 2018 President's Budget will include actual figures for FY 2016 reporting. The FY 2018 President's Budget can be found on OMB's website early in FY 2017. The following chart is a reconciliation of the FY 2017 President's Budget actual figures for FY 2015 to FY 2015 Statement of Budgetary Resources as required by OMB Circular No. A-136.

RECONCILIATION OF FY 2015 SBR TO 2017 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	$27,634	$17,600	$798	$7,488	
Reconciling Difference	7				After the FY 2015 USACE financial statements were published, OMB required an adjustment to the Contributed Funds to record FY 2014 sequestered amounts made available in FY 2015.
Reconciling Difference	34	34			After the FY 2015 USACE financial statements were published, OMB required an adjustment to the Revolving Fund to correct a negative collection to a disbursement for excess Supervision and Administration funds associated with construction contracts at USACE Gulf Region Division (Iraq). The correction recorded an increase to budgetary resources (USSGL 426600) and an increase to gross outlays (USSGL 490200).
Reconciling Difference	(66)	(49)		(7)	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			(129)		General funds 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			1,618		The President's Budget lines 1140/1999 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			9		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	$27,609	$17,585	$2,296	$7,481	
President's Budget	$27,607	$17,581	$2,295	$7,482	
Difference	(2)	(4)	(1)	1	Due to rounding.

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

Year ended September 30 *($ in thousands)*	2016	2015
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
New obligations and upward adjustments	$ 18,419,034	$ 17,599,728
Less: Spending authority from offsetting collections and recoveries	(11,633,456)	(10,405,178)
New obligations and upward adjustments net of offsetting collections and recoveries	6,785,578	7,194,550
Less: Offsetting receipts	(614,699)	(797,588)
Net obligations	6,170,879	6,396,962
Other Resources:		
Donations and forfeitures of property	1,784	11,979
Transfers in/out without reimbursement	144,160	118,267
Imputed financing from costs absorbed by others	324,685	284,472
Other (+/-)	54,878	39,367
Net other resources used to finance activities	525,507	454,085
Total resources used to finance activities	$ 6,696,386	$ 6,851,047
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	$ (18,209)	$ 241,330
Unfilled Customer Orders	534,352	(32,481)
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	40,308	180,376
Resources that finance the acquisition of assets	(3,418)	(9,142)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations:		
Other	(98,792)	(44,102)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	$ 454,241	$ 335,981
Total Resources Used to Finance the Net Cost of Operations	$ 7,150,627	$ 7,187,028
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 Period:		
Change in environmental and disposal liability	$ 648,157	$ 20,792
Change in exchange revenue receivable from the public	(5,722)	(1,428)
Other	78,766	(24,218)
Total components of Net Cost of Operations that will not Require or Generate Resources in future periods	$ 721,201	$ (4,854)
Components not Requiring or Generating Resources:		
Depreciation and amortization	$ 694,690	$ 617,356
Revaluation of assets or liabilities	5,629	(5,697)
Other		
Cost of Goods Sold	1,537	3,712
Operating Material and Supplies Used	20	(5)
Cost Capitalization Offset	(830,849)	(804,210)
Other	(188,772)	146,573
Total Components of Net Cost of Operations that will not Require or Generate Resources	(317,745)	(42,271)
Total components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	403,456	(47,125)
Net Cost of Operations	$ 7,554,083	$ 7,139,903

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 2016 and FY 2015 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 2016 amounts include the 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. The FY 2015 amounts include the current year increase to unfunded Judgment Fund Contract Disputes Act claims. The FY 2015 amounts also include the current year decrease to the FECA liability and the FECA actuarial liability.

