

Fiscal Year

2000

Annual Report

United States
Department of the Interior
Bureau of Reclamation

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Letter from the Commissioner

I am pleased to present the Bureau of Reclamation's 2000 Annual Report and Chief Financial Officer's Statement describing Reclamation's accomplishments over the past fiscal year. This report summarizes our most significant activities during the fiscal year in managing water and related resources throughout the 17 Western States.

The report comprises three sections: the Management Discussion and Analysis, which presents an overview of bureau accomplishments; Financial Statements and Notes, which includes the auditor's report; and a Supplemental Section, which presents supporting information.

As this report illustrates, Reclamation continues to excel in meeting challenges to the Nation's well-being. We are on the forefront of managing issues such as dealing with limited natural resources, providing reliable power to meet increasing demand, and ensuring continued operation of important infrastructure. After nearly a century of achievements, Reclamation continues meeting its goals with the help of our experienced and dedicated employees and looks forward to continued success in the future.

J. William McDonald
Regional Director
Pacific Northwest Region
[Exercising the Commissioner's authority]

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**Management Discussion
and Analysis**

Water and Energy Management and Development

The mission of the Bureau of Reclamation (Reclamation) is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. In fulfilling its mission, Reclamation operates dams and powerplants to provide irrigation and municipal water, hydroelectric power, and other benefits for the Nation. The Reclamation goal for this program activity under the Government Performance and Results Act (GPRA) is displayed below, followed by a discussion of other accomplishments under this program activity.

Performance Goal and Results

Goal

Deliver or release the amount of water contracted for from Reclamation-owned and operated facilities, expected to be no less than 27 million acre-feet.

Results

Exceeds target.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Acre-feet of water delivered under all contracts (in million acre-feet)	29.8	31.3	27	30	28.0	28.0 (estimated)

Data Source

Water delivery schedules and records maintained by Reclamation.

Comments

The amount of water delivered by Reclamation facilities is often dependent upon the amount of water available from precipitation. Severe drought conditions during fiscal year (FY) 2000 reduced natural streamflow. As a result, additional water releases from Reclamation's reservoirs were needed to ensure adequate flows for agricultural and other purposes. Conversely, one region, Upper Colorado Region, delivered less water than anticipated because drought conditions reduced the water storage in Elephant Butte Reservoir, New Mexico, to its minimum level, which forced implementation of conservation measures. In both cases, Reclamation ensured that its contracts were met.

Discussion of Other Accomplishments

Reclamation administers 348 reservoirs with a total storage capacity of 245 million acre-feet. (An acre-foot equals 325,851 gallons or enough water to supply a family of four for one year.) Reclamation delivers 10 trillion gallons of water to more than 31 million people each year, providing one out of five Western farmers with irrigation water for 10 million farmland acres.

Increase Water Availability

In FY 2000, Reclamation continued its efforts to increase water availability through improved management and conservation. Reclamation achievements include the following:

- Provided funding for the Sierra Vista Water Reclamation Facility Effluent Recharge Project, which will help support the riparian ecosystems and fish and wildlife in the San Pedro National Conservation Area.
- Formed a cooperative cost-sharing partnership with 11 southern California water and wastewater agencies under the Southern California Water Recycling Projects Initiative, assisting local water and wastewater agencies in final planning and environmental documentation before projects are implemented.
- Continued negotiating an agreement to allow more efficient and flexible operation of reservoirs owned by Reclamation and others in the Truckee River system in California and Nevada. The agreement would provide greater control over water used for spring spawning flows necessary for endangered and threatened fish species, for instream flows, and for water quality in the Lower Truckee River in the summer.
- Worked with the city of Tooele, Utah, to complete construction of the Tooele Wastewater Treatment and Reuse Project to provide wastewater collection, conveyance, treatment, and reuse of up to 2.25 million gallons per day for the city and help reduce the demand on the limited existing water supply and postpone depletion of the groundwater aquifer.

