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Fiscal Year 2018 United States Army Corps of Engineers – Civil Works Annual Financial Report

Winning Through Readiness, Modernization, and Reform



Winning Through Readiness, Modernization, and Reform

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USACE is committed to working with other Federal agencies, states, local governments, tribal governments, the private sector, and the public.

The U.S. Army Corps of Engineers (USACE) Civil Works program focuses on the evaluation, construction, operation, and maintenance of projects to help reduce flood risk to communities; facilitate commercial navigation; and restore degraded aquatic ecosystems across the country.

The USACE receives funds through Energy and Water Development Act appropriations, supplemental appropriations, non-Federal cost-sharing partners and other receipts. USACE uses these funds to accomplish three main missions, which are flood and storm damage reduction, commercial navigation, and aquatic ecosystem restoration, and related efforts such as hydropower, stewardship, and recreation. USACE is focused on delivering and maximizing the benefits of those investments effectively and efficiently.

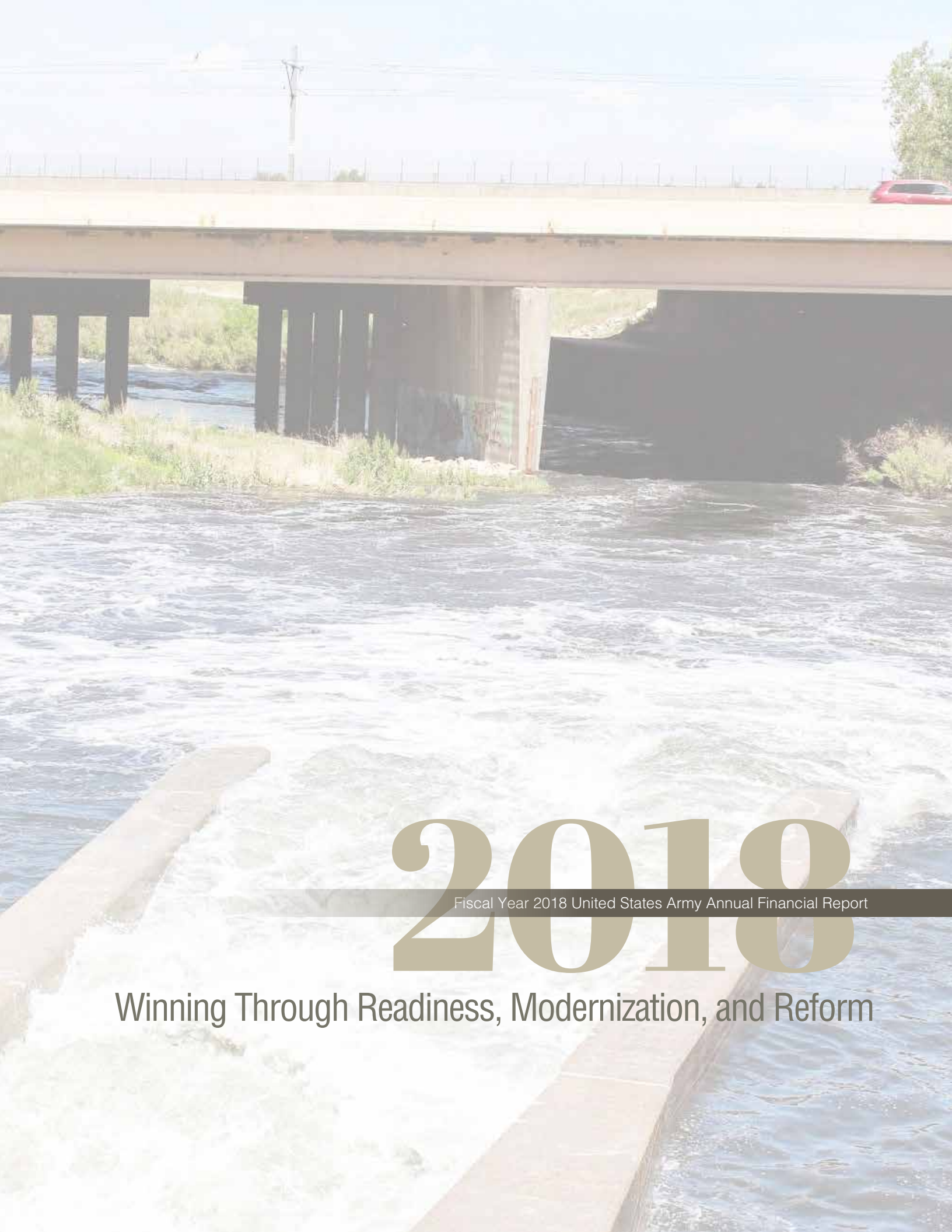
In an ongoing effort to return the highest overall value to the Nation from available funds, USACE seeks opportunities to work with its partners to develop planning study solutions in a timely and cost-effective manner, to manage the cost, schedule, and scope of ongoing construction projects, and to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

As described further in this report, USACE is committed to working with other Federal agencies, states, local governments, tribal governments, the private sector, and the public. Our work is part of the broader effort at all levels of government to manage the Nation's water resources in a responsible manner. The overall goal is to do our part in starting, continuing, and finishing projects that will help better the lives of Americans and improve their safety.

A handwritten signature in black ink that reads "R.D. James". The signature is fluid and cursive.

R.D. JAMES

Assistant Secretary of the Army (Civil Works)



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Winning Through Readiness, Modernization, and Reform



Ultimately, USACE is well-positioned to meet the challenges ahead. The dedication of our PEOPLE, the quality of our PROCESSES, and the strength of our SYSTEMS remain unrivaled.

The U.S. Army Corps of Engineers (USACE) has a proud history of engineering solutions to our Nation's toughest challenges; 2018 marked yet another historic year as we REVOLUTIONIZING The Corps of Engineers to meet the challenges ahead. This year, USACE began implementing the President's Infrastructure Strategy, which calls for increased levels of partnership and engagement with local, regional, and private stakeholders to rebuild our Nation's infrastructure. In conjunction with this initiative, USACE is actively engaged in finding innovative ways to increase our delivery capacity while maintaining world-class quality. In addition, USACE continues to play a leading role in a number of preeminent missions including: facilitating commercial navigation, conducting flood risk management, responding to national disasters, and performing environmental protection and restoration, just to name a few. Fiscal Year 2018 also marked a sharp increase in our operational tempo due to the Additional Supplemental Appropriations for Disaster Relief Requirements Act of 2017, and expanding mission assignments from our federal partners in support of national priorities. Day in and day out, USACE DELIVERS.

This level of dynamism and success rests on three main pillars: our PEOPLE, our PROCESSES, and our SYSTEMS. Our PEOPLE are 34,000 Civilian and 750 Military professionals with a wealth of expertise and passion ready to take on the most challenging missions. Our PROCESSES are informed by a long history of faithful service to our Nation, but also a keen eye focused on the future challenges. Our SYSTEMS empower our PEOPLE to deliver the world-class engineering solutions that meet our Nation's high expectations. Recognizing the importance of these pillars, we are steadfast in ensuring they remain top-notch. We train and mentor our PEOPLE, we continuously improve our PROCESSES, we modernize our SYSTEMS, and we hold ourselves accountable. The release of Corps of Engineers Financial Management System II (CEFMS II) with its enhanced capabilities is a testament to this commitment. CEFMS II will strengthen our position at the leading edge of federal financial management and enable us to better execute and deliver the program.

Ultimately, USACE is well-positioned to meet the challenges ahead. The dedication of our PEOPLE, the quality of our PROCESSES, and the strength of our SYSTEMS remain unrivaled. I look forward to the future with confidence that the U.S. Army Corps of Engineers WILL continue to achieve our mission to deliver vital public and military engineering services; partner in peace and war to Strengthen our Nation's Security, Energize the Economy, and Reduce Risks from Disasters.

ESSAYONS! Building Strong! Army Strong!

A handwritten signature in black ink, appearing to read "T. Semonite".

TODD T. SEMONITE

*Lieutenant General, U.S. Army
Commanding*



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Winning Through Readiness, Modernization, and Reform



Our success, both in our financial performance and ability to sustain “best in class” auditability, is attributed to three essential foundations: Our system, our center, and our people.

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) 2018. We are able to provide assurance of the reliability of our financial reporting for the approximately \$13 billion in obligations in FY 2018 for Civil Works activities.

I would like to take this opportunity to thank each USACE team member for their extraordinary contributions in making FY 2018 a success. Each and every reporting activity worked diligently to ensure USACE obtained its 11th consecutive unmodified “clean” audit opinion. Our success, both in our financial performance and ability to sustain “best in class” auditability, is attributed to three essential foundations: Our system, our center, and our people. First is our system. The Corps of Engineers Financial Management System II (CEFMS II) is truly the foundation of our success. This system translates our business processes into the auditable financial statements communicated in this report. We remain on track on for improving capabilities and capacity through CEFMS II modernization. Second is the USACE Finance Center (UFC). The UFC continues to handle complex financial transactions with remarkable efficiency while maintaining financial integrity. The UFC work ethic and leadership are the cornerstone of USACE audit sustainability. Third – and most significantly – is the USACE financial management workforce. The 1,400 USACE financial management professionals are trained, credentialed, and business savvy. Each financial management professional at Headquarters, Divisions, Districts and Centers is certified through the Department of Defense Financial Management Certification Program, which ensures they have the requisite training and expertise to faithfully execute their duties.

Moving forward, USACE will continue to leverage our success in the Civil Works audit to assist the Department of Defense (DoD) in its efforts toward auditability. During FY 2018, we continued our aggressive single audit approach by adding the Department of the Army’s Military Construction program to this year’s audit scope. Through the single audit approach, USACE ensures full accountability for our Military Construction stakeholders’ funds ensuring each stakeholder is postured for success during their respective audit. I remain confident that our business processes, systems, and internal control framework will position USACE to fully support the audit requirements of both our Civil Works Program and our key DoD stakeholders. This report and the outstanding accomplishments it describes reflect great credit upon our employees’ extraordinary dedication to duty and I remain honored to serve alongside them.


THOMAS C. STEFFENS
Chief Financial Officer



**US Army Corps
of Engineers**

Groundbreaking ceremony at Fort Jackson for the new Pierce Terrace Elementary School. (U.S. Army Corps of Engineers photo by Sean McBride)

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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.

OVERVIEW

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

Mission

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

Supporting Commercial Navigation

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

Protecting, Restoring and Managing the Aquatic Environment

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

Flood Risk Management

Under its Flood Risk Management (FRM) program, USACE-CW works with communities to reduce the risk to human safety and property damage from flooding, in river valleys and along the coasts. The work that USACE-CW performs under this mission includes its emergency

management work, as part of the overall Federal effort to help affected communities during and after a major flood event.

Providing Engineering Support and Technical Services

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

The Civil Works Program

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

In addition to the \$6,827 million of regular appropriations in Fiscal Year (FY) 2018, the Corps also received \$17,398 million of supplemental funding for a total of \$24,225 million in new funding. Of the \$54,300 million available for expenditure, which includes unexpended prior year appropriations, the USACE-CW expended a total of \$17,860 million or 33% of the total available.

FIGURE 1. FY 2018 USACE-Civil Works Funding by Source (in Millions)

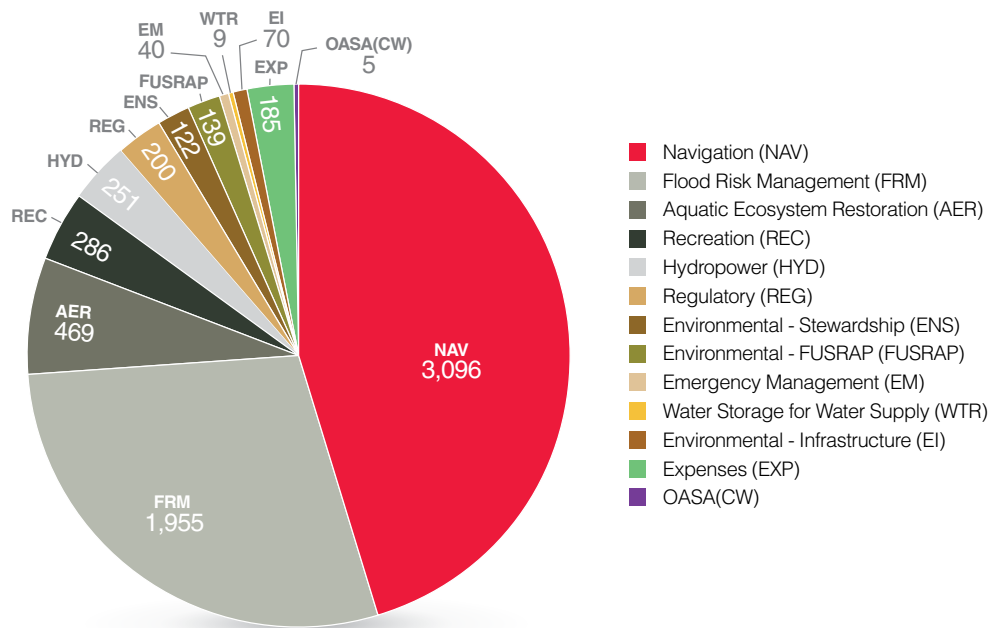
	Unobligated, Unexpended Carry-In	Obligated, Unexpended Carry-In	New FY 2018 Budget Authority	Recovery of prior obligations	Available for expenditure
Regular & Supplemental Appropriations	\$8,023	\$5,130	\$24,225	\$283	\$37,661
Reimbursable Funding	\$3,521	\$1,574	\$10,548	\$133	\$15,776
Intra-Corps (non-add)	\$2,321	\$202	\$21	\$35	\$2,579
Total	\$11,544	\$6,704	\$34,773	\$416	\$53,437

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

A description of the business lines of the USACE-CW follows Figure 2. Figure 2 lists the business lines that receive direct appropriations and the funds used for executive direction and management for FY 2018.



FIGURE 2. FY 2018 USACE-Civil Works Direct Regular Appropriations (in Millions) by Business Line^{1/2/}



1/ Executive Direction and Management includes \$185 million for Expenses and \$5 million for OASA-CW.

2/ Excludes funds received in FY 2018 from supplemental appropriations and reimbursable work for others.

Navigation

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

In FY 2018, the Navigation business line received approximately \$3,096 million or almost 45.3% of the FY 2018 USACE-CW annual appropriations along with \$570 million of supplemental funds to provide for operation and maintenance needs resulting from natural disasters. In addition, some portion of the \$770 million of supplemental funds provided for work in the Mississippi River and its tributaries may also be used for navigation projects.

Flood Risk Management

USACE-CW also works with communities to reduce the risk to human safety and property damage from flooding, in river valleys and along the coasts. The USACE-CW manages 8,500 miles of levees and dikes, 383 reservoirs, and more than 90 storm damage reduction projects along 240 miles of the nation's 2,700 miles of shoreline. Since the Water Resources Development Act of 1986, most of the new projects that the

Corps has built under the auspices of its FRM program are owned and operated by cities, towns, and special use districts, which were the local sponsors of these projects during construction.

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

In FY 2018, the Flood Risk Management business line received approximately \$1,955 million, which is more than 28.6% of the FY 2018 USACE-CW annual appropriations, along with an additional \$15,228 million of supplemental funds that can be used toward construction (\$15,055 million) and studies (\$135 million) and operation and maintenance needs resulting from natural disasters (\$38 million). In addition, a large portion of the \$770 million of supplemental funds provided for work in the Mississippi River and its tributaries is expected to be used for flood damage reduction projects.

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 2018, the Aquatic Ecosystem Restoration business line received approximately \$469 million or 6.9% of the total FY 2018 USACE-CW annual appropriations.

Environment

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

Environmental Stewardship: Environmental stewardship focuses on managing, conserving, and preserving natural resources on 12 million acres of land and water at multipurpose USACE-CW projects.



A group of volunteers do the hard work involved in spreading dirt at various locations throughout Success Lake during National Public Lands Day. (U.S. Army Corps of Engineers photo by J. Paul)

This business line encompasses compliance measures to ensure USACE-CW projects (1) meet federal, state, and local environmental requirements; (2) sustain environmental quality; and, (3) conserve natural and cultural resources. Fish hatchery mitigation is funded by the Flood Risk Management and Hydropower business lines.

In FY 2018, the Environmental Stewardship business line received approximately \$122 million or 1.8% of the FY 2018 USACE-CW annual appropriations.

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

In FY 2018, the FUSRAP business line received approximately \$139 million or 2.0% of the total FY 2018 USACE-CW annual appropriations.

Environmental – Infrastructure: In FY 2018, the Environmental – Infrastructure business line received approximately \$70 million or 1% of the total FY 2018 USACE-CW annual appropriations.

Regulation of Aquatic Resources

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

In FY 2018, at \$200 million, the Regulatory appropriation accounted for 2.9% of total FY 2018 USACE-CW annual appropriations.



Checking on the current status of the Bluestone Dam Safety Assurance project and its active construction sites. (Photo courtesy of the U.S. Army Corps of Engineers)

Emergency Management

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

In FY 2018, the Emergency Management business line received approximately \$40.5 million, or 0.6%, of total FY 2018 USACE-CW annual appropriations, as well as another \$810 million of supplemental funds to repair damages to non-Federal projects, that are eligible for assistance under Public Law 84-99 (Section 5 of the Flood Control Act of 1941) and which were damaged by Hurricanes Harvey, Irma, and Maria to pre-storm condition.



Ongoing Corps mission to clear debris from California Wildfires.
(Photo courtesy of the U.S. Army Corps of Engineers)

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 2018, Hydropower business line received approximately \$251 million or just under 3.3% of the total FY 2018 USACE-CW annual appropriations. The USACE-CW Hydropower program also receives approximately \$275 million each year derived from Department of Energy revenues related to power sales and contributed funds from preferred customers from USACE-CW projects.

Recreation

The USACE-CW is an important provider of outdoor recreation, which is an ancillary benefit of its flood

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

The USACE-CW provides over 5,000 recreation sites at more than 400 projects on 12 million acres of land and water. USACE-CW hosts over 250 million visits annually.