Composition of Components not Requiring or Generating Resources: Other – The FY 2016 and FY 2015 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 2016 and FY 2015 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 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

BALANCE SHEET	FY 2015									
As of September 30 *($ in thousands)*	Maintenance Fund		Contributed Fund		Other Funds		Eliminations		Consolidated Total	
ASSETS										
Fund balance with Treasury	$	107,640	$	1,251,442	$	101,956	$	8,015,251	$	9,476,289
Investments		8,702,119		-		-		-		8,702,119
Accounts and Interest Receivable		492,806		2,428		1,709		-		496,943
Other Assets		602,694		27,865		674		-		631,233
Total Assets	$	9,905,259	$	1,281,735	$	104,339	$	8,015,251	$	19,306,584
LIABILITIES and NET POSITION										
Accounts Payable and Other Liabilities		7,294		1,295,886		47		(186)		1,303,041
Total Liabilities	$	7,294	$	1,295,886	$	47	$	(186)	$	1,303,041
Cumulative Results of Operations		9,897,965		(14,151)		104,292		8,015,437		18,003,543
Total Liabilities and Net Position	$	9,905,259	$	1,281,735	$	104,339	$	8,015,251	$	19,306,584
STATEMENT OF NET COST										
Year ended September 30										
Program Costs	$	68,564	$	444,130	$	15,240	$	(45,058)	$	482,876
Less Earned Revenue		-		(447,573)		-		169		(447,404)
Net Program Costs	$	68,564	$	(3,443)	$	15,240	$	(44,889)	$	35,472
Net Cost of Operations	$	68,564	$	(3,443)	$	15,240	$	(44,889)	$	35,472
STATEMENT OF CHANGES IN NET POSITION										
Year ended September 30										
Net Position Beginning of the Period	$	9,515,151	$	(1,300)	$	93,720	$	6,625,691	$	16,233,262
Net Cost of Operations		68,564		(3,443)		15,240		(44,889)		35,472
Budgetary Financing Sources		457,304		-		(35,759)		1,317,638		1,739,183
Other Financing Sources		(5,926)		(16,294)		61,571		27,219		66,570
Change in Net Position	$	382,814	$	(12,851)	$	10,572	$	1,389,746	$	1,770,281
Net Position End of Period	$	9,897,965	$	(14,151)	$	104,292	$	8,015,437	$	18,003,543

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, 2016 and 2015:

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 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 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 the 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, 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) 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.

Fund for 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	2016 Asset Category		
($ in thousands)	Building Space	Other	Total
ENTITY AS LESSEE Operating Leases			
Future Payments Due for Non-cancellable Operating Leases			
Fiscal Year			
2017	$ 75,702	$ 142	$ 75,844
2018	75,988	106	76,094
2019	76,379	98	76,477
2020	76,809	61	76,870
2021	77,207	34	77,241
After 5 Years	397,311	33	397,344
Total Future Lease Payments Due	$ 779,396	$ 474	$ 779,870

As of September 30, 2016, 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	2016 Easements
($ in thousands)	
ENTITY AS LESSOR	
Operating Leases	
2017	$ 9,335
2018	8,055
2019	6,748
2020	5,426
2021	4,470
After 5 Years	17,739
Total Future Lease Payments	$ 51,773

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.

Unaudited, See Accompanying Auditors' Report

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 2016	FY 2015	FY 2014	FY 2013	FY 2012
Transferred Assets:					
1. National Defense Mission Related	$1,244	$1,286	$1,092	$1,356	$1,413
Funded Assets:					
2. National Defense Mission Related	-	-	-	-	-
Total	$1,244	$1,286	$1,092	$1,356	$1,413

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.

FY 2016 REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited, See Accompanying Auditors' Report
As of September 30, 2016

REAL PROPERTY DEFERRED MAINTENANCE AND REPAIR

For Fiscal Year Ended September 30, 2016

($ 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	$3,286	1.23%
2. Category 2: Buildings, Structures, and Utilities (Excess Facilities or Planned for Replacement)	-	-	N/A
3. Category 3: Buildings, Structures, and Utilities (Heritage Assets)	-	-	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. The beginning balance for DM&R was $2,771 million and the ending balance was $3,286 million for FY 2016. 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 (e.g., 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" is funded by 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 budget account. USACE – Civil Works presents information 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, 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
Unapportioned, unexpired accounts	-	-	-	-	-
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, 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
Unapportioned, unexpired accounts	-	-	-	-
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, 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