Water Conservation Field Services Program

One means of increasing water availability is through Reclamation's Water Conservation Field Services Program, an incentive-based program of technical and financial assistance to water districts under the Reclamation Reform Act and other entities. Districts covered by the Reclamation Reform Act represent more

**Reclamation
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water
annually.**

than 10.5 million acres. This assistance is provided through voluntary Federal-State-local partnerships that encourage water management and water use efficiency.

Through Reclamation's regional and area offices, the Water Conservation Field Services Program has provided local assistance to hundreds of water districts in four key areas: planning, education, demonstration, and implementation.

In specific instances, Reclamation:

- Assisted 209 water districts with water conservation planning.
- Provided statistical analysis and support for a xeriscaping program with site locations in Las Vegas, Phoenix, and Denver.
- Assisted the National Project Water Education for Teachers in writing and publishing a water conservation guidebook.
- Assisted 678 water districts or other entities in implementing water conservation methods.
- Revised and updated the water conservation planning guidebook.
- Produced an annual overview report of all the accomplishments of the regional offices and the Commissioner's Water Resources Office in Denver.

Reclamation's Bridging the Headgate Partnership with the U.S. Department of Agriculture's Natural Resources Conservation Service, the National Association of Conservation Districts, and the National Association of State Conservation Agencies is now in its second year. This outreach effort continues to support delivery of coordinated water conservation services to water districts and their farmers. This year, the National Water Resources Association and the Western States Water Council have joined in supporting this partnership.

Drought Program

Reclamation's Drought Program assists States and local entities throughout the West in coping with emergency water shortages. Reclamation's Commissioner served as the Department of the Interior (Interior) representative on the National Drought Policy Commission. The commission delivered its report, *Preparing for Drought in the 21st Century*, to the Congress in May. Other Reclamation accomplishments for FY 2000 include the following:

- Provided emergency assistance to New Mexico through the acquisition of water to mitigate impacts to fish and wildlife resulting from prolonged drought conditions on the Rio Grande.

- Provided emergency assistance to Bowdoin and Benton Lakes National Wildlife Refuges in Montana through the acquisition of emergency water supply to mitigate impacts to fish and wildlife resulting from severe drought conditions.
- Provided emergency assistance to the village of Culbertson, Nebraska, for the development of two new municipal water wells to mitigate impacts resulting from severe drought conditions in Nebraska.
- Provided emergency assistance to the town of Williams, Arizona, for the development of a well for emergency domestic water supply needs.
- Provided emergency assistance to the Hopi Tribe by procuring portable pumps and generators to pump water from existing wells when the water table dropped due to drought.
- Provided emergency drought assistance to several tribes within New Mexico through actions such as well repair and drilling.
- Provided technical assistance to the State of Hawaii, which led to the formulation of the Hawaii Drought Plan.
- Organized and presented a drought workshop for the Great Plains Region, which provided a forum for sharing experiences in drought preparedness including drought plan development from the State, local, and tribal perspectives.
- Provided emergency drought relief funding to acquire 3,300 acre-feet of Central Arizona Project water. This water was provided to agricultural users who would normally use water from San Carlos Lake, the most important asset on the San Carlos Reservation. In exchange, the agricultural users left their water in the lake, which allowed a minimum pool to be maintained to sustain its fishery, averting an environmental and economic disaster to the tribe. In 1997 and 1999, Reclamation also provided emergency drought assistance to prevent San Carlos Lake from drying up.

The very low water level at El Vado Reservoir is a graphic example of the drought problems plaguing the West.



- Continued to work with States, tribes, and localities to develop comprehensive drought plans.

Watershed Approaches

A watershed is “that area of land, a bounded hydrologic system, within which all living things are inextricably linked...”
John Wesley Powell.

Reclamation seeks to manage water resources using a watershed approach, meaning that the approach incorporates the ecology and interests of an entire basin rather than using a piecemeal approach. Such activities involve working with environmental groups as well as Federal, State, and local entities to reach management agreements.