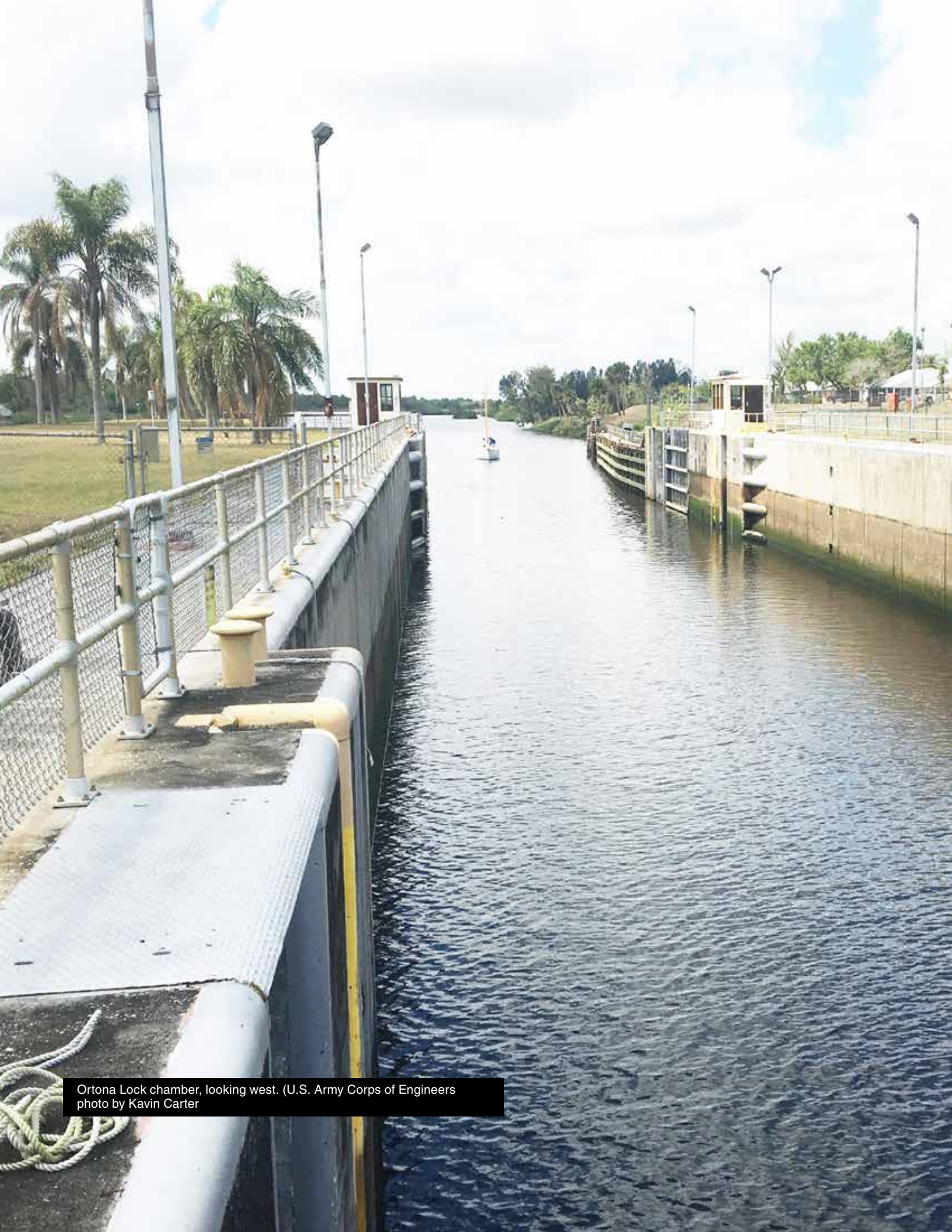
In FY 2018, the Recreation business line received approximately \$286 million or 5.64% of the FY 2018 USACE-CW appropriations.

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 2018, the Water Supply (WTR) business line received approximately \$9 million, or 0.1%, of total FY 2018 USACE-CW appropriations.





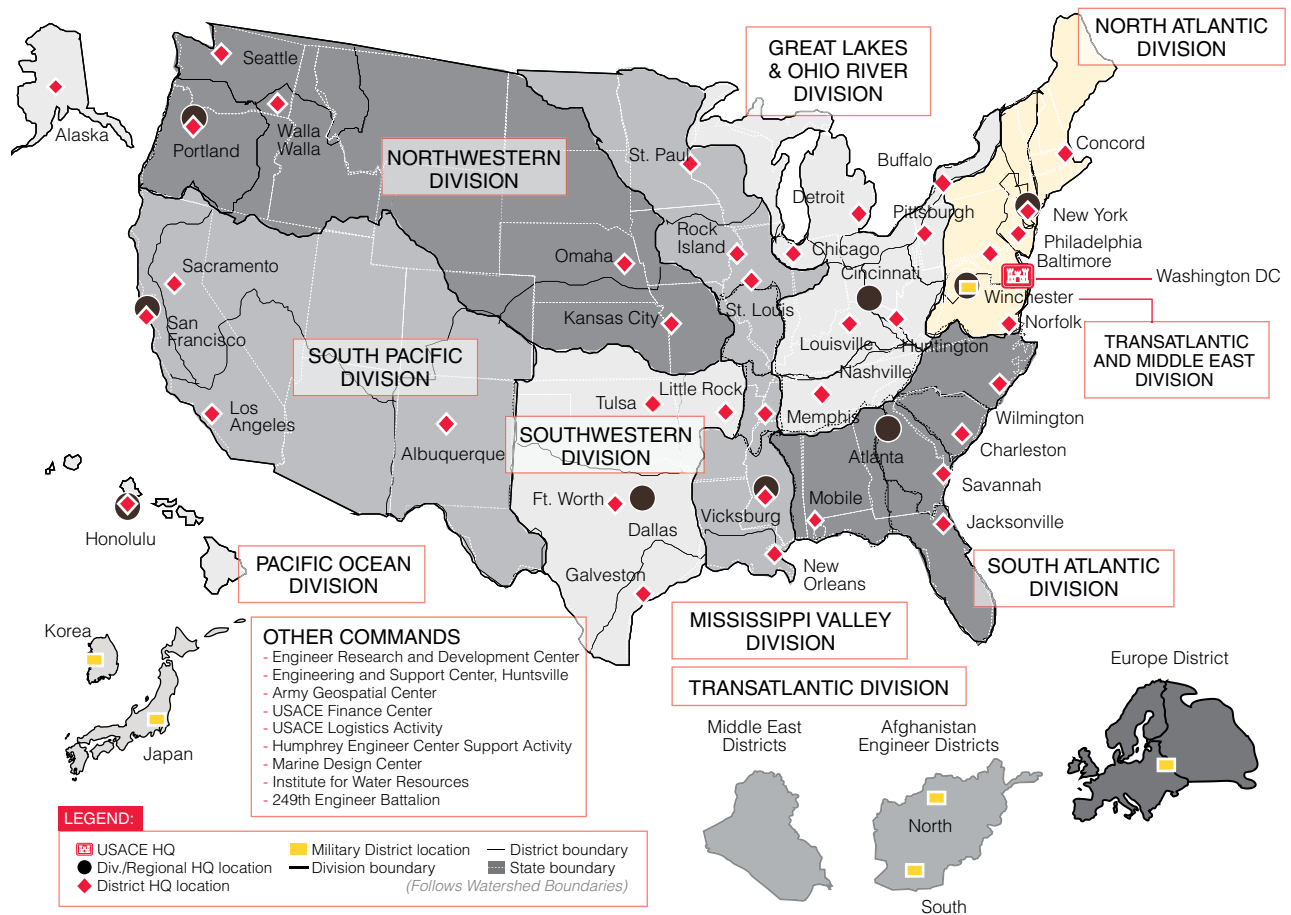
Ortona Lock chamber, looking west. (U.S. Army Corps of Engineers photo by Kavin Carter)

ORGANIZATIONAL STRUCTURE

The Workforce

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

FIGURE 3. USACE-CW Boundaries



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

The USACE-CW leadership is provided by a presidentially-appointed civilian Assistant Secretary of the Army for Civil Works (ASA (CW)) who is charged with setting the strategic direction and has principal responsibility for the overall supervision of functions relating to the Army Civil Works program and supervising the execution of the Army Civil Works program by the Chief of Engineers. An Army officer serves as the Chief of Engineers to oversee execution of both the Civil Works and Military programs and ensure that policies established by the ASA (CW) are applied to all aspects of the USACE-CW. The Chief of Engineers delegates

authority for the leadership and management of the USACE-CW to the Deputy Commanding General for Civil and Emergency Operations and to the civilian Director of Civil Works. USACE-CW divisions are regional offices responsible for the supervision and management of subordinate districts, to include oversight and quality assurance. Districts are the foundation of the USACE-CW, responsible for executing the USACE-CW mission.

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



CIVIL WORKS PROGRAM PERFORMANCE

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

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

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

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

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

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



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

Strategic Objective 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 continued to make progress toward the goal of having 80% of planners trained in all three core planning courses by the end FY 2018. Of the

918 USACE-CW planners, 666 planners (73%) have been trained in all three core planning courses. The planning workforce is trained and ready – 82% have completed Civil Works Project Development Process, 81% have completed Planning Essentials, and 73% have completed Plan Formulation and Evaluation Capstone. The planning community delivered two sessions each of the Planning Essentials and Plan Formulation and Evaluation Capstone. These courses apply new technologies to deliver training in an effective and timely manner.

The National Water Resources Certified Planner Program was launched in FY 2016. In FY 2018, 27 planners were certified as USACE National Water Resources Certified Planners for a total of 62 planners certified. This was the second group of

planners certified as a part of the USACE National Water Resources Certified Planner Program. The objective of this planner certification program is to advance the technical capability of individual planners and provide a framework for developing and sustaining a results-oriented, high performing planner workforce. The planning community continues to maintain a cadre of highly qualified planners to conduct internal technical review, termed Agency Technical Review (ATR). Currently, a total of 226 planners are certified to conduct Agency Technical Review – 61 economists, 27 cultural resource specialists, 76 plan formulators, and 80 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 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Planners trained in Core Curriculum Courses	70%	72%	66%	80%	73%
Percent of planners achieving certification under the National Planner Certification Program	0%	0%	4%	20%	7%

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. Schedules are updated in the USACE project management system to reflect actual progress on the project. The target for project schedules to align with or exceed the schedule reported in the USACE project management system is 85 percent. This metric was used for the first time

in FY 2014. The score was 93 percent in FY 2014, 89 percent in FY 2015, and 91 percent for FY’s 2016, FY 2017, and FY 2018.

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 2017, 92% of customers (across all USACE-CW divisions) rated USACE-CW “High” on *Delivering Quality Products and Services*.

TABLE 2. Quality Solutions and Services

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Percent of Projects on Schedule per USACE project management system	89%	91%	91%	85%	91%
Percent of customers rating USACE-CW “High” on delivery of products and services	89%	89%	92%	93%	Note 1

Note 1: FY 2018 results will not be available until 3rd quarter FY 2019.

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

Performance Indicators:

- Measure 1.3.a: Percent completion and deployment of Command Training Plans (CTPs) for all USACE mission critical occupations (MCOs). This measure tracks the effort to have USACE staff complete essential training in mission critical occupations that are essential for successful completion of engineering designs and construction. Mission critical occupations are the 9 job series identified by USACE as technical disciplines essential for accomplishing the USACE functions and responsibilities. The series include: General Natural Resources Management and Biological Sciences (0401), Engineering Technician (0802), Construction Control Technician (0809),

Civil Engineer (0810), Mechanical Engineer (0830), Electrical Engineer (0850), Contracting Specialist (1102), Realty Specialist (1170), and Lock and Dam Operator (5426).

- Measure 1.3.b: Percent increase of technical competencies for USACE Mission Critical Occupations that meet or exceed Army Competency Management System (CMS) targets. CMS is the tool utilized by the Army to identify competencies, and assess proficiencies. Targets are based on Army CMS deployment in FY 2015.

Performance Results

Thirty-three (33) plans developed by the respective MCO Communities of Practice (CoP) are available for employees to use, an increase from 28 plans in FY 2017. 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.

In FY 2018, 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 2018, USACE-CW began collecting functional assessments by specific engineering discipline (e.g., Structural Engineering) at their Community of Practice (CoP) meetings using a spreadsheet-based scorecard. E&C also developed a web portal to obtain this information and allow comparisons over time and to allow the collection of data on a periodic basis. This portal was deployed in FY 2017 throughout the E&C community with questionnaires filled out across 20 CoPs. In FY 2018, Human Resources began implementing enhancements to the functional enhancements for use across the enterprise in FY 2019.

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

Flood Risk Management

Relevant Objectives:

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

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

Operation and maintenance measures for Flood Risk Management

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

Construction Measures for Flood Risk Management

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

Performance Results—Investigations

USACE completed the following feasibility studies in FY 2018:

- San Joaquin, Lower San Joaquin, CA
- St. Lucie County, FL
- Ala Wai Canal, Oahu, HI
- WCS Mararoneck/Sheldrake, NY
- Sabine Pass to Galveston Bay, TX

FY 2018 regular annual appropriations were provided to advance feasibility studies and pre-construction engineering and design (PED) activities including six new feasibility studies - San Francisco Waterfront Storm Damage Reduction, CA, IAO Stream Flood Control, Maui, HI General Reevaluation Report (GRR), Papillion Creek, NE GRR, and Mill Creek, Walla Walla County, WA as well as City of Baltimore, MD and the Rhode Island Coastline, RI, which are both focus areas from the North Atlantic Coast Comprehensive Study. Funds were also used to initiate PED for the San Joaquin River Basin, Lower San Joaquin, CA and Southwest Coastal Louisiana, LA projects.

A portion of the funding was used to fund 18 studies and one PED activity to completion, including:

- Lowell Creek Tunnel, AK
- Village Creek, AL
- Little Colorado River (Winslow), AZ
- Lower Santa Cruz River, AZ
- Corte Madera Creek, CA (GRR)
- Pajaro River at Watsonville, CA (GRR)
- Sacramento River Bank Protection (Phase 3), CA (GRR)
- San Francisquito Creek, CA
- Sweetwater Creek, GA
- IAO Stream Flood Control, HI (GRR)
- Du Page River, IL
- Papillion Creek, NE (GRR)
- Peckman River Basin, NJ
- Rahway River Basin, NJ (Upper Basin)
- Upper Susquehanna Comprehensive Flood Damage Reduction, NY



Placing sand at Jacksonville Beach. (Photo courtesy of the U.S. Army Corps of Engineers)

- City of Norfolk, VA
- Manhattan, KS (PED)
- Souris River Basin, ND

The following 38 studies to investigate means of reducing the risk from future floods and hurricanes were funded to initiate and complete using supplemental appropriations in FY 2018:

- Selma, AL Flood Risk Management Study
- Valley Creek, AL Flood Risk Management Study
- LA County Flood Control System, CA
- Westminster East Garden Grove, CA
- Collier County Beach Erosion Control, FL (Naples Shoreline)
- Dade County, FL GRR
- Miami Back Bay, FL CSR
- Monroe Co., FL CSR
- Okaloosa County, FL Coastal Storm Risk Management Study
- Pinellas County, FL GRR
- South Atlantic Coastal Study, FL, PR, USVI
- Proctor, Fulton County, GA Flood Risk Management Study
- Metro Louisville, KY Flood Protection System
- Amite River & Tributaries Comprehensive Study East of MS River, LA
- Lake Pontchartrain & Vicinity, LA: GRR for Levee Lifts
- South Central Coast, LA
- Upper Barataria Basin, LA
- West Bank & Vicinity, LA: GRR for Levee Lifts
- Nassau County Back Bays, NY
- Tulsa West Tulsa Levees, OK
- Portland Metro Levee System, OR
- Puerto Rico CSR Study
- Rio Culebrinas, PR
- Rio Grande de Manati, PR (Ciales)



A dredge excavates material from a project in Old Saybrook, CT. (U.S. Army Corps of Engineers photo by Craig Martin)

- Rio Guayanilla, PR
- San Juan Metro Area CSRM Study
- Charleston Peninsula, SC
- Folly Beach, SC
- Memphis Wolf River Backwater Levee System, TN
- Brazos River, Fort Bend County, TX
- Buffalo Bayou and Tributaries Study, TX
- Coastal Texas Protection and Restoration Study, TX
- Houston Regional Watershed Assessment, TX
- Lower Guadalupe River, TX
- Savan Gut Phase II, St. Thomas, USVI
- Mill Creek Channel, WA
- Turpentine Run, St. Thomas, USVI
- Upper Connecticut River Watershed, VT

Within the Dam Safety and Seepage/Stability Correction Program, \$12.05 million was provided for issue evaluation studies at Corps-owned dams and \$22.25 million was provided to initiate or continue nine Dam Safety Modification Studies or PED on the following projects:

- Chena River Lakes (Moose Creek Dam), AK (PED)
- Los Angeles County Drainage Area (Whittier Narrows Dam), CA
- Cherry Creek Dam, CO
- Trinidad Lake Dam, CO
- Pipestem Dam, ND
- Mohawk Dam, OH (PED)
- Keystone Lake Dam, OK
- General Edgar Jadwin Dam, PA

- Lewisville Dam, TX (PED)

In FY 2018, \$8 million was provided for Planning Assistance to States and \$15 million was provided for Flood Plain Management Services – two programs focused on providing technical and planning assistance to communities to help them manage and reduce their flood risk.

Investigation funds were used to support state and local flood risk mitigation priorities through the Silver Jackets program. Two new state-level Silver Jacket teams were established in Connecticut and the US territory of Guam in FY 2018. USACE-CW currently supports participation on Silver Jackets teams in 49 states, the District of Columbia, and the territory of Guam. (The remaining state is Hawaii.) These State interagency teams initiated 72 special study and technical assistance activities that support state and local community flood risk and floodplain management priorities. These efforts include such varied assistance as performing flood modeling and mapping, analyzing additional flood risk post-wildfire, evaluating potential nonstructural measures for mitigating flood risk, supporting community education and outreach efforts, improving flood warning systems, and assisting communities with their development of emergency action plans and flood plain management plans.

FY 2018 funds were also provided to continue the following studies and PED:

- American River (Common Features), CA (PED)
- Westminster (East Garden Grove) Watershed, CA
- Delaware Inland Bays & Delaware Bay Coast, DE (North Atlantic Coastal Comprehensive Study)
- New Jersey Back Bays, NJ (North Atlantic Coastal Comprehensive Study)

- Nassau County Back Bays, NY (North Atlantic Coastal Comprehensive Study)
- New York – New Jersey Harbor & Tributaries, NY & NJ (North Atlantic Coastal Comprehensive Study)
- Coastal Texas Protection & Restoration Study, TX

Performance Results—Construction

FY 2018 appropriations funded two new projects (Sutter Basin, CA & Sarasota, Lido Key, FL) and 12 flood risk management construction projects to completion. FY 2018 appropriations also funded all work for beach re-nourishments on five coastal storm damage reduction projects.