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2015

(in thousands)	FUSRAP	Special Funds	Trust Funds	Borrowing Authority	Revolving Funds
Budgetary Resources					
Unobligated balance brought forward, October 1	$ 7,539	$ 19,585	$ 286,985	$ 4	$ 789,459
Recoveries of unpaid prior year obligations	1,790	9	20,170	-	87,735
Other changes in unobligated balance (+ or -)	3,227	-	57	-	1,134
Unobligated balance from prior year budget authority, net	12,556	19,594	307,212	4	878,328
Appropriations (discretionary and mandatory)	101,500	21,076	1,257,168	-	-
Spending Authority from offsetting collections (discretionary and mandatory)	4,750	-	-	6	7,672,692
Total Budgetary Resources	$ 118,806	$ 40,670	$ 1,564,380	$ 10	$ 8,551,020
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	$ 111,219	$ 16,060	$ 1,259,393	$ 6	$ 7,750,880
Unobligated balance, end of year					
Apportioned, unexpired accounts	7,587	24,610	304,987	-	-
Exempt from Apportionment, unexpired accounts	-	-	-	4	800,140
Unapportioned, unexpired accounts					
Unexpired unobligated balance, end of year	7,587	24,610	304,987	4	800,140
Expired unobligated balance, end of year					
Unobligated balance, end of year (total)	7,587	24,610	304,987	4	800,140
Total Budgetary Resources	$ 118,806	$ 40,670	$ 1,564,380	$ 10	$ 8,551,020
Change in Obligated Balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, October 1	$ 72,736	$ 72	$ 295,568	$ -	$ 1,151,511
New obligations and upward adjustments	111,219	16,060	1,259,393	6	7,750,880
Outlays (gross) (-)	(124,239)	(15,197)	(1,336,858)	(6)	(7,664,508)
Recoveries of prior year unpaid obligations (-)	(1,790)	(9)	(20,170)	-	(87,735)
Unpaid Obligations, end of year	57,926	926	197,933	-	1,150,148
Uncollected payments:					
Uncollected payments, Federal sources, brought, October 1 (-)	(3,168)	-	-	-	(172,406)
Change in uncollected pymts, Fed sources (+ or -)	(1,101)	-	-	-	19,580
Uncollected pymts, Fed sources, end of year (-)	(4,269)	-	-	-	(152,826)
Obligated balance, start of year (+ or -)	69,568	72	295,568	-	979,105
Obligated balance, end of year (+ or -)	$ 53,657	$ 926	$ 197,933	$ -	$ 997,322
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	$ 106,250	$ 21,076	$ 1,257,168	$ 6	$ 7,672,692
Actual offsetting collections (discretionary and mandatory) (-)	(6,876)	-	(57)	(238)	(7,696,034)
Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	(1,101)	-	-	-	19,580
Recoveries of prior year paid obligations (discretionary and mandatory)	3,227	-	57	-	1,134
Budget Authority, net (total) (discretionary and mandatory)	$ 101,500	$ 21,076	$ 1,257,168	$ (232)	$ (2,628)
Outlays, gross (discretionary and mandatory)	124,239	15,197	1,336,858	6	7,664,508
Actual offsetting collections (discretionary and mandatory) (-)	(6,876)	-	(57)	(238)	(7,696,034)
Outlays, net (total) (discretionary and mandatory)	117,363	15,197	1,336,801	(232)	(31,526)
Distributed offsetting receipts	-	(61,571)	-	-	-
Agency Outlays, net (discretionary and mandatory)	$ 117,363	$ (46,374)	$ 1,336,801	$ (232)	$ (31,526)