In FY 2000, Reclamation developed a statement of work for the Santa Margarita River watershed, California, to include water supply augmentation, water quality protection, and environmental enhancement. Working with the U.S. Fish and Wildlife Service and the Hoopa Valley and Yurok Tribes, Reclamation completed a 15-year flow study and contributed to environmental studies for the Trinity River in California. Reclamation also worked with the government of Canada to develop a framework to coordinate activities concerning water quality in the transboundary area of the Columbia River. Other activities are described below.

CALFED

The State of California and the Federal Government reached a historic agreement after months of negotiations and years of water battles that sets in place a long-term and comprehensive CALFED Framework for Action, a plan focused on restoring the Bay-Delta ecosystem, the largest estuary on the west coast. The framework is the most significant effort by water managers in State history to solve long-standing conflicts in the delta and regional watersheds. The historic plan focuses on the CALFED Bay-Delta Program and pledges to restore its ecological health; enhance water supply reliability for the State's farms and growing cities; improve drinking water quality for 22 million Californians; assure long-term stability for agricultural, urban, and environmental uses; and provide long-term protection and maintenance for the 1,100 miles of the delta levee system. The plan promises benefits to the environment, to California's economy, and to urban and agricultural users. This is an unprecedented commitment to ecosystem restoration, environmental preservation, and new smart storage of water.

Aspinall Unit Subordination Agreement

On July 25, 2000, after 40 years of effort, Reclamation, along with the Upper Gunnison Water Conservancy District, the Colorado River Water Conservation District, and the State of Colorado, signed an agreement regarding the

administration of water rights for Reclamation's Aspinall Unit. The agreement formalized the subordination of 60,000 acre-feet of the Federal Government's water rights to the Gunnison River Basin. The agreement set forth the legal framework for the long-term future water supply for the Gunnison River Basin, assuring the upstream in-basin water users of the ability to protect and develop their water.

Black Canyon of the Gunnison Reserved Water Right

The National Park Service (NPS) has an unquantified Federal reserved water right for the Gunnison River. Reclamation has been working with the NPS to determine the impacts to the purposes and operations of the Colorado River Storage Project's Aspinall Unit in implementing the NPS's desired hydrograph. These impacts will be taken into consideration as the Department of the Interior attempts to quantify the right. The Department of Justice plans to file for the right in Colorado Water Court by the end of the calendar year.

Central Arizona Project Stipulation

In FY 2000, Reclamation successfully completed a negotiated resolution to the July 1995 lawsuit between Reclamation and the Central Arizona Water Conservation District over a variety of Central Arizona Project repayment contract and operation and maintenance issues. Both parties signed a Stipulation Regarding a Stay of Litigation which was submitted to the court which issued an order to stay the litigation for a period of 3 years, during which time the United States and the district will operate pursuant to the stipulation agreement. This stipulation is considered to be a major milestone in resolving the Central Arizona Project repayment dispute and in resolving Indian water rights claims within the State of Arizona.

Animas-La Plata

On September 25, 2000, the Secretary of the Interior issued a record of decision on the final supplemental environmental impact statement for the Animas-La Plata Project. The decision adopts Reclamation's recommended alternative, which will fulfill trust responsibility to the Colorado Ute Tribes' water rights. Implementing the plan will also respect existing water rights held by non-Indian water users throughout the basin; furnish the Navajo Nation with a water supply for domestic use in the Shiprock, New Mexico, area and a pipeline to deliver that supply; allow for additional municipal and industrial water for non-Indian communities in the Four Corners area; and provide an increased level of certainty for water managers in the San Juan Basin.

The record of decision recognizes that implementation of activities specific to the selected alternative must still rely on congressional enactment of appropriate legislation to modify the 1988 Settlement Act.