Projects funded to completion with FY 2018 appropriations included:

- American River - Common Features, CA
- American River Common Features, Folsom Dam Modifications, CA
- American River Watershed (Folsom Dam Raise), CA
- Isabella Lake, CA
- Kaweah River, CA
- Santa Ana River Mainstem, CA
- South San Francisco Shoreline, CA
- Tule River/Lake Success Enlargement (Success Dam), CA
- Yuba River Basin, CA
- San Lorenzo River, CA
- Stockton Metropolitan Flood Control Reimbursement, CA
- Brevard County, FL
- Broward County, FL
- Dade County, FL
- Duval County, FL
- Flagler County, FL CSRM
- Herbert Hoover Dike, FL (In addition to funds provided in the FY 2019 Budget which preceded issuance of the 2018 Disaster Supplemental allocation list.)
- Lee County, FL
- Manatee County, FL
- Nassau County, FL
- Palm Beach County, FL
- Palm Beach County (Mid-Town Beach Segment), FL
- Sarasota County (Venice), FL
- St John's County, FL
- St. John's County (Villano Segment), FL CSRM
- St Lucie County (South Segment), FL CSRM
- Tybee Island, GA
- Ala Wai Canal, Oahu, HI
- Cedar River, Cedar Rapids (FRM), IA
- McCook and Thornton Reservoirs, IL (All Phases)
- Central & Southern Florida, FL (Upper St. John Levee)
- Indianapolis, White River (North), IN
- Kansas Citys/Armourdale, KS & MO
- Section 202 KY & WV
- Comite River, LA
- East Baton Rouge Flood Control, LA
- Grande Isle, LA
- West Shore, Lake Pontchartrain, LA



Mobile District West Point Lake Project to update the project's shoreline management plan. (Photo courtesy of the U.S. Army Corps of Engineers)

- Bois Brule, MO
- Swope Park Industrial Area, Kansas City, MO
- Molly Ann's Brook at Haledon, Prospect Park & Paterson, NJ
- Alamogordo, NM
- Mohawk Dam, OH (Seepage Correction Major Rehabilitation) (Dam Safety)
- Zoar Levee at Dover Dam, OH (Seepage Correction Major Rehabilitation) (Dam Safety)
- Rio de La Plata, PR
- Rio Grande de Arecibo, PR
- Rio Grande de Loiza, PR
- Rio Guanajibo at Mayaguez, PR
- Rio Nigua at Salinas, PR
- Rio Puerto Nuevo, PR
- Colleton County (Edisto Island), SC
- Folly Beach, SC
- Pawleys Island, SC
- Mill (Seven Mile) Creek, TN
- Brays Bayou, TX
- Buffalo Bayou and Tributaries, TX
- Clear Creek, TX
- Dallas Floodway, TX
- Dallas Floodway Extension, TX
- Greens Bayou, TX
- Hunting Bayou, TX
- Lewisville Dam, TX
- Lower Colorado River Ph 1 (Wharton), TX
- Sabine Pass to Galveston Bay, TX
- White Oak Bayou, TX
- Bluestone Lake, WV
- Lower Mud River, Milton, WV

Volunteers paint curb stops during the National Public Lands Day 2018. (U.S. Army Corps of Engineers photo by Paul Bruton)



FY 2018 funds were provided to continue construction on the following projects, including work on seven high-risk Dam Safety Action Class (DSAC) 1 and 2 dams:

- Rio De Flagstaff, AZ
- Tucson Drainage Area, AZ
- American River Common Features, Natomas Basin, CA
- American River Watershed (Folsom Dam Raise), CA
- Isabella Lake, CA (Dam Safety)
- Murrieta Creek, CA
- Sacramento River Bank Protection Project, CA
- San Luis Rey River, CA
- Santa Ana River Mainstem, CA
- Yuba River Basin, CA
- Herbert Hoover Dike, FL (Seepage Control) (Dam Safety)
- Rough River, KY (Dam Safety)
- Comite River, LA

- Fargo, ND – Moorhead, MN Metro
- Raritan River Basin, Green Brook Sub-basin, NJ
- East Branch, Clarion River Lake, PA (Dam Safety)
- Center Hill Lake, TN (Dam Safety)
- Brays Bayou, Houston, TX
- Buffalo Bayou and Tributaries, Addicks and Barker Dams, TX (Dam Safety)
- Levisa and Tug Forks and Upper Cumberland River, VA, WV, & KY
- Bluestone Lake, WV (Dam Safety)

Dam Safety and Seepage/Stability Correction Program construction funds were provided to complete four dam safety modification studies (Moose Creek Dam, Chena River, AK; Whittier Narrows Dam, CA; Cherry Creek Dam, CO; and General Edgar Jadwin, PA), continue two dam safety modification studies (Pipestem Dam, ND and Keystone Dam, OK), complete PED for one dam safety modification project (Lewisville Dam, TX), and complete three Post Implementation Evaluations (Canton Dam, OK; Bolivar, OH; and Center Hill, TN).

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 studies and assessments were completed on 88 dams in FY 2018. These studies and assessments revised the Dam Safety Action Classification (DSAC) to lower priority on 49 dams, increased priority on 13 dams, no classification change on 20 dams, and 6 new DSAC assignments. The DSAC corresponds with the priority in taking dam safety related actions, with DSAC 1 being considered very high priority and 5 being considered very low priority.

Forty-nine (49) dams associated with the following projects had lower priority DSAC in FY 2018 based on the further evaluation of project risk:

- Ouachita and Black Rivers, AR & LA - Periodic Assessment
 - Felsenthal Lock and Dam – DSAC 3 to DSAC 4
 - Jonesville Lock and Dam, LA - Periodic Assessment - DSAC 4 to DSAC 5
- Gillham Lake, AR - Periodic Assessment - DSAC 4 to DSAC 5
- Trinidad Lake, CO - Issue Evaluation Study - DSAC 2 to DSAC 4
- Mansfield Hollow Lake, CT - Semi-Quantitative Risk Assessment
 - Dam – DSAC 2 to DSAC 4
 - Dikes A and Dike B - DSAC 3 to DSAC 5
 - Dikes C, D, E, and F - DSAC 4 to DSAC 5
- Mississippi River Between Missouri River and Minneapolis (MVR Portion), IL
 - Mississippi Lock and Dam 16, IA - Periodic Assessment - DSAC 3 to DSAC 5
 - Mississippi Lock and Dam 17, IA - Periodic Assessment - DSAC 3 to DSAC 5
- Rathbun Lake, IA - Semi-Quantitative Risk Assessment - DSAC 3 to DSAC 4
- Chicago Harbor, (Chicago Lock) IL - Semi-Quantitative Risk Assessment - DSAC 2 to 3
- Illinois Waterway (T.J. O'Brien Lock and Dam), IL - Periodic Assessment - DSAC 2 to DSAC 3
- Monroe Lake, IN - Periodic Assessment - DSAC 4 to DSAC 5
- Barkley Dam and Lake Barkley, KY & TN - Periodic Assessment - DSAC 3 to DSAC 4
- Ohio River Locks & Dams (Newburgh Dam), KY, IL, IN, & OH - Periodic Assessment - DSAC 3 to DSAC 4
- Birch Hill Dam, MA - Periodic Assessment
 - Dam - DSAC 3 to DSAC 4
 - Winchendon Dike, MA - Periodic Assessment - DSAC 3 to DSAC 5
- Mississippi River Between Missouri River and Minneapolis (MVP Portion), IL
 - Lower St. Anthony Falls Lock and Dam, MN - Periodic Assessment - DSAC 4 to 5
 - Upper St. Anthony Falls Lock and Dam, MN - Periodic Assessment - DSAC 3 to 4
- Clarence Cannon Dam and Mark Twain Lake, MO - Semi-Quantitative Risk Assessment
 - Dam - DSAC 3 to DSAC 4
 - Re-Regulation Dam – DSAC 4 to 5
- Tennessee – Tombigbee Waterway, AL & MS (John C Stennis Dam, MS) - Periodic Assessment - DSAC 2 to DSAC 4
- Papillion Creek, NE - Periodic Assessment
 - Dam - DSAC 3 to 5
 - Levee – DSAC 4 to 5
 - Site 18 - Zorinsky Dam, NE - DSAC 4 to DSAC 5
- Berlin Lake, OH - Periodic Assessment - DSAC 3 to DSAC 5
- Muskingum River Lakes, OH
 - Bolivar Dam - Post Implementation Evaluation - DSAC 2 to DSAC 5
 - Senecaville Dam, OH - Periodic Assessment - DSAC 3 to DSAC 4
- Deer Creek Lake, OH - Periodic Assessment - DSAC 3 to DSAC 4

- Broken Bow Lake, OK - Periodic Assessment - DSAC 4 to DSAC 5
- Canton Lake, OK - Post Implementation Evaluation - DSAC 2 to DSAC 5
- John Day Lock and Dam, OR & WA - Periodic Assessment - DSAC 2 to DSAC 4
- McNary Lock and Dam, OR & WA - Periodic Assessment - DSAC 3 to DSAC 4
- Ohio River Locks and Dams, PA, OH, and WV
 - Dashields Locks and Dam, PA - Periodic Assessment - DSAC 4 to 5
 - Emsworth Lock and Dam, PA - Periodic Assessment - DSAC 1 to DSAC 4
- Raystown Lake (Hesston Dike), PA - Periodic Assessment - DSAC 4 to DSAC 5
- Center Hill Lake, TN – Post Implementation Evaluation - DSAC 1 to DSAC 2
- Granger Dam and Lake, TX - Periodic Assessment - DSAC 4 to DSAC 5
- Lavon Lake, TX - Periodic Assessment - DSAC 4 to DSAC 5
- Navarro Mills Lake, TX - Periodic Assessment - DSAC 4 to DSAC 5
- Chief Joseph Dam, WA - Periodic Assessment - DSAC 3 to DSAC 4
- Lake Washington Ship Canal, WA - Issue Evaluation Study - DSAC 2 to DSAC 3
- Kaukauna Lock and Dam, WI - Periodic Assessment - DSAC 2 to DSAC 5
- Tygart Lake, WV - Periodic Assessment - DSAC 4 to DSAC 5
- Beaver Lake, AR - Periodic Assessment - DSAC 4 to DSAC 3
- Fishtrap Lake, KY - Periodic Assessment - DSAC 4 to DSAC 2
- Jennings Randolph Lake, MD & WV - Semi-Quantitative Risk Assessment - DSAC 4 to DSAC 3
- Yazoo Basin, Arkabutla Lake, MS - Incident Report - DSAC 4 to DSAC 3
- Alum Creek Lake, OH - Periodic Assessment - DSAC 4 to DSAC 3
- Michael J Kirwan Dam and Reservoir, OH - Periodic Assessment - DSAC 4 to DSAC 3
- Lost Creek Lake (William Jess Dam), OR - Periodic Assessment - DSAC 4 to DSAC 3
- Raystown Lake, PA - Periodic Assessment - DSAC 4 to DSAC 3
- Hartwell Lake (Clemson Lower Diversion Dam), SC - Periodic Assessment - DSAC 4 to DSAC 3
- Ferrells Bridge Dam, Lake O' the Pines, TX - Periodic Assessment - DSAC 4 to DSAC 3
- John W Flannagan Dam and Reservoir, VA - Periodic Assessment - DSAC 4 to DSAC 3
- North Springfield Lake, VT - Periodic Assessment - DSAC 4 to DSAC 3
- Mud Mountain Dam, WA - Periodic Assessment - DSAC 4 to DSAC 3

DSAC ratings remained the same on twenty (20) dams and dikes at the following projects:

- DeQueen Lake, AR (including the Dam and Dikes A, C, and E) - Periodic Assessment - DSAC 4 (no change)
- Success Lake, CA - Baseline Risk Assessment / DSAC 3 (unchanged)

DSAC ratings were increased to a higher priority on the following thirteen (13) dams. These dams exhibited signs of poor performance or issues of concern that warranted an increase to their priority for more in-depth evaluation.



Meeting with agency partners at the Cooper River Rediversion Project in St. Stephen, SC. (U.S. Army Corps of Engineers photo by Sara Corbett)

- Perry Lake, KS - Periodic Assessment - DSAC 4 (no change)
 - Laurel River Lake, KY - Periodic Assessment - DSAC 4 (no change)
 - Gavins Point Dam, Lewis and Clark Lake, NE & SD (Gavins Point Dam) - Periodic Assessment - DSAC 2 (no change)
 - Salt Creeks and Tributaries (Dam Site 17), NE - Periodic Assessment - DSAC 3 (no change)
 - Atwood Lake, OH - Periodic Assessment - DSAC 3 (no change)
 - Deer Creek Lake (New Holland Dike), OH - Periodic Assessment - DSAC 4 (no change)
 - Broken Bow Lake, OK - Periodic Assessment - DSAC 4 (no change)
 - Eufaula Lake, OK - Periodic Assessment - DSAC 4 (no change)
 - Keystone Lake, OK - Issue Evaluation Study - DSAC 2 (no change)
 - Detroit Lake, OR - Periodic Assessment - DSAC 3 (no change)
 - General Edgar Jadwin Dam and Reservoir, PA - Dam Safety Modification Study - DSAC 2 (no change)
 - Tioga-Hammond Lakes (Tioga Dam), PA - Periodic Assessment - DSAC 4 (no change)
 - Pat Mayse Lake, TX - Periodic Assessment - DSAC 4 (no change)
 - Townshend Lake, VT - Periodic Assessment - DSAC 4 (no change)
 - Burnsville Lake, WV - Periodic Assessment - DSAC 3 (no change)
- Additionally, initial DSACs were assigned to six dams at the following projects:
- Kentucky River (Dams 1-4), KY – Periodic Assessment - DSAC 5
 - Clarence Cannon and Mark Twain Lake (Saddle Dam), MO - Semi-Quantitative Risk Assessment - DSAC 5

■ North Springfield (North Branch Dam), VT - Periodic Assessment - DSAC 3

TABLE 3. Flood Risk Management – Construction and Investigations

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Number of dam safety action classifications revised to lower priority	25	34	27	10	49

Performance Results—Operation and Maintenance (O&M)

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

The FY 2018 O&M program provided for the operation and maintenance of 353 flood risk management projects including projects funded in the Mississippi River and tributaries account, in order to maintain basic operation of flood risk management purposes without compromising project purpose and function. Additionally, a portion of these appropriations were used to fund non-routine maintenance activities on projects with high consequences and failed or inadequate project condition ratings to address non-routine maintenance requirements.

In FY 2018, eleven higher level risk assessments were completed and five were initiated. These assessments provide additional information on system performance risks, inform development of potential interim risk reduction measures and/or long-term risk management measures, where appropriate, and help to support public awareness of the risks associated with levees and reinforce the importance of shared responsibility.

Also in FY 2018, the Corps completed 45 screening level risk assessments. From the time the Corps began to conduct screening level risk assessments on its portfolio of levees in FY 2012 through the end of FY 2018, 2,651 segments (85% of the total) have been screened and approved at the MSC level.

TABLE 4. Flood Risk Management – Operation and Maintenance

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Percentage of Levee Safety Action Classifications (LSAC) completed	80%	86%	93%	100%	100%

Emergency Management

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

Relevant Objectives:

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

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

Objective 2.3: *Effectively and efficiently execute response, recovery, and mitigation.*

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

- Measure 2.1.a: Percent progress to develop and implement National Flood Characterization tool in collaboration with FEMA. This measure tracks the completion of a characterization tool that will improve the knowledge of flood risk by characterizing relative flood risk at the National, State, and watershed levels. The tool will provide information in a Geographical Information System (GIS) format to support federal, state, and regional decision makers, planners, and policy analysts in determining investment priorities, responding to future conditions and flood risk drivers, improving resilience, and reducing risk in the long term. This measure tracks key milestones over time towards development and implementation of a fully functional and robust tool.
- Measure 2.2.a: Percent of trained and certified Planning Response Teams, Team Leaders, Assistant Team leaders and Subject Matter Experts, and National Emergency Support Function #3 Cadres ready and able to respond. The USACE-CW established designated Planning & Response Teams (PRTs) and a cadre of leaders and subject matter experts to provide rapid emergency response during any All-Hazards contingency. This measure establishes the baseline, calculated as the percentage of trained and certified team members at any time during the entire fiscal year. Anything less than the baseline degrades readiness and may result in the USACE-CW not prepared to respond.
- Measure 2.2.b: Percent of current Annual updated All-hazards contingency plans across USACE. Every command, center, and field operating agency in the USACE-CW must be prepared to respond to the full spectrum of All-Hazards. This measure reflects the percentage of current All-Hazards Contingency plans at all echelons, on the shelf and ready for use when needed.
- Measure 2.3.a: Percent scheduled and executed assigned and funded missions and programs. This measure reflects the USACE-CW commitment to the national preparedness system as articulated in Presidential Policy Directive – 8, *Other Executive Orders and Statutes*. The national preparedness system directs executive agencies to develop interagency operational plans to support each national planning framework. Each interagency operational plan shall include a detailed concept of operations; description of critical tasks and responsibilities; detailed resource, personnel, and sourcing requirements; and specific provisions for the rapid integration of resources and personnel. The USACE-CW metric is



Pumping sand from a river to renourish a protected bird nesting habitat. (U.S. Army Corps of Engineers photo by Sara Corbett)

measured in part by the Federal Emergency Management Agency assigned missions during disaster response, recovery, and mitigation operations. This measure tracks the percentage of these missions scheduled and executed; anything less than 100% is not acceptable and may result in overall mission failure. Myriad activities and trends must be monitored and adjusted each year, to ensure that we achieve that full execution. For example, monitoring/forecasting potential weather related threats, conducting pre-disaster operations to strengthen Federal, State, local and tribal coordination, and capturing lessons learned after a disaster response to improve future response activities guide the development of doctrine and support programmatic changes in our disaster programs.

- Measure 2.3.b: Number of active state-led interagency flood risk management teams (Silver Jackets). Silver Jackets Teams provide federal assistance to state and local governments in developing and executing mitigation measures that meet local government needs. Membership consists of the USACE-CW and other federal agencies that can contribute to meeting those needs (i.e. Federal Emergency Management Agency (FEMA), Environmental Protection Agency (EPA), Department of Transportation (DOT), etc.) State teams normally are represented by state hazard mitigation offices and other government offices (state and local). This measure tracks the number of active teams by state. The target is to have a team in all 50 states.

Performance Results

In FY 2018, USACE-CW responded to 52 events with over 2,500 personnel deployed or engaged spending over \$31 million of FCCE funding on response activities, including emergency response to the historic hurricane season featuring 17 named storms, 10 hurricanes, and 6 major hurricanes; catastrophic wildfires in California; as well as, recurrent spring flooding within the Mississippi River and other river basins. Another \$4.5 billion was provided by FEMA to fund USACE-CW mission assigned reimbursable support to FEMA for the events listed above.

This support and coordination with other flood resilience and flood mitigation activities improves the ability to maximize flood risk reduction outcomes and is especially critical for those states recently

experiencing devastating flood-associated disasters such as hurricanes, riverine flooding, coastal storm surges, and flooding and debris flows risk after wildfires.