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2015

(in thousands)	Contributed Funds	General Funds	General ARRA	2015 Combined
Budgetary Resources				
Unobligated balance brought forward, October 1	$ 599,683	$ 9,277,073	$ 7,062	$ 10,987,390
Recoveries of unpaid prior year obligations	13,610	203,312	10,505	337,131
Other changes in unobligated balance (+ or -)	57	10,195	(16,979)	(2,309)
Unobligated balance from prior year budget authority, net	613,350	9,490,580	588	11,322,212
Appropriations (discretionary and mandatory)	599,902	4,172,071	-	6,151,717
Spending Authority from offsetting collections (discretionary and mandatory)	334	2,482,731	(14)	10,160,499
Total Budgetary Resources	$ 1,213,586	$ 16,145,382	$ 574	$ 27,634,428
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 545,792	$ 7,915,818	$ 560	$ 17,599,728
Unobligated balance, end of year				
Apportioned, unexpired accounts	-	8,212,633	-	8,549,817
Exempt from Apportionment, unexpired accounts	667,794	16,849	-	1,484,787
Unapportioned, unexpired accounts	-	(14)	14	-
Unexpired unobligated balance, end of year	667,794	8,229,468	14	10,034,604
Expired unobligated balance, end of year	-	96	-	96
Unobligated balance, end of year (total)	667,794	8,229,564	14	10,034,700
Total Budgetary Resources	$ 1,213,586	$ 16,145,382	$ 574	$ 27,634,428
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 477,541	$ 6,093,782	$ 47,835	$ 8,139,045
New obligations and upward adjustments	545,792	7,915,818	560	17,599,728
Outlays (gross) (-)	(440,350)	(8,188,870)	(37,889)	(17,807,917)
Recoveries of prior year unpaid obligations (-)	(13,610)	(203,312)	(10,505)	(337,131)
Unpaid Obligations, end of year	569,373	5,617,418	1	7,593,725
Uncollected payments:				
Uncollected payments, Federal sources, brought, October 1 (-)	(4)	(1,723,278)	(1,285)	(1,900,141)
Change in uncollected pymts, Fed sources (+ or -)	4	232,593	1,285	252,361
Uncollected pymts, Fed sources, end of year (-)	-	(1,490,685)	-	(1,647,780)
Obligated balance, start of year (+ or -)	477,537	4,370,504	46,550	6,238,904
Obligated balance, end of year (+ or -)	$ 569,373	$ 4,126,733	$ 1	$ 5,945,945
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 600,236	$ 6,654,802	$ (14)	$ 16,312,216
Actual offsetting collections (discretionary and mandatory) (-)	(395)	(2,614,885)	(1,922)	(10,320,407)
Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	4	232,593	1,285	252,361
Recoveries of prior year paid obligations (discretionary and mandatory)	57	10,194	651	15,320
Budget Authority, net (total) (discretionary and mandatory)	$ 599,902	$ 4,282,704	$ -	$ 6,259,490
Outlays, gross (discretionary and mandatory)	440,350	8,188,870	37,889	17,807,917
Actual offsetting collections (discretionary and mandatory) (-)	(395)	(2,614,885)	(1,922)	(10,320,407)
Outlays, net (total) (discretionary and mandatory)	439,955	5,573,985	35,967	7,487,510
Distributed offsetting receipts	(606,691)	(129,326)	-	(797,588)
Agency Outlays, net (discretionary and mandatory)	$ (166,736)	$ 5,444,659	$ 35,967	$ 6,689,922

Unaudited, See Accompanying Auditors' Report

US Army Corps of Engineers - Civil Works
Combined Schedule of Spending

For the years ended September 30, 2016 and 2015

($ in thousands)	2016	2015
What Money Is Available to Spend?		
Total Resources	$ 28,330,868	$ 27,634,428
Less: Amount Available but Not Agreed to be Spent	(9,908,195)	(10,034,604)
Less: Amount Not Available to be Spent	(3,639)	(96)
Total Amounts Agreed to be Spent	$ 18,419,034	$ 17,599,728
How was the Money Spent/Issued?		
Personnel compensation and benefits	$ 3,842,463	$ 3,731,828
Contractual services and supplies	9,001,427	8,512,752
Acquisition of assets	4,190,978	4,074,258
Grants and fixed charges	13,252	7,784
Other	1,370,914	1,273,106
Total Amounts Agreed to be Spent	$ 18,419,034	$ $17,599,728

The Combined Schedule of Spending (SoS) presents an overview of the funding received by USACE-CW and how it was spent (i.e., obligated) during the reporting period. The SoS presents total budgetary resources and fiscal year-to-date total obligations for the reporting entity. The budgetary information in the SoS is presented on a combined basis and not a consolidated basis in order to remain consistent with the information reported on the *Report on Budget Execution and Budgetary Resources* (SF-133) and Statement of Budgetary Resources (SBR). Obligations categorized as "Other" include financial transfers from the Harbor Maintenance and Inland Waterways Trust Funds. USACE-CW has implemented the *Digital Accountability and Transparency Act of 2014* (Data Act) to enhance the accuracy and completeness of the SoS.