Navajo Reservoir Operations Environmental Impact Statement

An environmental impact statement on the operations of Navajo Dam and Reservoir to implement flows recommended by the San Juan River Basin Recovery Implementation Program is underway. It is expected that the recommended flows would help conserve the endangered Colorado pikeminnow and razorback sucker in the San Juan River while maintaining authorized project purposes. The cooperating agencies assisting Reclamation in the process include four tribes, two water user organizations, two States, one city, and five Federal agencies.

Salton Sea

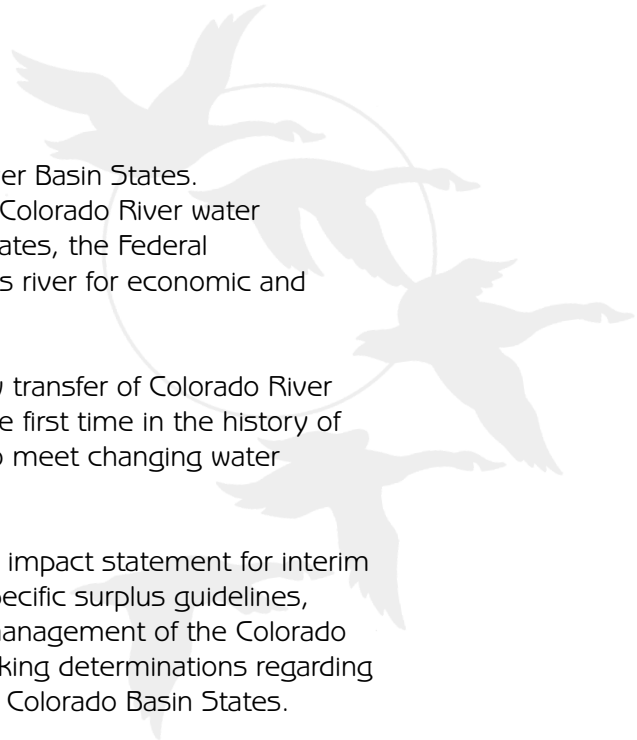
Reclamation completed a draft environmental impact statement/environmental impact report on the Salton Sea restoration effort. Following public review, work began on reformulating the initial alternatives, exploring additional restoration alternatives, and developing a preferred alternative. Some initial restoration efforts are underway, including a shoreline cleanup program, a fish harvesting program, and an integrated wildlife disease study. Two methods of reducing salinity-enhanced evaporation systems and solar ponds are also being tested.

Colorado River Issues

Environmental studies are underway for operations of Navajo Dam (left) and use of surplus waters of the lower Colorado River (right).

Reclamation continued to support Interior's efforts to help California develop and implement a plan to reduce its Colorado River water use to 4.4 million acre-feet per year—the State's legal entitlement under the "law of the river." California has been taking more than 5 million acre-feet of water per year, using surplus water





or water that is not used by the other Colorado River Basin States. Development of this plan will significantly improve Colorado River water management efforts for the benefit of the Basin States, the Federal Government, and other entities that depend on this river for economic and environmental well-being.

In December 1999, a rule was established to allow transfer of Colorado River water among Arizona, California, and Nevada for the first time in the history of the management of the river, providing flexibility to meet changing water demands within the lower basin.

Reclamation also completed a draft environmental impact statement for interim surplus guidelines on the lower Colorado River. Specific surplus guidelines, which do not currently exist, will improve overall management of the Colorado River and assist the Secretary of the Interior in making determinations regarding annual water supply conditions for the three Lower Colorado Basin States.

Fish and Wildlife

Dams change the natural ecosystems of rivers, causing some negative effects on habitats of fish and wildlife. While still meeting contractual commitments, Reclamation strives to change the operation of its reservoirs or mitigate changes to ecosystems to reduce any negative effects. In FY 2000, Reclamation contributed \$500,000 toward construction of fish barriers on Aravaipa Creek in central Arizona to help protect native endangered fish from potential threats from exotic species imported by the Central Arizona Project. Reclamation also conducted surveys and monitoring of the southwestern willow flycatcher in Arizona and worked with The Nature Conservancy to purchase additional habitat for this endangered bird.