TABLE 5. Emergency Management

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Measure 2.1.a: Percent progress to develop and implement National Flood Characterization tool in collaboration with FEMA	Note 1	Note 2	Note 3	Note 4	
Measure 2.2.a: Percentage of trained and certified Planning Response Teams, Team Leaders, Assistant Team leaders and Subject Matter Experts, and National Emergency Support Function #3 Cadres ready and able to respond	100%	100%	90%	85%	90%
Measure 2.2.b: Percentage of current Annual updated All-hazards contingency plans across USACE-CW	86%	100%	100%	100%	100%
Measure 2.3.a: Percentage of scheduled and executed assigned and funded missions and programs	100%	100%	100%	100%	100%
Measure 2.3.b: Number of active state-led interagency flood risk management teams (Silver Jackets)	45	47	49	50	49

Note 1: 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 2: The FY 2016 target was to test and refine the prototype within the USACE-CW and other interested Federal agencies.

Note 3: The FY 2017 target, which was met, was to have tool fully functional and being used as a standard tool within USACE-CW.

Note 4: This measure is considered completed.

STRATEGIC GOAL 3: Facilitate the transportation of commerce goods on the Nation’s coastal channels and inland waterways.

Navigation

Relevant Objective:

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

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

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

Performance Results – Investigations

Investigations funds were used in FY 2018 to evaluate the benefits and costs of options for navigation improvements, the pre-construction engineering and design cost of navigation improvements, and for programmatic Remaining Items for Navigation, such as Research and Development. Examples of potential investments under consideration in these studies are (1) lock replacements and inland waterways channel

improvements; and (2) deepening and/or widening of coastal harbors and channels.

USACE completed the following feasibility studies in FY 2018:

- Three Rivers, AR
- Mississippi River, Gulf to Baton Rouge, LA
- San Juan Harbor Improvement Study, PR
- Freeport Harbor, TX
- Norfolk Harbor and Channels, 55-foot Deepening, VA
- Seattle Harbor, WA

FY 2018 funds were provided to initiate three new feasibility studies, Miami Harbor Improvements, FL, Corpus Christi Ship Channel, TX (La Quinta Expansion), and Tacoma Harbor, WA, and one new phase PED, Brazos Island Harbor, TX (Brownsville Channel).

A portion of the funds were provided to fund 13 feasibility studies and two PED activities to completion and to accomplish one economic update:

- Kotzebue Small Boat Harbor, AK
- Saint George Harbor Improvement, AK
- Unalaska (Dutch) Harbor, AK
- Mobile Harbor, AL GRR
- Three Rivers, AR
- Port of Long Beach Navigation Improvements, CA
- San Francisco Bay to Stockton, CA GRR
- New Haven Harbor Deepening, CT
- Upper Mississippi River – Illinois Waterway System, IL, IA, MN, MO & WI (economic update)

- Calcasieu Lock, LA (PED)
- Inner Harbor Navigation Canal Lock Replacement, LA GRR
- Saginaw River Deepening, Saginaw, MI
- Tinian Harbor Modifications, CNMI
- New York – New Jersey Harbor, NY & NJ GRR
- San Juan Harbor Improvement Study, PR
- Sabine Neches Waterway, TX (PED)

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

- Alaska Regional Ports (Port of Nome Modification), AK
- Upper Ohio River, Allegheny and Beaver Counties, PA (PED)
- GIWW, Brazos River Floodgates & Colorado River Lock, TX
- Galveston Harbor Channel Extension, Houston-Galveston Navigation Channel, TX (PED)
- Houston Ship Channel, TX
- Matagorda Ship Channel (Widening and Deepening), TX
- Atlantic Intracoastal Waterway Bridge Replacement at North Landing Bridge, VA

Performance Results - Construction

FY 2018 funds were provided on inland waterways to: (1) complete construction of Olmsted Locks & Dam, Ohio River; Locks & Dams 2, 3, and 4, Monongahela River, Pennsylvania; Kentucky Lock and Dam, Tennessee River, Kentucky; and Chickamauga Lock, Tennessee River, Tennessee; (2) design and construct recreation features on

An engineer inspects the gates on a lock and dam. (U.S. Army Corps of Engineers photo by Thomas Mills)



the Red River Waterway (J. Bennett Johnston Waterway, LA); and (3) initiate major rehabilitation of the Illinois Waterway, LaGrange Lock & Dam, IL.

FY 2018 were provided on coastal navigation projects to: (1) continue channel deepening improvement projects at Savannah Harbor Expansion, GA; Jacksonville Harbor Deepening, FL; Delaware River Main Channel, DE, NJ, PA; Corpus Christi Ship Channel, TX (Main Channel and Barge Lanes); Boston Harbor Deep Draft Improvements, MA; and Charleston Harbor, Deep Draft Navigation Improvements, SC; (2) rehabilitate the jetties at Columbia River at the Mouth, Oregon & Washington; (3) initiate major rehabilitation of the St. Mary’s River, Soo Locks, MI; and (4) construction at dredge material containment facilities at Wilmington Harbor, NC and Norfolk Harbor and Channels, Craney Island, VA.

One projects the St. Mary’s River, Soo Locks, MI major rehabilitation construction project was funded to completion in FY 2018.

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

TABLE 6. Navigation – Operation and Maintenance

					FY 2018	
		FY 2015	FY 2016	FY 2017	Target	Actual
Inland Waterways	Measure 3.1.a: The number of instances where mechanically driven failure at locks results in delays of more than 24 hours.	29	37	24	<38	40
	Measure 3.1.b: The number of instances where mechanically driven failure at locks results in delays of more than one week.	13	18	14	<22	19



STRATEGIC GOAL 4: Restore, protect, and manage aquatic ecosystems to benefit the Nation.

Aquatic Ecosystem Restoration

Relevant Objective:

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

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

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

Performance Results – Investigations

USACE completed the following studies in FY 2018:

- Espanola Valley, Rio Grande and Tributaries, NM
- Arkansas River Corridor, OK
- Resacas at Brownsville, TX

FY 2018 funds were provided to initiate and complete one new feasibility study – Mitchell Lake, San Antonio, TX, to resume PED on Eastern Shore, Mid-Chesapeake Bay Island, MD, and to initiate PED on Puget Sound Nearshore Marine Habitat Restoration, WA (Duckabush River Estuary).

FY 2018 funds were used to fund the completion of nine studies and one PED:

- Aliso Creek Mainstem, CA
 - Dry Creek (Warm Springs) Restoration, CA
 - Yuba River Fish Passage (Englebright and Daguerre Point Dams), CA
 - Adams and Denver Counties, CO
 - Espanola Valley, Rio Grande and Tributaries, NM
 - Arkansas River Corridor, OK
 - Jefferson Country Shore Protection, TX
 - Resacas at Brownsville, TX
 - Mitchell Lake, TX (new in FY 2018)
 - Skokomish River Basin, WA (PED)
- Upper Mississippi River Restoration, IL, IA, MN, MO & WI
- Poplar Island, MD
- San Antonio Channel Improvement Project, TX (Reimbursement)
- Mud Mountain Dam, WA (Biological Opinion)
- Lynnhaven River Restoration, VA (new start)
- Columbia River Fish Mitigation, WA, OR & ID (Biological Opinion)

Investigations funding was used to advance four continuing feasibility studies and one PED:

- East San Pedro Bay Ecosystem Restoration, CA
- Grand River Basin, MO
- Interbasin Control of Great Lakes – Mississippi River Aquatic Nuisance Species, IL, IN, OH, & WI
- Hudson River Habitat Restoration, NY
- Cano Martin Pena, PR (PED)

Performance Results – Construction

FY 2018 construction funds were provided to continue work on 10 programs and projects:

- Hamilton Airfield Wetlands Restoration, CA (adaptive management and monitoring)
- Hamilton City, CA
- South Florida Ecosystem Restoration, FL
- Missouri River Fish and Wildlife Recovery, IA, KS, MO, MT, NE, ND & SD (Biological Opinion)

Within the South Florida Ecosystem Restoration program, FY 2018 advancements included completion of the Modified Water Deliveries to Everglades National Park and the C-111 South Dade projects, and initiation of final planning for a Combined Operations Plan for these projects. The last two construction contracts were awarded on the Kissimmee River Restoration project, while construction progressed on the C-43 and C-44 reservoir contracts, completion of the 1st contract at Biscayne Bay Coastal Wetlands, and fiscal closeout of the C-51/STA-1 East project. The Kissimmee GRR was signed, study efforts are underway on three CERP projects and two post- authorization change reports, and technical assistance was provided to the primary sponsor on a Section 203 report. Approval of an Integral Determination Report and execution a Pre-Project Partnership Agreement with the non-Federal sponsor helped to expedite the realization of benefits on two more projects. Finally, two PPA Amendments, one Feasibility Cost Share Agreement, and one technical services agreement were executed to advance implementation efforts on four different projects.

Meeting the requirements of biological opinions affecting various projects on the Columbia River system and the Missouri River continues to be a priority and progress. In the Missouri River Basin, a construction contract was awarded on Yellowstone

Intake, in FY 2018. Approximately 468 acres of quality riparian habitat was acquired for future pallid sturgeon habitat creation. Vegetation management was conducted on approximately 750 acres of emergent sandbar habitat in the Missouri River to improve nesting conditions for the piping plover and interior least tern.

TABLE 7. Aquatic Ecosystem Restoration

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Acres of habitat restored, created, improved, or protected (annual) ¹	9,686	12,674	97,406	353,870	100,000

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

Regulatory

Relevant Objective:

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

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

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

Performance Results

The Regulatory Program reviewed over 76,000 applications and 27,000 jurisdictional determinations in FY 2018. The majority of the 56,000 final permit applications (95%) were evaluated using streamlined general permit processes, where 84% were verified in 60 days or less.

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

TABLE 8. Regulatory

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Percentage of general permit application decisions made within 60 days	86%	87%	85%	80%	84%
Percentage of standard permits and letter of permission permit decisions made within 120 days.	60%	58%	58%	50%	61%

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 2018, FUSRAP met all of its performance targets. Funds were used to continue radiological remedial activities at the Maywood site in New Jersey as well as the Shallow Land Disposal Area in Pennsylvania; properties in the vicinity of the St. Louis Airport in Missouri; the Iowa Army Ammunition Plant; the St. Louis Downtown Sites in St. Louis, Missouri; the Luckey Site, Ohio and DuPont Chamber Works, New Jersey. A Site Closure Report was signed for the Colonie, New York and a contract was awarded to begin the remediation of the Tonawanda Landfill Site, New York in FY 2019. Approximately 84,000 cubic yards of contaminated material was removed. Of this amount, 47,000 cubic yards was from the Maywood Site. Thirty-three (205 cumulative) properties located in St. Louis, Missouri were returned to beneficial use. Remedial Investigation or close out activities continued at most other FUSRAP sites.

TABLE 9. Formerly Used Sites Remedial Action Program

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Number of individual properties returned to beneficial use.	14	9	24	23	33

Environmental Stewardship

Relevant Objective:

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

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

- Measure 4.4: Percent of USACE fee-owned and/or administered lands and waters that have achieved desired natural resource conditions. This measure tracks land and water acreage, which

through protection and management meets the desired conditions outlined in management or work plans which fall into categories of sustainable, transitioning or degraded. Condition classifications are annually updated for each vegetation type of USACE-CW fee owned property.

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

Performance Results

Additionally, the number of master plans updated in accordance with current regulations continues to increase. The master plans enable USACE-CW to adequately plan for and adjust to increasing pressures by rising population growth and land use demands. These plans inform important land use decisions and protections.



TABLE 10. Environmental Stewardship

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Percent of USACE-CW fee-owned and/or administered lands and waters that have achieved desired natural resource conditions	89%	89%	89%	86%	89% ¹

Note 1: 2018 actual is estimated performance. Final data will not be available until January 2019 after field submittal and quality assurance is complete.

Recreation

Relevant Objective:

Objective 4.5: *Provide opportunities for quality outdoor public recreation.*

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

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

Performance Results

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

TABLE 11. Recreation

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
PSA Compliance with facility condition standards	87%	87%	88%	92%	87%
PSA Compliance with efficiency standards	68%	68%	68%	71%	68%
PSA compliance with health and safety standards	55%	59%	58%	59%	58%

Teaching students how to play a flood awareness and safety game. (U.S. Army Corps of Engineers photo by Michael Embrich)



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 (British Thermal Unit (BTU)/Gross Square Feet (GSF)). This measures progress on making “buildings” more energy efficient.

Performance Results

At the end of FY 2017, USACE-CW significantly exceeded the federal petroleum reduction goal of 20% by achieving a 26.1% reduction relative to the FY 2005 baseline. Official FY 2018 data for this measure will not be available until January 31, 2019.

At the end of FY 2017, USACE reported significant improvement on Measure 5.1.b, jumping from 15.1% to 34.7% reduction over the period FY 2015 - FY 2017. USACE improvement on Measure 5.1.b was due in part to long-term systematic investments in cost-effective facility

energy efficiency improvements as well as revisions of the Facility Energy Intensity calculation methodology implemented by the Department of Energy Federal Energy Management Program. Official FY 2018 data for this measure will not be available until January 31, 2019.

TABLE 12. Sustainability and Energy

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Percent Reduction in Non-tactical Vehicle (NTV) Petroleum Use	20%	23%	26%	26%	Note 1
Percent reduction in Goal Subject Facility Energy Intensity	15%	22%	35%	35%	

Note 1: Data for FY 2018 will not be available until 2nd Quarter FY 2019

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

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

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

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

Performance Results

In FY 2018, USACE continued an enterprise-wide collection of minimum required maintenance data that will allow the development of the baseline Preventive Maintenance reporting. Managers are held accountable to properly code preventive maintenance work orders and track labor, materials, and service costs as well as criticality of the affected assets.

Hydropower

Relevant Objective:

Objective 5.3: *Provide reliable, renewable, hydropower to the Nation.*

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

- Measure 5.3.a: Peak unit availability (percentage of time generating units are available during periods of peak demand). Peak Unit Availability measures performance reliability, it is the

percentage of time during critical peak demand periods that hydroelectric generating units are available to the Power Marketing Administration (PMA) interconnected system.

- Measure 5.3.b: Percentage of time units are out of service due to unplanned outage. This measure tracks the percentage of time hydropower generating units are in an unscheduled or unplanned outage status. The lower the forced outage rate, the more reliable and less expensive the electrical power provided to the consumer.

Performance Results

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

During FY 2018 the USACE-CW signed 20 new sub-agreements and a modification to 2 existing sub-agreements resulting in an additional \$310 million for non-routine work at USACE-CW power plants outside of the Pacific Northwest.

Compared to the previous year, there was a slight increase (approximately one percent) in the amount of time hydropower generating units were actually available to produce power during peak demand periods. This increase resulted from a decrease in scheduled equipment outages. The target for peak availability was 87%, and this target was not met. The Industry standard for peak availability is 95%. The forced outage rate increased about 3% from the previous year.

TABLE 13. Hydropower

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Peak unit availability (percentage of time generating units are available during periods of peak demand)	88%	86%	86%	87%	83%
Percentage of time units are out of service due to unplanned outages	6%	9%	10%	3%	7%

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.

Performance Results

Currently there are 136 projects in 25 states that provide 9.8 million acre-feet of Municipal and Industrial water supply storage to users that have contracted for that storage. The cost associated with the storage, including the cost to operate and maintain the storage, are returned as revenues to the United States Treasury according to the terms of contracts. Over the last seven years, an average of \$70 million per year has been returned.

FY 2018 funds were provided for four reallocation studies, including initiation of 2 new studies, and to continue the operation and maintenance of the water supply functions at multi-purpose USACE-CW projects.

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

TABLE 14. Water Storage for Water Supply

	FY 2015	FY 2016	FY 2017	FY 2018	
				Target	Actual
Percentage of available acre-feet under contract	96%	96%	96%	96%	96%
Percentage of investment costs recovered	58%	58%	58%	64%	59%

POSSIBLE FUTURE EFFECTS OF EXISTING CONDITIONS

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

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

Flood Risk Management

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

Dams: USACE-CW uses dam safety action classification (DSAC) ratings to quantify the risk and consequence of failure at Corps-owned dams. Some of these dams may require additional study and/or modification. Where appropriate, USACE-CW also implements interim risk reduction measures to reduce the risk associated with a dam safety concern.

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

Navigation

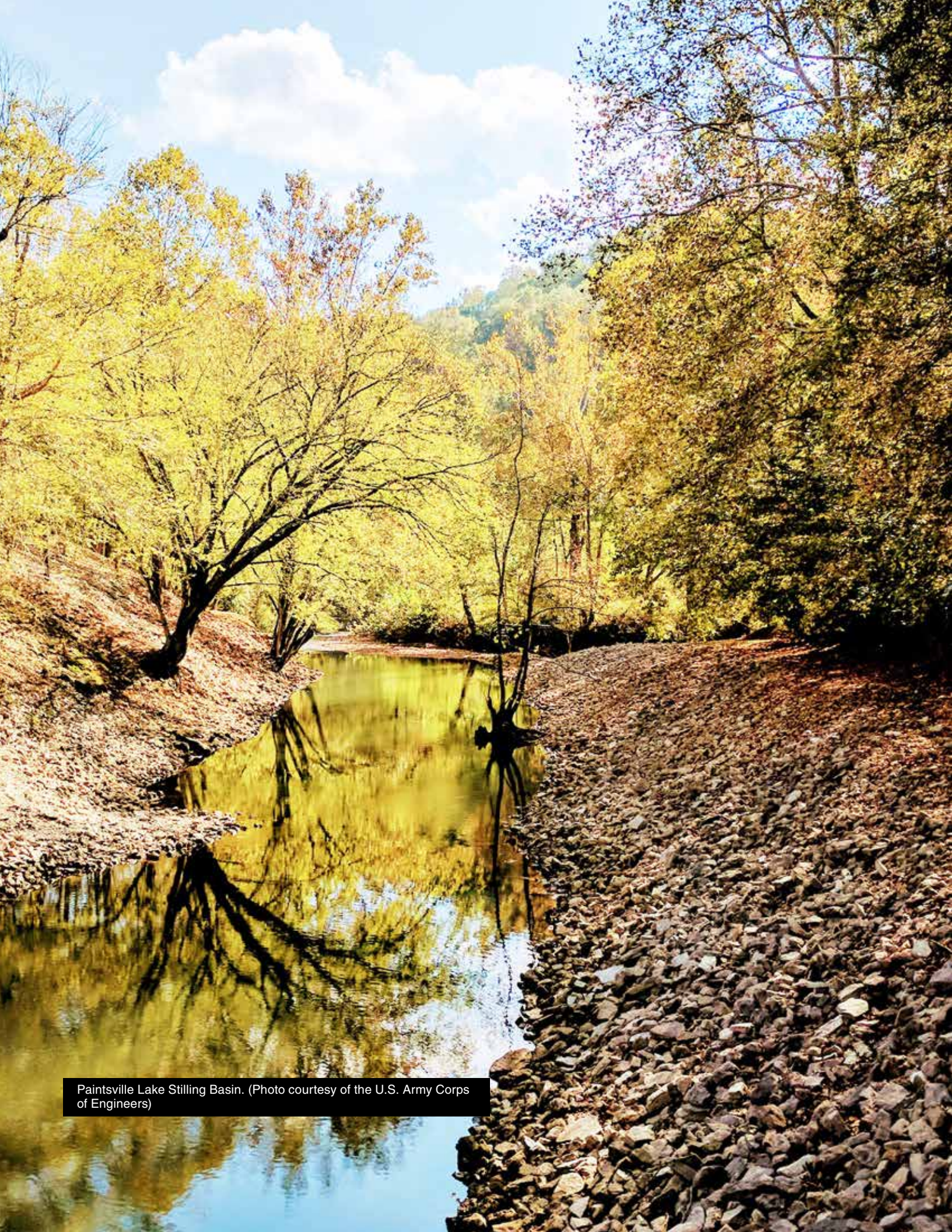
Today, approximately 20% of the gross domestic product of the U.S. is generated by foreign trade and approximately 95% of that trade is moved by water. The value of foreign tonnage is over \$900 billion.