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

November 15, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DOD
U.S. ARMY CORPS OF ENGINEERS, CIVIL WORKS

SUBJECT: Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2016 and FY 2015 Basic Financial Statements (Project No. D2016-D000FE-0100.000, Report No. DODIG-2017-016)

We contracted with the independent public accounting firm of KPMG, LLP, (KPMG) to audit the financial statements of the U.S. Army Corps of Engineers, Civil Works (USACE CW) as of September 30, 2016, and 2015, and for the years then ended, and provide a report on internal controls over financial reporting and compliance with laws and regulations. The contract required that KPMG conduct the audit in accordance with U.S. 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 USACE CW Basic Financial Statements as of September 30, 2016, and 2015, and for the years then ended are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. KPMG's report also discusses one material weakness related to USACE CW Financial Oversight and Reporting and two significant deficiencies related to USACE CW Financial Management Systems and General Property, Plant, and Equipment and two instances of noncompliance related to the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) of 1996.

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's financial systems substantially complied with the "Federal Financial Management Improvement Act of 1996," or conclusions on whether the USACE CW complied with laws and regulations. KPMG is responsible for the attached report, dated November 14, 2016, 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

Attachments: 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; 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, 2016 and 2015, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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.

KPMG

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, 2016 and 2015, and its net costs, changes in net position, 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 The Message from the Assistant Secretary of the Army (Civil Works) and Message from the USACE Chief Financial Officer have 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, 2016, we considered the USACE – Civil Works' 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 USACE – Civil Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the USACE – Civil Works' 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 significant deficiencies.

KPMG

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 deficiency described in Exhibit I as item A to be a material weakness.

USACE – Civil Work management did not report the material weakness *Financial Oversight and Reporting* in its *Statement of Assurance*, included in the Management's Discussion and Analysis section of the *Fiscal Year 2016 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 deficiencies described in Exhibit II as items B and C to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USACE – Civil Works' 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. 15-02, and which are described 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 of FFMIA disclosed an instance, described in Exhibit III as item E, where the USACE – Civil Works' 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 Works Responses to Findings

The USACE – Civil Works' responses to the findings identified in our audit are described Exhibits I, II, and III. The USACE – Civil Works' 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 Works' internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 14, 2016

Exhibit I

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Material Weakness
September 30, 2016

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 2016 procedures, we identified deficiencies in controls over the recording of journal vouchers and financial reporting that led to material misstatements in the consolidated financial statements and related notes.

Preparation and Related Review and Approval of Journal Vouchers

Our review of Defense Departmental Reporting System (DDRS) journal vouchers identified three improper journal vouchers that resulted in an understatement of approximately $947 million in the June 30, 2016 Statement of Budgetary Resources (SBR) Apportioned, unexpired accounts line item and an overstatement of the same amount in the SBR Unapportioned, unexpired accounts line item. Management's DDRS journal voucher review control did not operate effectively to prevent, or detect and correct, a material misstatement in the financial statements.

The United States Army Corps of Civil Engineers – Civil Works (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 Work's control over the review of Corps of Engineers Financial Management System (CEFMS) manual journal vouchers was not properly designed to prevent the improper recording of CEFMS journal vouchers in the financial system.

Financial Reporting

As per guidance provided under Office of Management and Budget (OMB) Circular Number (No.) A-11, the USACE – Civil works is inappropriately including a deposit fund in the SBR. 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 2015 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' intra-agency/eliminations review process failed to verify that all elimination amounts were completely and accurately recorded in the interim financial statements resulting in an overstatement of both the Gross Cost and Earned Revenue lines on the June 30, 2016 Statement of Net Cost. Additionally, 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.