Reclamation continued efforts to protect and recover the endangered razorback sucker, a fish native to the Colorado River. Several thousand fingerling razorbacks were reared in protected ponds, fish hatcheries, and other locations in Nevada and Arizona, then returned to Lake Mohave and other areas on the Colorado River.

In cooperation with the U.S. Fish and Wildlife Service, Reclamation purchased 122,000 acre-feet of water to meet target flows on the Merced, Lower San Joaquin, and Stanislaus Rivers. To help meet water supply needs for San Joaquin Valley wetlands, Reclamation purchased 23,000 acre-feet of water, with an additional 38,000 acre-feet in process.

Working With Tribes

The mission of Reclamation's Native American Program is to make Reclamation program benefits available to Indian tribes and to fulfill Reclamation's Indian trust responsibilities. In FY 2000, Reclamation efforts included the following activities, as well as some described elsewhere in this document:

- Helped the Navajo Department of Water Resources develop and complete a resource management plan addressing the Navajo Nation's projected water requirements and water resource infrastructure deficiencies. Additionally, Commissioner Eluid Martinez and Navajo Nation President Kelsey Begay signed a memorandum of understanding creating a partnership committed to the water development and management goals of the Navajo Nation and Reclamation.
- Helped re-establish irrigated agriculture and implemented irrigation water conservation measures in the Ganado community in partnership with the Navajo Nation, Natural Resources Conservation Service, National Park Service, Ganado Farm Board, and Presbyterian Ministry of Grand Canyon. The resulting project is considered a model for Federal/tribal small irrigation system conservation programs.
- Helped the Hondah McNary Community, White Mountain Apache Tribe, create a community development geographic information system to organize information related to the tribe's land use and water development plan. By ultimately mapping and attributing all the major communities within the reservation, the system was an essential component of the tribe's success in developing plans that established the "Apache Dawn" program, a unique private mortgage financial program that enables tribal members to purchase new homes.
- Made the first delivery of Central Arizona Project water to the Tohono O'odham Nation, as required by the Southern Arizona Water Rights Settlement Act of 1982. The new farm consists of 2,500 acres of leveled farmland that will ultimately receive about 10,000 acre-feet of Central Arizona Project water annually.
- Provided 13 Native American Pueblos with technical or financial water management-related assistance through various programs including water needs assessments, new pumps and other infrastructure, water measurement structures, and automation of flow structures.
- Began a feasibility study to develop a safe and adequate municipal, rural, and industrial water supply for the residents of the Jicarilla Apache Indian Reservation.

- Began a cooperative study to provide municipal and industrial water supply to the eastern portion of the Navajo Nation and the city of Gallup, New Mexico, in cooperation with the Navajo Nation, city of Gallup, Northwestern New Mexico Council of Governments, and the Bureau of Indian Affairs.
- Completed a water needs study for the Coquille Indian Tribe, Oregon, to assess the ability of available water resources to achieve tribal development plans, including wetland, fisheries, and watershed restoration alternatives.

Water Quality

Reclamation works to improve and maintain water quality in and around its projects throughout the West. In FY 2000, the following activities were accomplished:

- Developed a conservation and habitat restoration program under the Central Valley Project Improvement Act in cooperation with the U.S. Fish and Wildlife Service, California Department of Fish and Game, and Environmental Protection Agency. The program addresses ecosystem needs of listed and sensitive species, helps maintain biological diversity, improves conditions for listed species, and mitigates for the past effects of the Central Valley Project. Reclamation provided funding to purchase lands or provide easements for habitat improvement.
- Contributed \$3.7 million in staff and funds to the Interagency Ecological Program for the Sacramento-San Joaquin Estuary in California, which identifies project impacts caused by State (Department of Water Resources) and Federal (Reclamation) water diversion operations in the estuary.
- Continued several new projects as part of the basinwide program to control the salinity of the Colorado River. Reclamation has now obligated over \$48 million since the inception of the basinwide program in 1995 and has yet to incur a cost overrun. The total Reclamation program (including those projects constructed before 1995) is estimated to prevent about 550,000 tons of salt per year from entering the Colorado River.
- Partnered with the Hammond Conservancy District of Bloomfield, New Mexico, to line approximately 26 miles of canal with concrete. The concrete lining, funded under the Basin States Salinity Reduction Program, will inhibit water loss and lower salt input into the San Juan River.