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

Aquatic Ecosystem Restoration

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

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



Paintsville Lake Stilling Basin. (Photo courtesy of the U.S. Army Corps of Engineers)

Analysis of Financial Statements

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

The USACE-CW Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources have been prepared to report the financial position and results of operations of the USACE-CW, pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994. The following sections provide a brief description of the nature of each financial statement and significant fluctuations from FY 2017 to FY 2018. 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, 2018 and 2017. Total assets amounted to \$78,430 million in FY 2018 and \$58,574 million in FY 2017, a 33.9% increase. This increase is mainly attributed to an increase in the Fund Balance with Treasury and General Property Plant and Equipment balances in FY 2018 over the balance in FY 2017.

FIGURE 4. Assets Comparison

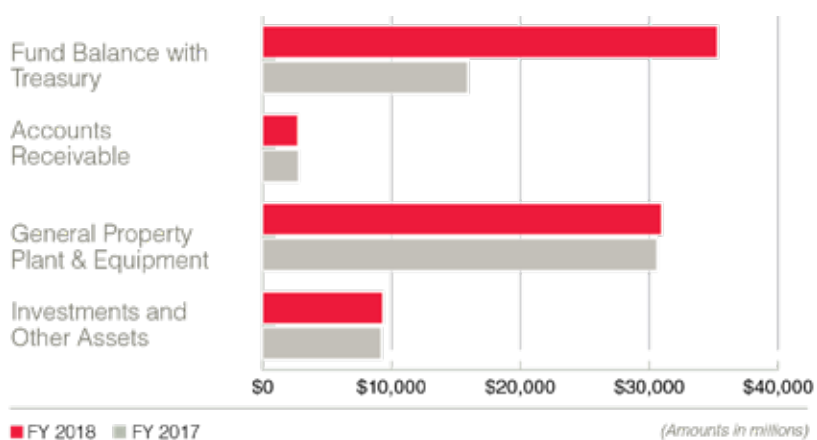
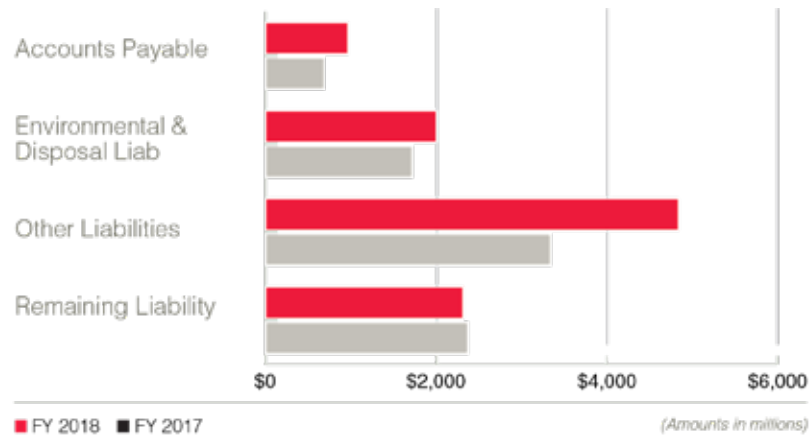


Figure 5 shows the USACE-CW Liabilities Comparison as of September 30, 2018 and 2017. Total liabilities amounted to \$10,129 million in FY 2018 and \$8,135 million in FY 2017, a 24.51% increase. This increase is primarily attributed to an increase in Advances from Others and Deferred Credits.

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 \$13,109 million in FY 2018 and \$9,407 million in FY 2017, and earned revenues amounting to \$5,788 million in FY 2018 and \$2,530 million in FY 2017. Both elements are comprised of intragovernmental and public costs. Total net costs of operations increased by \$444 million, or 6.46%, which is attributed to the two factors below.

Program costs increased by \$3,702 million, or 39.35%. Costs increased in FY 2018 due to significant growth in intragovernmental activities.

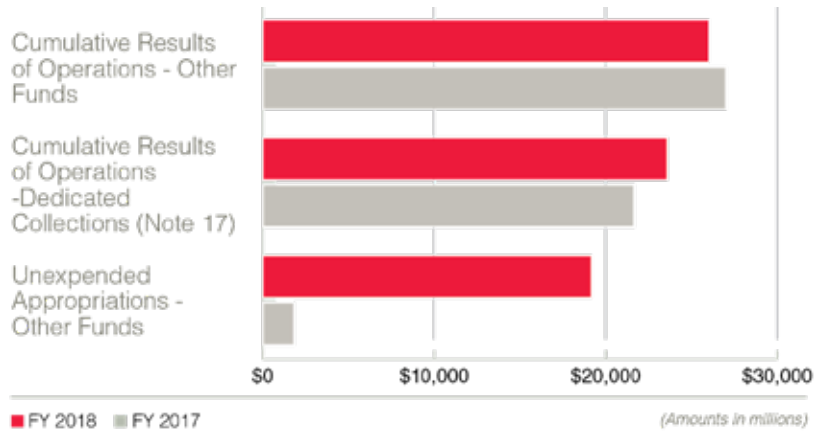
Earned revenue increased by \$3,258 million, or 128.77%. The Intragovernmental Earned Revenue increase is attributed to support to the Department of Homeland Security for the Federal Emergency Management Agency (FEMA). The Public Earned Revenue increase is attributed to collections from the local municipalities of the District of Columbia, Arlington County, and City of Falls Church for the Washington Aqueduct. The Washington Aqueduct is owned and operated by USACE, but the local municipalities provide the funds to operate and maintain it.

Consolidated Statements of Changes in Net Position

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

Figure 6 shows the three components of the USACE-CW net position for FY 2018 and FY 2017. Total net position amounted to \$68,301 million in FY 2018 and \$50,438 million in FY 2017, a 35.42% increase. The increase is attributed to an increase in “Cumulative Results of Operations-Dedicated Collections.”

FIGURE 6. Net Position

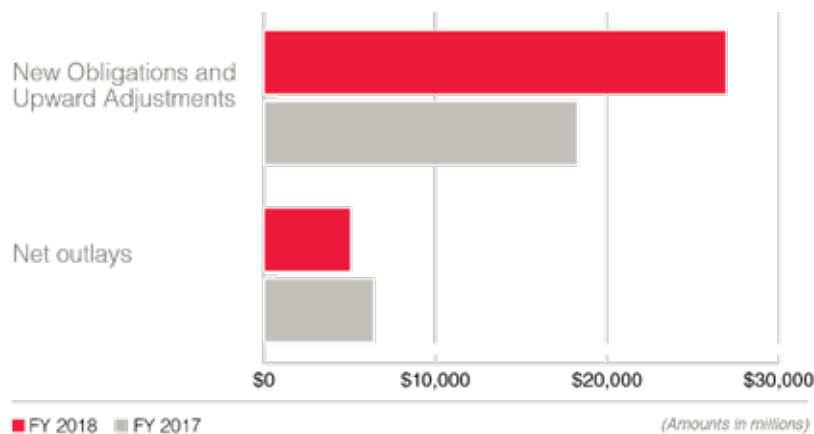


Combined Statement of Budgetary Resources

The Combined Statements of Budgetary Resources provides information on the budgetary resources that were made available to the USACE-CW as of September 30, 2018 and 2017, 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 new obligations and upward adjustments and net outlays in FY 2018 and FY 2017. New obligations and upward adjustments amounted to \$26,937 million as of September 30, 2018 and \$18,261 million as of September 30, 2017. Net outlays amounted to \$5,073 million as of September 30, 2018 and \$6,438 million as of September 30, 2017.

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, 2018.

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, 2018 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, 2018.



Yatesville Lake Visitor Center. (Photo courtesy of the U.S. Army Corps of Engineers)



JAMES C. DALTON, P.E.

Director, Civil Works

Analysis of Systems, Controls, And Legal Compliance

Federal Managers' Financial Integrity Act

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

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

The USACE-CW internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and the OMB Circulars Nos. A-123, *Management's Responsibility for Internal Control*, and A-136, *Financial Reporting Requirements*. The USACE-CW holds managers accountable for the performance, productivity, operations, and integrity of their programs through the use of internal controls. The USACE-CW undertakes a combination of actions to ensure there is a reasonable level of assurance that internal controls are in place and operating effectively. Those actions consist of a

combination of inspections, audits, investigations, and management controls reviews conducted throughout the year. The USACE-CW also has a strong network of management control oversight committees to include the USACE Management Action Group, Regional Management Boards, and the Quarterly Review Boards. The Business Process Documentation System, another management control mechanism, allows the USACE-CW to document standardized business processes and ensure appropriate internal controls are built into those processes. Many of the USACE-CW management control evaluations are integrated into periodic management review processes such as the Consolidated Management Reviews, Directorate Management Reviews, Program Management Reviews, and through the execution of internal audits. The USACE-CW evaluation for FY 2017 identified no material weaknesses in the design or operation of its management and financial system internal controls.

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

OMB Circular No. A-123 Appendix A

The USACE-CW conducted an assessment of the effectiveness of its internal controls over financial

reporting in compliance with OMB Circular No. A-123, Appendix A, Internal Control over Financial Reporting (ICOFR) and related DoD guidance. The USACE Executive Senior Assessment Team (ESAT), established in FY 2008, is chaired by the Deputy Commanding General and comprised of functional area Senior Executives who provide expert leadership and direction over the CFO Act financial statement audit. USACE-CW evaluation for FY 2018 did not identify any material weaknesses as of or subsequent to June 30, 2018.

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

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

Improper Payments Information Act Reporting Details

USACE-CW recognizes the importance of maintaining sufficient internal controls to ensure proper payments. The Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; Pub. L. 111-204) and

the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA Pub. L. 112-248) requires agencies to annually report information on improper payments to the President and Congress. The IPIA, as amended, and OMB implementing guidance, OMB Circular A-123, Appendix C,

Requirements for Effective Measurement and Remediation of Improper Payments, require agencies to review all programs and activities they administer to identify those that are susceptible to significant improper payments. OMB defines significant improper payments as gross annual improper payments (i.e. the total amount of overpayments plus underpayments) in a program exceeding (1) both 1.5% of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million,

regardless of the improper payment percentage of total program outlays.

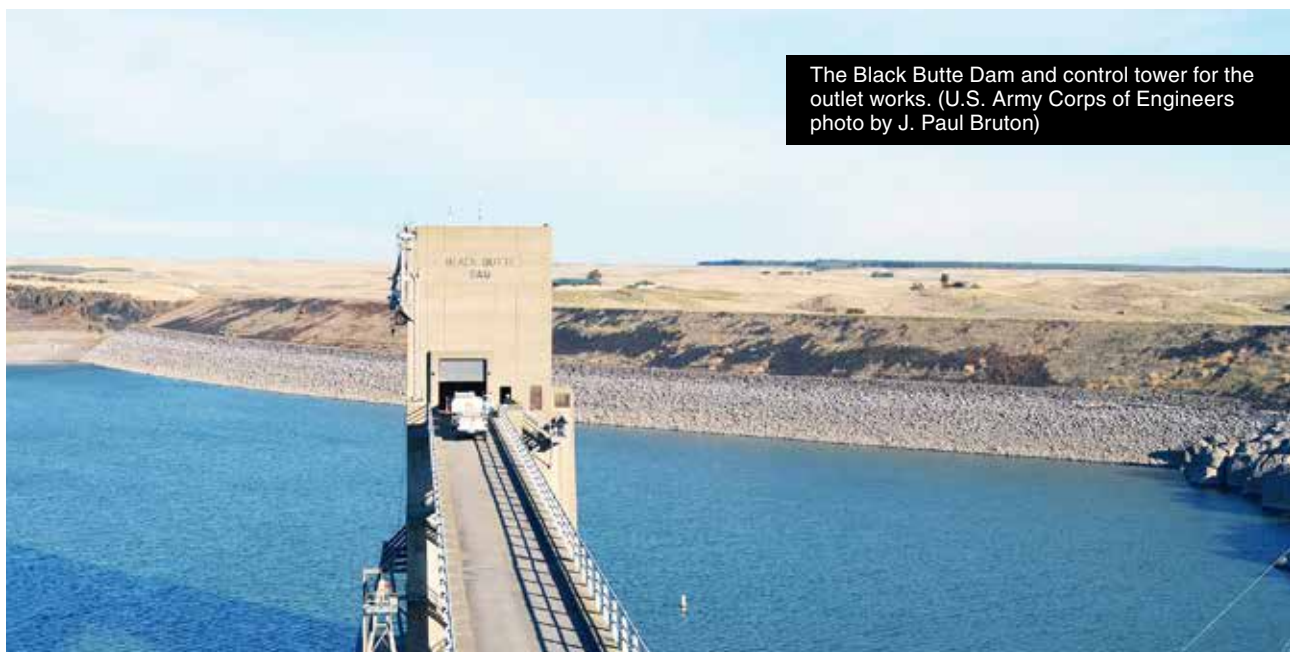
In accordance with the IPIA, as amended, and OMB implementing guidance, USACE-CW assessed its programs and activities for susceptibility to significant improper payments. Based on the results of our sampling/audit of FY18 IPERIA compliance, the USACE-CW Program is not susceptible to significant improper 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 2014 through FY 2018:

Fiscal Year End	Number of Material Weaknesses	Number of Significant Deficiencies	Number of Legal Requirements Not in Compliance
2014	0	3	2
2015	1	3	2
2016	1	2	2
2017	2	1	2
2018	2	1	2





Inspecting the gates on R.S. Kerr Lock and Dam (#15) as part of a periodic inspection. (U.S. Army Corps of Engineers photo by Thomas Mills)

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, 2018 and 2017

<i>(in thousands)</i>	2018	2017
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 35,312,951	\$ 15,951,635
Investments (Note 4)	9,344,698	9,210,018
Accounts Receivable (Note 5)	664,564	630,740
Total Intragovernmental Assets	<u>\$ 45,322,213</u>	<u>\$ 25,792,393</u>
Cash and Other Monetary Assets	377	749
Accounts Receivable, Net (Note 5)	2,095,306	2,156,921
Operating Materials and Supplies (Note 6)	28,128	21,334
General Property, Plant and Equipment, Net (Note 7)	30,983,844	30,602,145
Other Assets	62	72
TOTAL ASSETS	<u>\$ 78,429,930</u>	<u>\$ 58,573,614</u>
Stewardship PP&E (Note 8)		
LIABILITIES (Note 9)		
Intragovernmental:		
Accounts Payable	\$ 62,053	\$ 65,389
Debt	559	794
Due to Treasury - General Fund (Note 11)	2,076,550	2,132,610
Other Liabilities (Notes 11 & 12)	1,777,624	1,047,978
Total Intragovernmental Liabilities	<u>\$ 3,916,786</u>	<u>\$ 3,246,771</u>
Accounts Payable - Public	906,095	627,452
Federal Employee and Veterans' Benefits	239,359	240,804
Environmental and Disposal Liabilities (Note 10)	2,005,290	1,726,544
Deferred Credits (Note 11)	1,581,496	1,282,887
Other Liabilities (Notes 11 & 12)	1,480,175	1,010,895
TOTAL LIABILITIES	<u>\$ 10,129,201</u>	<u>\$ 8,135,353</u>
Contingencies (Note 12)		
NET POSITION		
Unexpended Appropriations - Other Funds	\$ 19,168,739	\$ 1,797,327
Cumulative Results of Operations - Dedicated Collections (Note 17)	23,576,243	21,641,029
Cumulative Results of Operations - Other Funds	25,555,747	26,999,905
TOTAL NET POSITION	<u>\$ 68,300,729</u>	<u>\$ 50,438,261</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 78,429,930</u>	<u>\$ 58,573,614</u>

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

CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2018 and 2017

<i>(in thousands)</i>	2018	2017
Program Costs		
Gross Costs (Note 13)	\$ 13,109,398	\$ 9,407,338
Less: Earned Revenue	<u>(5,788,211)</u>	<u>(2,529,696)</u>
Net Cost of Operations	<u>\$ 7,321,187</u>	<u>\$ 6,877,642</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2018 and 2017

<i>(in thousands)</i>	2018 Dedicated Collections	2018 Other	2018 Consolidated Total
UNEXPENDED APPROPRIATIONS			
Beginning Balances	\$ -	\$ 1,797,327	\$ 1,797,327
Budgetary Financing Sources:			
Appropriations received	-	22,789,659	22,789,659
Other adjustments (rescissions, etc.)	-	(643)	(643)
Appropriations used	-	(5,417,604)	(5,417,604)
Total Budgetary Financing Sources	<u>-</u>	<u>17,371,412</u>	<u>17,371,412</u>
Total Unexpended Appropriations	-	19,168,739	19,168,739
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	\$ 21,641,029	\$ 26,999,905	\$ 48,640,934
Budgetary Financing Sources:			
Appropriations used	-	5,417,604	5,417,604
Nonexchange revenue	1,781,172	18,793	1,799,965
Transfers-in/out without reimbursement	36,868	(4,808)	32,060
Other Financing Sources (Non-exchange):			
Donations and forfeitures of property	-	6,937	6,937
Transfers-in/out without reimbursement	-	164,343	164,343
Imputed financing from costs absorbed by others	6,830	318,459	325,289
Other	82,467	(16,422)	66,045
Total Financing Sources	<u>1,907,337</u>	<u>5,904,906</u>	<u>7,812,243</u>
Net Cost of Operations	<u>(27,877)</u>	<u>7,349,064</u>	<u>7,321,187</u>
Net Change	1,935,214	(1,444,158)	491,056
Cumulative Results of Operations	<u>23,576,243</u>	<u>25,555,747</u>	<u>49,131,990</u>
Net Position	<u>\$ 23,576,243</u>	<u>\$ 44,724,486</u>	<u>\$ 68,300,729</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2018 and 2017

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

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the years ended September 30, 2018 and 2017

<i>(in thousands)</i>	2018 Combined	2017 Combined
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 11,986,597	\$ 10,249,896
Appropriations (discretionary and mandatory)	25,087,702	7,625,746
Spending Authority from offsetting collections (discretionary and mandatory)	20,516,229	11,929,792
Total Budgetary Resources	\$ 57,590,528	\$ 29,805,434
Memorandum (non-add) entries:		
Net adjustments to unobligated balance brought forward, Oct 1	\$ 442,450	\$ 338,062
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	\$ 26,937,163	\$ 18,261,287
Unobligated balance, end of year		
Apportioned, unexpired accounts	30,618,942	9,738,329
Exempt from Apportionment, unexpired accounts	27,278	1,800,562
Unapportioned, unexpired accounts	5	124
Unexpired unobligated balance, end of year	30,646,225	11,539,015
Expired unobligated balance, end of year	7,140	5,132
Unobligated balance, end of year (total)	30,653,365	11,544,147
Total Budgetary Resources	\$ 57,590,528	\$ 29,805,434
Outlays, Net:		
Outlays, net (total) (discretionary and mandatory)	5,932,875	7,087,569
Distributed offsetting receipts (-)	(860,238)	(649,197)
Agency Outlays, net (discretionary and mandatory)	\$ 5,072,637	\$ 6,438,372

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, Statements of Net Cost and Changes in Net Position, and Combined Statement of Budgetary Resources, in accordance with OMB financial statement reporting guidelines.