Exhibit I, continued

The Formerly Utilized Sites Remedial Action Program (FUSRAP) and Non-FUSRAP project environmental liability estimates review is 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 does not include procedures to properly address relevant financial assertions and does not consider reliance on CEFMS system reports.

The USACE – Civil Works had not completed a full review and analysis over a new accruals estimation methodology to determine that the estimation methodology is appropriate prior to implementation of the estimation methodology.

OMB Circular No. A-123, *Management's Responsibility for Internal Control,* states the following: "Management is responsible for developing and maintaining effective 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*, Page 15, 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 recorded in the DDRS trial balance and the trading partner activity associated with these expenses in a timely manner.
2. 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.
3. Adhere to monitoring procedures to verify eliminated amounts are completely and accurately calculated and recorded in the financial statements.
4. Strengthen and develop policies and procedures to enhance the internal controls over the review of Environmental Liabilities reported in the financial statements.
5. Perform an analysis over any proposed changes to estimation methodology and monitor the methodology on an ongoing basis

Management Response

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

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Significant Deficiencies
September 30, 2016

B. 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, *Management of Federal Information Resources*. These conditions could affect the USACE – Civil Work's ability to prevent, or detect and correct erroneous or unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. Specifically, we identified the following:

<u>Access Control Weaknesses</u>
The USACE – Civil Works needs to strengthen access controls at the database level, as management had not properly implemented a process for 1) configuring the Oracle security audit log to include each of the production databases 2) configuring the database audit logs to include key database actions and objects and 3) restricting user access to sensitive privileges within the production databases.

By not implementing appropriate processes and procedures, there is an increased risk that financial data could be modified inappropriately without management's approval, which may have an adverse impact on the availability and integrity of financial data. Subsequent to communication of the deficiencies noted above, the USACE – Civil Works performed remediation activities to address these deficiencies during fiscal year (FY) 2016. Specifically, the USACE – Civil Works updated their Oracle security audit log process to include all production databases. Also, the database audit logs have been configured to include key database actions and objects. Lastly, unnecessary user access to sensitive privileges within the production databases has been removed.

Recommendations
We recommend the USACE – Civil Works Management: monitor adherence to the relevant access control policies and procedures on a periodic basis.

Management Response
USACE - Civil Works concurs with the findings and have taken corrective action to cure the significant deficiency.

C. General Property, Plant, and Equipment

Property, Plant & Equipment (PP&E) is the largest line item on the USACE – Civil Works financial statements. During our FY 2016 audit, we tested the design and implementation of certain controls over PP&E throughout Civil Works Districts. We noted continued improvements around the design, implementation, and operating effectiveness of controls are needed to further prevent, or detect and correct potential misstatements on a timely basis. Our specific findings are as follows:

Management did not adjust the financial system in a timely manner for: (1) inactive Construction in Progress (CIP) balances that should have been expensed and completed CIP projects that should have been placed in service; and (2) impairment of a capital asset that was obsolescent and did not have the appropriate useful life. Additionally, the USACE – Civil Works did not properly account for PP&E as we noted certain equipment items purchased specifically for the construction of a long-term concrete dam project were included as CIP rather than PP&E. Further, these certain equipment items are not being depreciated in the periods in which the equipment is being used.

Communications within some Districts remain inconsistent and sometimes do not occur timely. In some cases, resource management does 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 policies on accounting for CIP and PP&E. These policies include Civil Works-specific items such as proper classification of asset work items, including guidance for costs incurred that do not contribute to the creation of an asset and are to be expensed and the useful life of each property category. Additionally, the USACE – Civil Works FY 2016 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 timely, as well as CIP inactivity.

Management Response

USACE - Civil Works concurs with the findings and will take corrective action to cure the significant deficiency.

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Summary of Noncompliance
September 30, 2016

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 Internal Control,* requires agencies and Federal managers 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, *Financial Reporting Requirements*.

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 2016 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.

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