Reclamation's efforts to improve water quality benefit many types of water fowl throughout the West.



- Essentially completed main construction activities related to the cleanup of contaminated bottom sediments as part of the Middle Green River Basin Study, Stewart Lake Waterfowl Management Area, National Irrigation Water Quality Program.
- Began construction of two demonstration wetlands near Brawley, California, in partnership with the congressional task force on the New River, Desert Wildlife Unlimited, and other entities. The wetlands projects are designed to clean up nonpoint source pollution that enters the Imperial Valley and Salton Sea through agricultural drains and the highly polluted New River.

Science And Technology Program

The Science and Technology Program (Program) conducts studies and investigations to research, develop, and apply new technologies and methods to help Reclamation meet mission-related needs and challenges. Reclamation's aging facilities and the multiple competing demands for the limited Western water supply challenge Reclamation to effectively and efficiently manage its projects and provide strong stewardship of the water and related resources associated with project operations. More than half of Reclamation's facilities are now more than 50 years old. As facilities continue to age and the environmental

and urban demands for water supply and water quality continue to increase, management challenges will also increase.

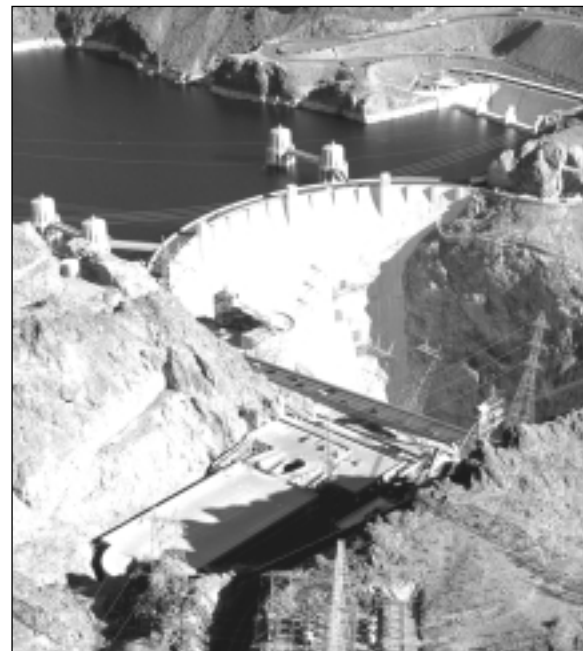
The mission-specific information, capability, and expertise derived from the program provide tools to meet these challenges and provide essential science for sound decisionmaking. To maximize effectiveness, the Program strives to integrate research and applied science into the mainstream of Reclamation projects and operations. Cost-shared partnerships with other Reclamation projects and programs, other Federal agencies, local government agencies, universities, and the private sector are obtained for Program activities whenever possible. Highlights of Program activities include:

Received four patents, applied for eight additional patents, and granted two licenses—an exclusive license to Armotec Corporation—for a product that protects embankment dams from overtopping flows and a nonexclusive license to Radian International for a selenium removal process.