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

1.C. Fund Types

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

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

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

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

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

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

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

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

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

A summary of USACE funds follows:

General Funds

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

Revolving Funds

096X4902	Revolving Fund
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Special Funds

096X5007	Special Recreation Use Fees	096X5570	Interagency America the Beautiful Pass Revenues
096X5066	Hydraulic Mining in California, Debris	096X5607	Special Use Permit Fees
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)		

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
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Deposit Funds

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

Clearing Accounts

096F3885 Undistributed Intragovernmental Payment

Receipt Accounts

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

1.D. Financing Sources

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

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

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

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

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

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

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

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

1.E. Use of Estimates

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

1.F. Recognition of Expenses

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

1.G. Accounting for Intragovernmental Activities

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

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

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

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

1.H. Entity and Nonentity Assets

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

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

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

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

1.J. Investments

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

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

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

1.K. Accounts Receivable

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

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

1.L. Operating Materials and Supplies

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

1.M. General Property, Plant and Equipment

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

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

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

1.N. Leases

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

1.O. Other Assets

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

1.P. Accounts Payable

Accounts payable are the amounts owed, but not yet paid, by USACE for goods and services received from other entities, progress in contract performance made by other entities, and rents due to other entities.

1.Q. Debt

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

1.R. Due to Treasury – General Fund

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

1.S. Federal Employee and Veterans' Benefits

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

1.T. Other Liabilities

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

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

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

1.U. Environmental and Disposal Liabilities

Environmental and disposal liabilities include future costs to address government-related environmental contamination at USACE sites and other sites at which USACE is directed by Congress to perform remediation work. USACE recognizes a liability for each site as the need for cleanup work becomes probable and costs, based on site-specific engineering

estimates, become measurable. Costs to address environmental contamination not caused by the government are recorded as incurred. Cleanup remedies are selected from feasible alternatives using the decision-making process prescribed by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

1.V. Liabilities Not Covered by Budgetary Resources

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

1.W. Net Position

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

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

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

1.X. Allocation Transfers

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

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

1.Y. Reclassification

The presentation of the FY 2018 and FY 2017 Combined Statements of Budgetary Resources (SBR) has changed considerably from the previous SBR presentation included in the USACE - Civil Works' FY 2017 Agency Financial Report, due to revisions to the SBR format included in the July 2018 issuance of OMB Circular A-136, Financial Reporting Requirements. In the Budgetary Resources section of the SBR, the new format collapsed previous SBR lines for various current fiscal year adjustments to Unobligated balance brought forward, October 1 into a newly captioned line, Unobligated balance from prior year budget authority, net. The adjustments are also aggregated and reported in the new memorandum line, Net Adjustments to unobligated balance brought forward, Oct. 1. The new SBR eliminated the previous Change in Obligated Balance section and certain lines in the Budget Authority and Outlays, Net section. Lastly, the new SBR does not display the calculation of Outlays, net, which is Outlays, gross, less Actual offsetting collections.

Additionally, the Unobligated balance from prior years budget authority, net consists of Unobligated balance brought forward, October 1, as adjusted by current fiscal year activity related to the Unobligated balance brought forward. Typical items include downward adjustments of prior year paid and unpaid obligations, transfers of prior year balances, and canceled authority. The current fiscal year activity that is adjusting the Unobligated balance from prior year budget authority, net is shown for informational purposes on the line Memorandum (non-add) entries: Net adjustments to unobligated balance, brought forward, Oct. 1.

NOTE 2. NONENTITY ASSETS

As of September 30	2018		2017	
<i>(\$ in thousands)</i>				
Nonentity Assets				
Intragovernmental Assets				
Fund Balance with Treasury	\$	17,345	\$	9,557
Accounts Receivable		0		45
Total Intragovernmental Assets		17,345		9,602
Cash and Other Monetary Assets		377		749
Accounts Receivable		2,076,904		2,134,071
Total Nonfederal Assets		2,077,281		2,134,820
Total Nonentity Assets		2,094,626		2,144,422
Total Entity Assets		76,335,304		56,429,192
Total Assets	\$	78,429,930	\$	58,573,614

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 11, "Due to Treasury – General Fund and Other Liabilities", provide additional information related to long-term water storage agreements.

NOTE 3. STATUS OF FUND BALANCE WITH TREASURY

As of September 30	2018		2017	
<i>(\$ in thousands)</i>				
Unobligated Balance				
Available	\$	30,646,220	\$	11,538,891
Unavailable		7,145		5,256
Obligated Balance not yet Disbursed		10,823,020		7,412,010
Nonbudgetary FBwT		109,053		94,272
Non FBwT Budgetary Accounts		(6,272,487)		(3,098,794)
Total	\$	35,312,951	\$	15,951,635

Other Information

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

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

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

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

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

NOTE 4. INVESTMENTS AND RELATED INTEREST

As of September 30	2018				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
<i>(\$ in thousands)</i>					
Intragovernmental Securities					
Nonmarketable, Market-Based	\$ 9,364,154	Effective Interest	(37,484)	9,326,670	9,294,176
Accrued Interest	18,028		-	18,028	18,028
Total Intragovernmental Securities	\$ 9,382,182		(37,484)	9,344,698	9,312,204
As of September 30	2017				
	Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure
<i>(\$ in thousands)</i>					
Intragovernmental Securities					
Nonmarketable, Market-Based	\$ 9,257,191	Effective Interest	(67,313)	9,189,878	9,184,121
Accrued Interest	20,140		-	20,140	20,140
Total Intragovernmental Securities	\$ 9,277,331		(67,313)	9,210,018	9,204,261

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 2018 and FY 2017 are \$9.2 billion and \$9.1 billion, respectively. Refer to Note 17, Funds from Dedicated Collections, for additional information about the Harbor Maintenance Trust Fund.

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, 2018 and September 30, 2017, respectively.

NOTE 5. ACCOUNTS RECEIVABLE, NET

As of September 30	2018		
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
<i>(\$ in thousands)</i>			
Intragovernmental Receivables	\$ 664,564	\$ N/A	\$ 664,564
Nonfederal Receivables (From the Public)	\$ 2,096,886	\$ (1,580)	\$ 2,095,306
Total Accounts Receivable	\$ 2,761,450	\$ (1,580)	\$ 2,759,870

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

Other Information

As of September 30, 2018 and September 30, 2017, Accounts Receivable Intragovernmental includes \$504.0 million and \$509.2 million, respectively, for amounts due from the Coastal Wetlands Restoration Trust Fund for projects in the New Orleans District.

As of September 30, 2018 and September 30, 2017, Accounts Receivable from the Public, net of allowances, consists principally of long-term water storage, Louisiana coastal restoration, and flood control and hurricane protection agreements. These agreements have maturity dates ranging from two to fifty years and interest rates based on the U.S. Treasury effective rate at the time of the agreement. Refer to Note 1.K, "Accounts Receivable," for additional details and disclosures.

NOTE 6. OPERATING MATERIALS AND SUPPLIES

As of September 30	2018	2017
<i>(\$ in thousands)</i>		
Operating Materials and Supplies:		
Items Held for Use	\$ 28,128	\$ 21,334
Total	\$ 28,128	\$ 21,334

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. 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, 2018 and 2017, 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.

NOTE 7. GENERAL PROPERTY, PLANT & EQUIPMENT, NET

As of September 30	2018				
	Depreciation/ Amortization Method	Service Life (yrs)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
<i>(\$ in thousands)</i>					
Major Asset Classes					
Land	N/A	N/A	\$ 9,076,674	\$ N/A	\$ 9,076,674
Buildings, Structures, and Facilities	S/L	20 - 100	37,712,093	(19,315,522)	18,396,571
Leasehold Improvements	S/L	Lease term	71,799	(49,011)	22,788
Software	S/L	2 - 10	138,029	(127,091)	10,938
General Equipment	S/L	5 - 50	2,232,469	(1,275,012)	957,457
Construction-in-Progress	N/A	N/A	2,519,416	N/A	2,519,416
Total General PP&E			<u>\$ 51,750,480</u>	<u>\$ (20,766,636)</u>	<u>\$ 30,983,844</u>

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

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

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 8, "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 8. 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 395 heritage assets in this category which reflects a net increase of 25 buildings and structures from the prior fiscal yearend report. The net increase includes three heritage assets that were reclassified from an archaeological site to a building and structures site this year. Additionally, USACE has 268 heritage assets identified as multi-use heritage assets within our districts and divisions. An example of a multi-use heritage asset within the Corps is the Mill Springs Mill in Kentucky, which serves as a full service visitor center.

2. Archaeological Sites. Cemeteries and archaeological sites are archaeological properties listed on or are eligible for listing in the National Register of Historic Places. Examples of USACE archaeological sites include the Civil War Fort Site at Grenada Lake, Buzzard Cave at Lake Whitney, and the Hildebrand Ranch in Littleton, CO. There are a total of 942 archaeological sites in this category which reflects a net increase of 180 from the prior fiscal yearend report. In addition the archaeological heritage assets that were added or removed this year, two heritage assets were reclassified from a building and structures site to an archeological site.
3. Museum Collection Items (Objects). Museum collection items are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant technical or architectural characteristics. These items are divided into two subcategories: fine art and objects. These include museum collection items that have historical or cultural significance, but lack formal listing and the demonstrated need for active maintenance. USACE added two items to the Museum Collection Items for FY 2018.

Heritage Assets

	As of 10/1/16	Increase	Decrease	As of 9/30/17	Increase	Decrease	As of 9/30/18
Building and Structures	351	31	(12)	370	35	(10)	395
Archaeological Sites	697	72	(7)	762	194	(14)	942
Museum Collection Items	218	0	(3)	215	2	0	217

Acquisition and Withdrawal of Heritage Assets

USACE had a net increase of 209 heritage assets during FY 2018 from the “eligible for,” National Register, and Museum Collection listings. USACE reported this net effect 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 9. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30	2018	2017
<i>(\$ in thousands)</i>		
Intragovernmental Liabilities		
Debt	\$ 559	\$ 794
Due to Treasury - General Fund	2,076,550	2,132,610
Other	540,067	511,075
Total Intragovernmental Liabilities	\$ 2,617,176	\$ 2,644,479
Accounts Payable	0	408
Federal Employee and Veterans' Benefits	239,359	240,804
Environmental and Disposal Liabilities	2,005,290	1,726,544
Contingent Liabilities	363,091	378,298
Total Liabilities Not Covered by Budgetary Resources	\$ 5,224,916	\$ 4,990,533
Total Liabilities Covered by Budgetary Resources	\$ 4,904,285	\$ 3,144,820
Total Liabilities	\$ 10,129,201	\$ 8,135,353

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.

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

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

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

Federal Employee and Veterans' Benefits include an actuarial liability for FECA. Refer to Note 11, "Due to Treasury - General Fund and Other Liabilities," for additional details and disclosures.

Environmental and Disposal Liabilities represent estimated cleanup costs for environmental liabilities, which will be funded in future appropriations. Refer to Note 10, "Environmental and Disposal Liabilities," and Note 11, "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 12, "Contingencies," for additional details and disclosures.

USACE did not have any Total Liabilities Not Requiring Budgetary Resources to report in FY 2018.

NOTE 10. ENVIRONMENTAL AND DISPOSAL LIABILITIES

As of September 30	2018	2017
<i>(\$ in thousands)</i>		
Formerly Utilized Sites Remedial Action Program (FUSRAP)	\$ 1,996,676	\$ 1,717,922
Other	8,614	8,622
Total Environmental and Disposal Liabilities	\$ 2,005,290	\$ 1,726,544

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 recognizes costs to address environmental contamination not caused by the government as costs are incurred. Examples of these environmental liabilities are Maywood Chemical Company and Colonie Interim Storage Site which are considered to be government-acknowledged and thus they are not accrued.

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, 2018 and 2017 resulted from inflation adjustments to reflect changes in costs for the current year, cleanup activities performed, adjustments to estimates of soil volumes, and approval of new projects.

Other Environmental Liabilities

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

NOTE 11. DUE TO TREASURY – GENERAL FUND AND OTHER LIABILITIES

As of September 30 (\$ in thousands)	2018		
	Current Liability	Noncurrent Liability	Total
Intragovernmental			
Due to Treasury - General Fund	\$ 11,382	\$ 2,065,168	\$ 2,076,550
Advances from Others	1,213,347	-	1,213,347
Deposit Funds and Suspense Account Liabilities	(530)	-	(530)
Disbursing Officer Cash	377	-	377
Judgment Fund Liabilities	499,128	-	499,128
FECA Reimbursement to the Department of Labor	17,980	22,958	40,938
Employer Contribution and Payroll Taxes Payable	24,364	-	24,364
Total Intragovernmental	\$ 1,766,048	\$ 2,088,126	\$ 3,854,174
Accrued Funded Payroll and Benefits	\$ 182,898	\$ -	\$ 182,898
Advances from Others	853,993	-	853,993
Deferred Credits	1,581,496	-	1,581,496
Deposit Funds and Suspense Accounts	17,699	-	17,699
Contract Holdbacks	62,494	-	62,494
Contingent Liabilities	363,091	-	363,091
Total Other Liabilities	\$ 4,827,719	\$ 2,088,126	\$ 6,915,845

As of September 30

(\$ in thousands)

Intragovernmental

	2017		
	Current Liability	Noncurrent Liability	Total
Due to Treasury - General Fund	\$ 15,597	\$ 2,117,013	\$ 2,132,610
Advances from Others	513,986	-	513,986
Deposit Funds and Suspense Account Liabilities	(518)	-	(518)
Disbursing Officer Cash	749	-	749
Judgment Fund Liabilities	469,400	-	469,400
FECA Reimbursement to the Department of Labor	18,400	22,526	40,926
Employer Contribution and Payroll Taxes Payable	23,435	-	23,435
Total Intragovernmental	\$ 1,041,049	\$ 2,139,539	\$ 3,180,588

Accrued Funded Payroll and Benefits	\$ 208,203	\$ -	\$ 208,203
Advances from Others	364,356	-	364,356
Deferred Credits	1,282,887	-	1,282,887
Deposit Funds and Suspense Accounts	11,580	-	11,580
Contract Holdbacks	48,458	-	48,458
Contingent Liabilities	378,298	-	378,298
Total Other Liabilities	\$ 3,334,831	\$ 2,139,539	\$ 5,474,370

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 2018 budget does not provide funding for payment of the CDA claims.

Deferred Credit is income that is received but is not reported until it is earned. 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. Contributed funds are received from the public for construction of assets under local cost sharing agreements.

NOTE 12. 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 11, "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 11, "Due to Treasury – General Fund and Other Liabilities," amounts that are paid by the Judgment Fund are recorded as expenses and imputed financing sources.

USACE has a total of 25 cases, as of September 30, 2018, above the materiality threshold of \$4.4 million. The USACE Office of the Chief Counsel has determined that five cases are probable, 15 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 the estimated loss is approximately \$363.1 million to \$581.3 million and \$378.3 million to \$579.2 million as of September 30, 2018 and 2017, respectively. The 2018 lower range of loss was determined by adding the total amount of probable unfavorable outcome of \$354.1 million to the historical percentage payout of \$9 million for the under threshold cases. The contingent liabilities were included in Note 11, "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 estimated losses are approximately \$0 to \$10.8 billion and \$0 to \$9.7 billion as of September 30, 2018 and 2017, 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 15 cases with a likelihood of loss identified as reasonably possible, 11 were reported as unable to determine by counsel.

Hurricane Harvey-Related Claims and Litigation

Multiple claims have been filed in relation to flooding in the aftermath of Hurricane Harvey. Nearly all of these claims are constitutional takings claims under the Fifth Amendment, and almost none have filed tort actions. Most of the plaintiffs are home owners or owners of business who filed suit due to flooding resulting from releases from Addicks and Barker Dams down Buffalo Bayou. While 60 claims have been filed, as of October 24, 2017, only seven of those cases claim any amount in damages. It is expected that more claims will continue to be filed, and that the remaining claims will eventually state some amount of damages. As of September 30, 2018, the total amount claimed so far is \$4,596,860,289. The court has not yet consolidated any of the claims, though it is expected cases will be consolidated once all related claims have been filed.

NOTE 13. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Year ended September 30	2018	2017
<i>(\$ in thousands)</i>		
Gross Cost	\$ 13,109,398	\$ 9,407,338
Less: Earned Revenue	(5,788,211)	(2,529,696)
Net Cost of Operations	\$ 7,321,187	\$ 6,877,642

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 14. 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 \$2.3 billion during FY 2018 and \$1.8 billion during FY 2017 in appropriated trust, contributed, and special fund receipts included in Appropriations on the SBR. These additional resources are not recognized as appropriations received on the SCNP in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*. Refer to Note 15, "Disclosures Related to the Statement of Budgetary Resources," for additional disclosures and details.

NOTE 15. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

As of September 30	2018	2017
<i>(\$ in thousands)</i>		
1. Intragovernmental Budgetary Resources Obligated for Undelivered Orders:		
A. Unpaid	1,914,467	1,099,824
B. Prepaid/Advanced	718	237
C. Total Intragovernmental	\$ 1,915,185	\$ 1,100,061
2. Nonfederal Budgetary Resources Obligated for Undelivered Orders:		
A. Unpaid	7,646,618	5,288,948
B. Prepaid/Advanced	62	72
C. Total Nonfederal	\$ 7,646,680	\$ 5,289,020
3. Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 9,561,865	\$ 6,389,081

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 the exempt category comes from sources outside the Federal Government.

For FY 2018, the amount of direct new obligations and upward adjustments include: \$8.2 billion for Category A; \$1.4 billion for Category B; and \$0 million exempt from apportionment. The amount of reimbursable new obligations and upward adjustments include: \$17.3 billion for Category A and \$60.6 million exempt from apportionment. Undelivered orders presented in the SBR include undelivered orders-unpaid for both direct and reimbursable funds.

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

During FY2018, USACE received SF 132 Apportionment and Reapportionment Schedules for the Rivers and Harbors Contributed and Advance Funds (096X8862) and Revolving Fund (096X4902.) Prior to FY2018, these accounts were reported as Exempt from Apportionment on the Statement of Budgetary Resources.

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

Permanent Indefinite Appropriations: The 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 Report on Budget Execution (SF133) in FY 2018 and FY 2017. 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 Office of Management and Budget's data for budget formulation. The USACE does include this appropriation in the SBR.

The President's Budget with actual figures for FY 2018 has not yet been published. The FY 2020 President's Budget will include actual figures for FY 2018 reporting. The FY 2020 President's Budget can be found on OMB's website early in FY 2019. The following chart is a reconciliation of the FY 2019 President's Budget's actual figures for FY 2017 to the FY 2017 SBR as required by OMB Circular A-136.

Reconciliation of 2017 SBR to 2019 President's Budget

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays	
(in millions of dollars)	Line 1930	Line 0900	Line 0299	Line 4190	
SBR	29,805	18,261	649	7,088	Explanation for reconciling differences
Reconciling Difference	(81)	(60)		15	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			(120)		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			1,589		The President's Budget lines 1199/1999 includes total receipts and collections for the trust funds. Trust fund receipts on the SBR are included in the budgetary resources line.
Reconciling Difference			8		Per the FAST Book, receipt account 096R5125 is not a distributed offsetting receipt account and is not included in the SBR as a distributed offsetting receipt. It is included in the President's Budget amount.
Reconciling Difference	(6)	(1)		(5)	Expired funds within 096 3124, 096 3126, and 096 3132 are not included in the President's Budget amounts.
Total	29,718	18,200	2,126	7,098	
President's Budget	29,719	18,201	2,127	7,102	
Difference	1	1	1	4	Due to rounding.

NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

Year ended September 30	2018	2017
(\$ in thousands)		
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
New obligations and upward adjustments	\$ 26,937,163	\$ 18,261,287
Less: Spending authority from offsetting collections and recoveries	(20,966,013)	(12,155,980)
New obligations and upward adjustments net of offsetting collections and recoveries	5,971,150	6,105,307
Less: Offsetting receipts	(860,238)	(649,197)
Net obligations	5,110,912	5,456,110
Other Resources:		
Donations and forfeitures of property	6,937	1,539
Transfers in/out without reimbursement	164,343	160,207
Imputed financing from costs absorbed by others	325,289	223,409
Other (+/-)	66,045	54,495
Net other resources used to finance activities	562,614	439,650
Total resources used to finance activities	\$ 5,673,526	\$ 5,895,760
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	\$ (3,172,784)	\$ 87,207
Unfilled Customer Orders	4,560,143	825,518
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	318,657	49,515
Resources that finance the acquisition of assets	(2,629)	(2,429)

Year ended September 30	2018	2017
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations:		
Other	(136,471)	(85,868)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	\$ 1,566,916	\$ 873,943
Total Resources Used to Finance the Net Cost of Operations	\$ 7,240,442	\$ 6,769,703
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Change in environmental and disposal liability	\$ 278,746	\$ 131,891
Change in exchange revenue receivable from the public	5,681	(2,094)
Other	12,682	220,309
Total components of Net Cost of Operations that will not Require or Generate Resources in future periods	\$ 297,109	\$ 350,106
Components not Requiring or Generating Resources:		
Depreciation and amortization	\$ 573,878	\$ 494,348
Revaluation of assets or liabilities	(8,792)	1,875
Other		
Cost of Goods Sold	7	1,388
Operating Material and Supplies Used	(9)	(1)
Cost Capitalization Offset	(870,355)	(895,667)
Other	88,907	155,590
Total Components of Net Cost of Operations that will not Require or Generate Resources	(216,364)	(242,167)
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	80,745	107,939
Net Cost of Operations	\$ 7,321,187	\$ 6,877,642

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 2018 and FY 2017 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 2018 amounts include a current year decrease in unfunded Judgment Fund Contract Disputes Act claims. The FY 2018 amounts also include the current year decrease to the Federal Employees' Compensation Act (FECA) liability and the FECA actuarial liability. The

FY 2017 amounts include a current year increase in contingent liabilities for pending contract claims, civil litigation and tort cases. The FY 2017 amounts also include an increase to unfunded Judgment Fund Contract Disputes Act claims.

Composition of Components not Requiring or Generating Resources: Other – The FY 2018 and FY 2017 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 2018 and FY 2017 costs associated with fish mitigation studies in the general fund are also recorded as other expenses not requiring budgetary resources.

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS

	2018			
	Maintenance Fund	Contributed Fund	Other Funds	Combined Total
BALANCE SHEET				
As of September 30				
ASSETS				
Fund balance with Treasury	\$ 297,383	\$ 1,598,282	\$ 126,767	\$ 2,022,432
Investments	9,231,619	-	-	9,231,619
Accounts and Interest Receivable	504,090	6,530	1,404	512,024
Other Assets	133,575	296,285	548	430,408
Total Assets	\$ 10,166,667	\$ 1,901,097	\$ 128,719	\$ 12,196,483
LIABILITIES and NET POSITION				
Accounts Payable and Other Liabilities	26,246	1,645,028	221	1,671,495
Total Liabilities	\$ 26,246	\$ 1,645,028	\$ 221	\$ 1,671,495
Cumulative Results of Operations	10,140,421	256,069	128,498	10,524,988
Total Liabilities and Net Position	\$ 10,166,667	\$ 1,901,097	\$ 128,719	\$ 12,196,483
STATEMENT OF NET COST				
Year ended September 30				
Program Costs	\$ 85,619	\$ 316,453	\$ 23,100	\$ 425,172
Less Earned Revenue	-	(400,483)	-	(400,483)
Net Program Costs	\$ 85,619	\$ (84,030)	\$ 23,100	\$ 24,689
Net Cost of Operations	\$ 85,619	\$ (84,030)	\$ 23,100	\$ 24,689
STATEMENT OF CHANGES IN NET POSITION				
Year ended September 30				
Net Position Beginning of the Period	\$ 10,314,554	\$ 249,860	\$ 121,007	\$ 10,685,421
Net Cost of Operations	85,619	(84,030)	23,100	24,689
Budgetary Financing Sources	373,372	-	(51,876)	321,496
Other Financing Sources	(461,886)	(77,821)	82,467	(457,240)
Change in Net Position	\$ (174,133)	\$ 6,209	\$ 7,491	\$ (160,433)
Net Position End of Period	\$ 10,140,421	\$ 256,069	\$ 128,498	\$ 10,524,988

BALANCE SHEET As of September 30	2017			
	Maintenance Fund	Contributed Fund	Other Funds	Combined Total
ASSETS				
Fund balance with Treasury	\$ 118,728	\$ 1,279,474	\$ 119,040	\$ 1,517,242
Investments	9,095,335	-	-	9,095,335
Accounts and Interest Receivable	509,200	6,428	1,914	517,542
Other Assets	597,371	288,448	590	886,409
Total Assets	<u>\$ 10,320,634</u>	<u>\$ 1,574,350</u>	<u>\$ 121,544</u>	<u>\$ 12,016,528</u>
LIABILITIES and NET POSITION				
Accounts Payable and Other Liabilities	6,080	1,324,490	537	1,331,107
Total Liabilities	<u>\$ 6,080</u>	<u>\$ 1,324,490</u>	<u>\$ 537</u>	<u>\$ 1,331,107</u>
Cumulative Results of Operations	10,314,554	249,860	121,007	10,685,421
Total Liabilities and Net Position	<u>\$ 10,320,634</u>	<u>\$ 1,574,350</u>	<u>\$ 121,544</u>	<u>\$ 12,016,528</u>
STATEMENT OF NET COST Year ended September 30				
Program Costs	\$ 64,827	\$ 318,742	\$ 18,422	\$ 401,991
Less Earned Revenue	-	(439,496)	-	(439,496)
Net Program Costs	<u>\$ 64,827</u>	<u>\$ (120,754)</u>	<u>\$ 18,422</u>	<u>\$ (37,505)</u>
Net Cost of Operations	<u>\$ 64,827</u>	<u>\$ (120,754)</u>	<u>\$ 18,422</u>	<u>\$ (37,505)</u>
STATEMENT OF CHANGES IN NET POSITION Year ended September 30				
Net Position Beginning of the Period	\$ 9,972,219	\$ 232,926	\$ 117,193	\$ 10,322,338
Net Cost of Operations	64,827	(120,754)	18,422	(37,505)
Budgetary Financing Sources	407,162	-	(54,598)	352,564
Other Financing Sources	-	(103,820)	76,834	(26,986)
Change in Net Position	<u>\$ 342,335</u>	<u>\$ 16,934</u>	<u>\$ 3,814</u>	<u>\$ 363,083</u>
Net Position End of Period	<u>\$ 10,314,554</u>	<u>\$ 249,860</u>	<u>\$ 121,007</u>	<u>\$ 10,685,421</u>

FY 2018 and FY 2017 funds from dedicated collections are presented on a combined basis. The tables below summarize the elimination of intradepartmental activity between dedicated collection funds and all other fund types to arrive at the consolidated net position totals as presented on the balance sheet.

	FY 2018		
	Combined	Consolidated Eliminations	Consolidated
Consolidated Net Position (dollars in thousands)			
Cumulative Results of Operations - Dedicated Collections	\$ 10,524,988	\$ 13,051,255	\$ 23,576,243
Cumulative Results of Operations - Other Funds	38,607,002	(13,051,255)	25,555,747
Total Net Position	<u>\$ 49,131,990</u>	<u>\$ -</u>	<u>\$ 49,131,990</u>
FY 2017			
	Combined	Consolidated Eliminations	Consolidated
Consolidated Net Position (dollars in thousands)			
Cumulative Results of Operations - Dedicated Collections	\$ 10,685,421	\$ 10,955,608	\$ 21,641,029
Cumulative Results of Operations - Other Funds	37,955,513	(10,955,608)	26,999,905
Total Net Position	<u>\$ 48,640,934</u>	<u>\$ -</u>	<u>\$ 48,640,934</u>

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 versus 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*.

USACE has the following Funds from Dedicated Collections as of September 30, 2018 and 2017:

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 on behalf of USACE from the Department of Homeland Security, U. S. Customs and Border Protection, 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 the Bureau of the Fiscal Service (BFS). The revenue is received from the public and is an inflow of resources to the government. This fund utilizes receipt and expenditure accounts in accounting for and reporting the fund.

Contributed Fund

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

Other Funds

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

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

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

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

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

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

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

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

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

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

NOTE 18. LEASES

As of September 30 (\$ in thousands) USACE as Lessee	2018		
	Asset Category		
	Land and Buildings	Other	Total
Intragovernmental Operating Leases			
Future Payments Due			
Fiscal Year			
2019	82,002	-	82,002
2020	84,216	-	84,216
2021	86,490	-	86,490
2022	88,825	-	88,825
2023	91,224	-	91,224
After 5 Years	494,420	-	494,420
Total Intragovernmental Future Lease Payments Due	\$ 927,177	\$ -	\$ 927,177

As of September 30 (\$ in thousands) USACE as Lessor	2018		
	Asset Category		
	Land and Buildings	Other	Total
Nonfederal Operating Leases			
Future Payments Due			
Fiscal Year			
2019	2,394	96	2,490
2020	1,813	56	1,869
2021	1,352	32	1,384
2022	1,086	9	1,095
2023	585	9	594
After 5 Years	106	15	121
Total Nonfederal			
Future Lease Payments Due	\$ 7,336	\$ 217	\$ 7,553
Total Future Lease Payments Due	<u>\$ 934,513</u>	<u>\$ 217</u>	<u>\$ 934,730</u>

As of September 2018, USACE has various non-cancelable operating leases as the lessee, mainly for office space and storage facilities maintained by many USACE districts. Many of these leases contain clauses to reflect inflation and renewal options. The USACE has no assets under capital lease.

As of September 30 (\$ in thousands) USACE as Lessee	2018	
	Easements	
Intragovernmental Operating Leases		
Future Payments Due		
Fiscal Year		
2019	\$	89
2020		89
2021		-
2022		-
2023		-
After 5 Years		-
Total Intragovernmental Future Lease Payments Due	<u>\$</u>	<u>178</u>
Nonfederal Operating Leases		
Future Payments Due		
Fiscal Year		
2019	\$	7,725
2020		6,802
2021		5,888
2022		5,003
2023		4,325
After 5 Years		18,161
Total Nonfederal Future Lease Payments Due	<u>\$</u>	<u>47,904</u>

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

FY 2018 REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (RSSI)

Unaudited, See Accompanying Auditor's 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 of Dollars)

Categories	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Transferred Assets:					
1. National Defense Mission Related	\$1,141	\$990	\$1,244	\$1,286	\$1,092
Funded Assets:					
2. National Defense Mission Related	\$0	\$0	\$0	\$0	\$0
Total	\$1,141	\$990	\$1,244	\$1,286	\$1,092

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 2018 REQUIRED SUPPLEMENTARY INFORMATION

Unaudited, See Accompanying Auditor's Report
As of September 30, 2018

Real Property Deferred Maintenance and Repair

For Fiscal Year Ended September 30, 2018
(In Millions of Dollars)

Property Type	Current Fiscal Year (CFY)		
	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	\$2,278	0.85%
2. Category 2: Buildings, Structures, and Utilities (Excess Facilities or Planned for Replacement)	\$0	\$0	N/A
3. Category 3: Buildings, Structures, and Utilities (Heritage Assets)	\$0	\$0	N/A

Deferred maintenance and repair (DM&R) is defined as maintenance and repairs not performed when it should have been or was scheduled to be, but delayed for a future period. Deferred maintenance and repair for FY18 was \$2,278 million for Other Structures. The beginning balance for DM&R was \$1,967 million and the ending balance was \$2,278 million for FY 2018. Assets contained in category one above include Dams, Locks, Powerhouses, multi-use Heritage Assets and other structures used to carry out the USACE Civil Works Program.

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

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

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

O&M budget priority is given to key O&M infrastructure based on the condition and the potential consequences (e.g., economic, environmental, and public safety impacts) of project performance if the O&M activity is not undertaken in the Budget Year (BY), as well as legal factors. As a result, USACE does not set "acceptable condition standards." USACE adopts a risk-informed, performance-based asset management structure. 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.

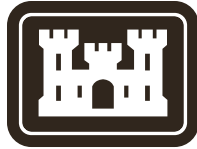
USACE measures all PP&E assets and the DM&R applies to all PP&E assets USACE owns and operates. The deferred maintenance amount has increased in recent fiscal years due to increasing requirements derived from a better evaluation of risk and consequences that identifies the criticality and informs the appropriate priority of maintenance activities.

Heritage Asset Condition

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

Disaggregated Schedule of Budgetary Resources by Major Fund

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



DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2018

<i>(in thousands)</i>	FUSRAP	Special Funds	Trust Funds	Borrowing Authority	Revolving Funds
Budgetary Resources					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 5,017	\$ 33,282	\$ 346,815	\$ 4	\$ 1,007,198
Appropriations (discretionary and mandatory)	139,000	23,615	1,524,704	-	-
Spending Authority from offsetting collections (discretionary and mandatory)	13,159	-	-	13	8,596,135
Total Budgetary Resources	<u>\$ 157,176</u>	<u>\$ 56,897</u>	<u>\$ 1,871,519</u>	<u>\$ 17</u>	<u>\$ 9,603,333</u>
Memorandum (non-add) entries:					
Net adjustments to unobligated balance brought forward October 1	\$ 691	\$ 67	\$ 10,012	\$ -	\$ 85,623
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	\$ 151,775	\$ 23,982	\$ 1,545,774	\$ 13	\$ 8,726,929
Unobligated balance, end of year					
Apportioned, unexpired accounts	5,401	32,910	325,745	-	876,404
Exempt from Apportionment, unexpired accounts	-	-	-	4	-
Unapportioned, unexpired accounts	-	5	-	-	-
Unexpired unobligated balance, end of year	5,401	32,915	325,745	4	876,404
Expired unobligated balance, end of year	-	-	-	-	-
Unobligated balance, end of year (total)	<u>\$ 5,401</u>	<u>\$ 32,915</u>	<u>\$ 325,745</u>	<u>\$ 4</u>	<u>\$ 876,404</u>
Total Budgetary Resources	<u>157,176</u>	<u>\$ 56,897</u>	<u>\$ 1,871,519</u>	<u>\$ 17</u>	<u>\$ 9,603,333</u>
Outlays, Net:					
Outlays, net (total) (discretionary and mandatory)	101,671	23,388	1,509,792	(234)	(41,301)
Distributed offsetting receipts	-	(75,490)	-	-	-
Agency Outlays, net (discretionary and mandatory)	<u>101,671</u>	<u>\$ (52,102)</u>	<u>\$ 1,509,792</u>	<u>\$ (234)</u>	<u>\$ (41,301)</u>

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2018

<i>(in thousands)</i>	Contributed Funds	General Funds	2018 Combined
Budgetary Resources			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 932,236	\$ 9,662,045	\$ 11,986,597
Appropriations (discretionary and mandatory)	695,331	22,705,052	25,087,702
Spending Authority from offsetting collections (discretionary and mandatory)	137	11,906,785	20,516,229
Total Budgetary Resources	\$ 1,627,704	\$ 44,273,882	\$ 57,590,528
Memorandum (non-add) entries:			
Net adjustments to unobligated balance brought forward October 1	\$ 74,318	\$ 271,739	\$ 442,450
Status of Budgetary Resources:			
New obligations and upward adjustments (total)	\$ 607,187	\$ 15,881,503	\$ 26,937,163
Unobligated balance, end of year			
Apportioned, unexpired accounts	1,020,517	28,357,965	30,618,942
Exempt from Apportionment, unexpired accounts	-	27,274	27,278
Unapportioned, unexpired accounts	-	-	5
Unexpired unobligated balance, end of year	1,020,517	28,385,239	30,646,225
Expired unobligated balance, end of year	-	7,140	7,140
Unobligated balance, end of year (total)	\$ 1,020,517	\$ 28,392,379	\$ 30,653,365
Total Budgetary Resources	\$ 1,627,704	\$ 44,273,882	\$ 57,590,528
Outlays, Net:			
Outlays, net (total) (discretionary and mandatory)	\$ 380,852	\$ 3,958,707	\$ 5,932,875
Distributed offsetting receipts	\$ (699,660)	\$ (85,088)	\$ (860,238)
Agency Outlays, net (discretionary and mandatory)	\$ (318,808)	\$ 3,873,619	\$ 5,072,637

**DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES
BY MAJOR FUND - UNAUDITED**

For the year ended September 30, 2017

<i>(in thousands)</i>	FUSRAP	Special Funds	Trust Funds	Borrowing Authority	Revolving Funds
Budgetary Resources					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 5,874	30,720	309,004	4	910,780
Appropriations (discretionary and mandatory)	112,000	21,241	1,301,148	-	-
Spending Authority from offsetting collections (discretionary and mandatory)	7,984	-	-	10	8,171,851
Total Budgetary Resources	<u>\$ 125,858</u>	<u>\$ 51,961</u>	<u>\$ 1,610,152</u>	<u>\$ 14</u>	<u>\$ 9,082,631</u>
Memorandum (non-add) entries:					
Net adjustments to unobligated balance brought forward October 1	\$ 374	\$ 160	\$ 6,873	\$ -	\$ 85,966
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	\$ 121,532	\$ 18,746	\$ 1,273,349	\$ 10	\$ 8,161,056
Unobligated balance, end of year					
Apportioned, unexpired accounts	4,326	33,091	336,803	-	-
Exempt from Apportionment, unexpired accounts	-	-	-	4	921,575
Unapportioned, unexpired accounts	-	124	-	-	-
Unexpired unobligated balance, end of year	4,326	33,215	336,803	4	921,575
Expired unobligated balance, end of year	-	-	-	-	-
Unobligated balance, end of year (total)	<u>\$ 4,326</u>	<u>\$ 33,215</u>	<u>\$ 336,803</u>	<u>\$ 4</u>	<u>\$ 921,575</u>
Total Budgetary Resources	<u>125,858</u>	<u>\$ 51,961</u>	<u>\$ 1,610,152</u>	<u>\$ 14</u>	<u>\$ 9,082,631</u>
Outlays, Net:					
Outlays, net (total) (discretionary and mandatory)	93,417	18,005	1,280,977	(234)	(66,823)
Distributed offsetting receipts	-	(69,569)	-	-	-
Agency Outlays, net (discretionary and mandatory)	<u>93,417</u>	<u>\$ (51,564)</u>	<u>\$ 1,280,977</u>	<u>\$ (234)</u>	<u>\$ (66,823)</u>

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND - UNAUDITED

For the year ended September 30, 2017

<i>(in thousands)</i>	Contributed Funds	General Funds	2017 Combined
Budgetary Resources			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 830,932	8,162,582	10,249,896
Appropriations (discretionary and mandatory)	459,850	5,731,507	7,625,746
Spending Authority from offsetting collections (discretionary and mandatory)	586	3,749,361	11,929,792
Total Budgetary Resources	\$ 1,291,368	\$ 17,643,450	\$ 29,805,434
Memorandum (non-add) entries:			
Net adjustments to unobligated balance brought forward October 1	\$ 41,638	\$ 203,051	\$ 338,062
Status of Budgetary Resources:			
New obligations and upward adjustments (total)	\$ 433,450	\$ 8,253,144	\$ 18,261,287
Unobligated balance, end of year			
Apportioned, unexpired accounts	-	9,364,109	9,738,329
Exempt from Apportionment, unexpired accounts	857,918	21,065	1,800,562
Unapportioned, unexpired accounts	-	-	124
Unexpired unobligated balance, end of year	857,918	9,385,174	11,539,015
Expired unobligated balance, end of year	-	5,132	5,132
Unobligated balance, end of year (total)	\$ 857,918	\$ 9,390,306	\$ 11,544,147
Total Budgetary Resources	\$ 1,291,368	\$ 17,643,450	\$ 29,805,434
Outlays, Net:			
Outlays, net (total) (discretionary and mandatory)	\$ 445,397	5,316,830	7,087,569
Distributed offsetting receipts	\$ (460,263)	(119,365)	(649,197)
Agency Outlays, net (discretionary and mandatory)	\$ (14,866)	\$ 5,197,465	\$ 6,438,372

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

November 13, 2018

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF
FINANCIAL OFFICER, DOD
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS
DIRECTOR, U.S. ARMY CORPS OF ENGINEERS, CIVIL WORKS
INSPECTOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Transmittal of Independent Auditor's Report on the U.S. Army Corps
of Engineers–Civil Works' Financial Statements and Related Notes for
FY 2018 and FY 2017 (Project No. D2018-D000FI-0085.000,
Report No. DODIG-2019-006)

We contracted with the independent public accounting firm of KPMG, LLP, to audit the U.S. Army Corps of Engineers (USACE)–Civil Works' Financial Statements and related notes as of September 30, 2018, and 2017, and for the years then ended, and to report on internal control over financial reporting and compliance with laws and regulations. The contract required KPMG to conduct the audit in accordance with generally accepted government auditing standards (GAGAS); Office of Management and Budget audit guidance; and the Government Accountability Office/President's Council on Integrity and Efficiency, "Financial Audit Manual," July 2008.¹ KPMG's Independent Auditor's Report is attached.

KPMG's audit resulted in an unmodified opinion. KPMG concluded that the USACE-Civil Works Financial Statements and related notes as of September 30, 2018, and 2017, and for the years then ended, are presented fairly, in all material respects, in conformity with Generally Accepted Accounting Principles.

¹ In June 2018, the Government Accountability Office issued an updated Financial Audit Manual. KPMG updated its audit procedures to be in accordance with the updates issued in the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, "Financial Audit Manual," June 2018.

KPMG's report discusses two material weaknesses related to the USACE-Civil Works' internal controls over financial reporting. Specifically, KPMG found material weaknesses related to Deficiencies in Non-Transactional Based Controls and General Property, Plant and Equipment. KPMG's report also discusses two instances of noncompliance with applicable laws and regulations.

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-Civil Works FY 2018 and FY 2017 Financial Statements and related notes, conclusions about the effectiveness of internal control, conclusions on whether the USACE's financial systems substantially complied with the "Federal Financial Management Improvement Act of 1996," or conclusions on whether USACE complied with laws and regulations.

KPMG is responsible for the attached report, dated November 13, 2018, and the conclusions expressed in the report. However, our review disclosed no instances in which 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, CPA
Assistant Inspector General
Financial Management and Reporting

Attachment:

As stated



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Army Corps of Engineers – Civil Works (USACE – Civil Works), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, 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. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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, 2018 and 2017, and its net costs,



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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, 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), Message from the Lieutenant General, Message from the USACE Chief Financial Officer are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2018, we considered the USACE – Civil Work's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the USACE – Civil Work's internal control. Accordingly, we do not express an opinion on the effectiveness of the USACE – Civil Work's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

USACE – Civil Works management did not report the material weaknesses entitled *Deficiencies in Non-Transactional Based Controls* and *General Property, Plant and Equipment* in its *Statement of Assurance*,



included in the Management's Discussion and Analysis section of the *Fiscal Year 2018 United States Army Corps of Engineers Annual Financial Report*.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USACE – Civil Work's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-01, and which are described in Exhibit III as item D.

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

USACE – Civil Work's Responses to Findings

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

KPMG LLP

Washington, DC
November 13, 2018

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Material Weaknesses

September 30, 2018

A. Deficiencies in Non-Transactional Based Controls

Effective controls are ones that are properly designed and implemented and operating effectively, in order to prevent, or detect and correct, material misstatements in the financial statements.

The deficiencies noted during the performance of our FY 2018 procedures in the areas of journal vouchers, financial reporting and environmental liabilities, were not related to the processing of transactions; rather, they were related to deficiencies that either, occurred at the back end of the financial reporting process, or during the estimation of a liability, which are both separate from deficiencies occurring at the transaction level. The deficiencies we identified in these controls could lead to a material misstatement 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 one improper journal voucher that resulted in an understatement of approximately \$922 million in the quarterly DDRS Statement of Budgetary Resources (SBR) Exempt from Apportionment, 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 misstatement in the financial statements.

The United States Army Corps of 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 Works control over the review of Corps of Engineers Financial Management System (CEFMS) manual journal vouchers was not operating effectively to prevent the improper recording of CEFMS journal vouchers in the financial system. Specifically, we noted one improper journal voucher in the amount of \$61 million that was recorded as a duplicate entry.

The USACE – Civil Works control over the review of Structured Query Language (SQL) scripts was not designed properly as script transactions in the CEFMS General Journal Transaction Register and Journal Voucher Transaction Register are not formally reviewed by management in the CFO/Civil Reports Division. As these types of scripts do not require pre-defined posting logic models, they are subject to manual error.

Financial Reporting

Contrary to guidance provided under Office of Management and Budget (OMB) Circular Number (No.) A-11, the USACE – Civil works has inappropriately included a deposit fund in the Statement of Budgetary Resources (SBR). The inclusion of which creates a difference between the Standard Form 133s, Reports on Budget Execution and Budgetary Resources used in the preparation of the President's Budget and the FY 2018 USACE – Civil Works SBR. Title 40 United State Code (USC) Section 9501 only provides the USACE – Civil Works immediate superintendence rather than ownership and operational authority over the deposit fund.

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

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The USACE – Civil Works' control over the review of the financial statements and related footnotes was not operating effectively to certify that the financial statements were complete, accurate, and properly presented as of year-end.

Estimates

Environmental and Disposal Liabilities is a critical estimate whereby the liability that is recorded in the financial statements is based on making assumptions about future activities which is inherently uncertain. During our test work over the Formerly Utilized Sites Remedial Action Program (FUSRAP) and Non-FUSRAP project estimates and cost-to-complete reports and FUSRAP district level cost estimates, we found that management has not documented their review over these items, such that we could not see the reviews were completely and accurately inspected. Likewise, management has not documented a level of precision to ensure that all FUSRAP liability estimates, expenses and assumptions are reasonable and any outliers are appropriately resolved to prevent or detect and correct errors in the estimates recorded in the financial statements. Further, management's review did not include a retrospective review to determine if the estimation methodology warrants revision.

The USACE – Civil Works estimates a portion of the year-end accounts payable balance. A retrospective review analysis performed over the prior year transactions to determine the current year estimate is an important management control and key input into the current year estimate. The USACE – Civil Works' control over the design and review of the Accounts Payable estimation process was not fully effective as it relates to the completeness of the retrospective review analysis.

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

The U.S. Government Accountability Office's Standards for Internal Control in the Federal Government, states that "transactions are 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 its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Recommendations

We recommend the USACE – Civil Works management:

1. Strengthen and develop policies and procedures to enhance the internal controls over the completeness, existence, accuracy, rights and obligations, and presentation of journal vouchers and to identify and correct variances between federal expenses and revenues recorded in the DDRS trial balance and the trading partner activity associated with these expenses and revenues in a timely manner.
2. Develop, document, and implement policies and procedures to ensure script transactions posted in the CEFMS General Journal Transaction Register and Journal Voucher Transaction Register are adequately

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Material Weaknesses

September 30, 2018

reviewed and approved, including verifying that they are recorded in accordance with the Treasury Financial Manual.

3. Investigate the deposit fund further and revise their accounting treatment of the deposit fund to be in accordance with the guidance provided under OMB Circular No. A-11.
4. Adhere to monitoring procedures to verify that the DDRS import sheets are appropriate and consistently and adequately reviewed.
5. Follow USACE- Civil Works policies and procedures regarding maintaining documentation of their review over the FUSRAP and Non-FUSRAP Project Estimates, respective CTC Reports and FUSRAP District Level Cost Estimates in order to properly address the completeness, existence, accuracy and valuation assertions.
6. Implement policies and procedures over identification and remediation of potential outliers on the FUSRAP and Non-FUSRAP Project Estimates, CTC Reports and FUSRAP District Level Cost Estimates.
7. Perform an analysis over any proposed changes to estimation methodology and monitor the methodology on an ongoing basis, to include a retrospective review to determine if the estimation methodology warrants revision.
8. Update established policies and procedures to monitor the estimation methodology, to include the retrospective review to determine if the estimation methodology warrants revision.

Management Response

USACE-Civil Works concurs with the findings and will take corrective actions to cure the material weakness.

B. General Property, Plant, and Equipment

Property, Plant & Equipment (PP&E) is the largest line item on the USACE – Civil Works financial statements with approximately \$31B of Net PP&E inclusive of \$2.2B of Construction in Progress (CIP).

During our FY 2018 audit, management's control over the classification of work items used during the construction of new assets failed to detect work items improperly classified as capital assets or non-assets. In addition, management did not perform a complete and thorough review over CIP projects, as certain projects were improperly capitalized or not placed in service timely. In other instances, their review was performed over incomplete data. Further, the reconciliations between assets recorded in CEFMS and in the personal and real property systems did not show evidence of how variances identified were addressed and corrected for certain districts. In other instances reconciling difference were not resolved in a timely manner. We noted that these are recurring deficiencies around the design, implementation, and operating effectiveness of the key controls that are needed to prevent or detect potential misstatements on a timely basis.

In addition, management did not adjust the financial system in a timely manner for: (1) completed projects that should have been placed in service within 90 days of completion ; (2) new assets assigned incorrect category codes causing these assets to be assigned inaccurate useful lives, and thus are being depreciated incorrectly; (3) unsupported transactions for CIP and PP&E additions; (4) costs that did not meet the capitalization criteria

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Material Weaknesses

September 30, 2018

and should have been expensed and, (5) untimely placed in service of additions and betterments and new assets.

Key internal controls were not appropriately designed and/or operating effectively at all USACE Districts. Communications within some Districts were not sufficient to place assets into service timely. Additionally, the USACE – Civil Works did not consistently perform or complete management reviews and reconciliations of PP&E that are designed to address these conditions.

Statement of Federal Financial Accounting Standards No. 6 Accounting for Property, Plant, and Equipment, provides guidance for Federal entities in accounting for PP&E transactions. The Army Corps of Engineers Regulations, Engineering Regulation (ER) 37-1-30, "Financial Administration – Accounting and Reporting," contains general asset accounting policies, including accounting for CIP and PP&E. These policies include Civil Works-specific items such as; (1) proper classification of asset work items, (2) costs incurred that should be expensed (3) timely place of service of completed CIP projects, and (4) appropriate useful life of each property category. Additionally, the USACE – Civil Works FY 2018 PP&E test plan provides policies and procedures to strengthen controls over PP&E reconciliations and transactions.

Recommendations

We recommend the USACE – Civil Works management:

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);
2. Design and implement controls to review CIP costs and CIP inactivity timely.

Management Response

USACE-Civil Works concurs with the findings and will take corrective actions to cure the material weakness.

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Significant Deficiency

September 30, 2018

C. Financial Management Systems

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

Access Control Weaknesses

The USACE – Civil Works should strengthen access controls at the operating system and database level, as management had not consistently implemented a routine process for reviewing server level logs for activity deemed sensitive or suspicious. This condition resulted in instances where USACE – Civil Works did not properly perform audit log reviews for database and operating system audit logs. By not implementing appropriate reviews of audit logging, there is an increased risk that financial data could be modified inappropriately without management's awareness, which could have an adverse impact on the availability and integrity of the data.

USACE – Civil Works had not implemented an effective process to remove CEFMS system user access once the user has transferred or separated. Without establishing a timeframe for the removal of system access when an individual transfers/separates and not following existing processes for the communication of employee separations and disablement/removal of the related system accounts, the risk exists that a separated person with malicious intent, or another person with knowledge of the separated person's logon credentials, may be able to use the account. This may affect the accuracy, integrity, and availability of CEFMS and its data.

Recommendations

We recommend the USACE – Civil Works management:

1. Continue their efforts to appropriately implement the audit logging process to timely respond to potential instances of inappropriate activity.
2. Establish a process from USACE Headquarters which is applied at all districts to for timely removal of user access once transferred or separated.
3. Consider the information USACE relies upon in the performance of internal controls and whether they have appropriate system configuration and/or manual reconciliation controls designed and implemented over the completeness and accuracy of the information.

Management Response

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

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Summary of Noncompliance

September 30, 2018

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

The Office of Management and Budget (OMB) Circular Number (No.) A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies and Federal managers to (1) establish Enterprise Risk Management in management practices; (2) establish and operate an effective system of internal control; (3) assess internal control; (4) correct internal control deficiencies; and (5) report on internal 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. USACE – Civil Works continues to have posting logic deficiencies and system limitations that require manual adjustments and reclassifications.

Management failed to comply with Section 5 of OMB Circular No. A-123, which requires the implementation of sufficient corrective action plans to remediate internally and externally identified control deficiencies. Although management developed test plans to remediate previously identified control deficiencies, the plans were not properly implemented and tested, further hindering USACE – Civil Works' ability to properly remediate previously identified control deficiencies. Additionally, when evaluating the results of the test plans, management did not conduct a sufficient evaluation of internal controls for each of the U.S. Government Accountability Office (GAO) Green Book's principles and components as prescribed in Section 4 of OMB No. A-123.

Furthermore, management failed to comply with Section 2 of OMB Circular No. A-123, which requires a final Risk Profile be completed by June 3, 2018. Additionally, the Risk Profile completed did not include all required components prescribed in the Circular.

Recommendations

We recommend the USACE – Civil Works management:

1. Develop more thorough corrective action plans to correct internal control deficiencies and proactively monitor that such plans are properly implemented in order to remediate previously identified findings.
2. Correct posting logic deficiencies and system limitations that require manual adjustments and reclassifications and overall result in FMFIA non-compliance.
3. Develop and implement more thorough test plans and perform a sufficient evaluation of internal controls for each of the GAO Green Book principles and components.
4. Complete a Risk Profile by the deadline prescribed in OMB Circular No. A-123 and include all required components.

Management Response

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

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Material Weaknesses

September 30, 2018

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

Section 803(a) of FFMIA, requires that agency Federal financial management systems comply substantially with (1) Federal financial management system requirements, (2) Federal accounting standards, 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 Federal accounting standards and the USSGL. Further, the USACE – Civil Works main system of accounting is not capable of producing financial statements that are compliant with OMB Circular No. A - 136.

Recommendations

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

Management Response

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

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
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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>



COVER PHOTO CAPTIONS

1. An Army Soldier during a drill that improves Soldier readiness by simulating an attack on the base, complete with simulated casualties. (U.S. Army photo by Sgt. 1st Class Randall Pike)
 2. Soldiers pull on a cable while shifting a ramp to dismantle a 100 foot temporary floating bridge. (U.S. Army National Guard photo by Staff Sgt. Eddie Siguenza)
 3. Competing in the 2018 Best Warrior Competition. (U.S. Army photo by Rebecca Westfall)
 4. Carrying another Soldier to safety to provide medical care during combat lifesaver training. (U.S. Army photo by Spc. Hubert D. Delany III.)
 5. A U.S. Army armored element performs a strategic convoy maneuver. (U.S. Army photo by Spc. Andrew McNeil)
 6. Instructing Soldiers on properly exiting a helicopter and establishing lines of fire. (U.S. Army photo by Spc. Thomas Scaggs)
- Inside Cover: Engineers walk along the top of a dam as part of an annual inspection. (U.S. Army Corps of Engineers photo by J. Paul Bruton)

2018

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.