- Conducted a pilot plant study to develop and demonstrate water reclamation technology that provides high quality drinking water from raw sewage to McAllen, Texas. McAllen has been relying on impaired and inadequate water supply from the Rio Grande to meet community needs.
- Developed the RiverWare reservoir operation decision-support system. RiverWare provides Reclamation water resource managers with real-time assessments of water availability, use, and demands. The system enhances the ability to better manage water supplies to help meet municipal, fish and



The Shasta Dam penstock (left) and Hoover Dam (below) are just some of Reclamation's facilities that are now more than 50 years old.



wildlife, agricultural, recreational, hydropower, and water quality demands. The system is now used in the Upper and Lower Colorado and San Juan River Basins. Additional development and applications are planned or underway on the Pecos, Rio Grande, Yakima, Truckee, Umatilla, and Central Platte River Basins.

- Helped maintain water deliveries, while protecting endangered or threatened aquatic species, by developing improved methods to prevent fish from becoming entrained in water delivery systems. Tests with underwater strobe lights are showing the potential to better manage fish movements. Additional efforts include leading the development of fish passage technology for non-salmonoid native to Western rivers. Thousands of dams and diversion structures restrict the migration and available habitat to native fish, including listed or endangered species.
- Developed and implemented new technology to help assess the condition of concrete in various structures without costly sampling and testing, and advanced concrete repair methods that are now considered industry standard practice.
- Developed improved methods for starting, stopping, and optimizing hydroelectric generators to reduce wear and increase overall efficiency. Methods were successfully implemented on Lower Colorado River dams.
- Developed improved methods to assess the stability of hydroelectric systems, increasing the reliability of the Western electrical grid.
- Evaluated a successful demonstration project for the biological control of purple loosestrife. Purple loosestrife clogs Western waterways, affecting the operations of Reclamation projects. The biological control project has demonstrated effective control at a significantly reduced cost and effort as compared to the use of harmful herbicides. Similar promising work is underway to control salt cedar, which is a major problem on many Western waterways.

Construction

Reclamation completed modifications of an automated fish-handling device at the Marble Bluff Dam in Nevada. These modifications will enhance recovery of the endangered cui-ui fish species. Working with the Pyramid Lake Paiute Tribe,

Reclamation designed improvements for the device and managed its construction and installation. During the 1998-2000 spawning runs, the facility passed a record number of the endangered cui-ui upstream.

Reclamation provided technical assistance to the Central Utah Water Conservancy District by preparing drawings and specification for the Value Engineering alignment for the Upper Diamond Fork Project, which resulted in cost savings of millions of dollars to the district. Reclamation also provided design, drawings, specifications, and construction management for the Spanish Fork River flow control structure.

International Affairs

Reclamation provides technical training and assistance on water resources management to countries throughout the world under its International Affairs Program. In FY 2000, the International Affairs Program achieved the following:

- Delivered a pilot-scale, mobile salinity research facility for Saudi Arabia and provided onsite training in operating the equipment.
- Continued to assist the U.S. State Department with water issues related to the Middle East peace process.
- Signed an agreement to help address transboundary water issues in the Okavango River Basin in Africa.
- Signed agreement with the National Water Commission for technical cooperation which resulted in increased contact with Mexico. This agreement enabled Reclamation to do a series of dam safety workshops in Mexico City for Mexican counterparts.
- Undertook an artificial flood study on the San Francisco River in Brazil; extended an agreement between Reclamation and the Chinese Ministry of Water Resources to permit cooperation on water resources management and water conservation.
- Continued support for the World Commission on Dams in its forum activities and Grand Coulee Dam case study.
- Provided technical training programs for more than 150 technical specialists from around the world, including Korea, Saudi Arabia, and Taiwan.

Reclamation also hosted two well-received international workshops. Managers, administrators, engineers, and geologists from over 20 countries attended the International Dam Safety Operation and Maintenance Seminar, which focused on the importance of maintaining and operating dams in a safe and effective manner. Additionally, managers and administrators from 13 countries attended Reclamation's Integrated Water Resources Management International Workshop, which reviewed current trends and issues related to water resources management in the American West. Throughout the year, Reclamation also developed and conducted specialized visitor programs for more than 800 international visitors from over 25 countries.



Participants from around the world attended Reclamation's International Dam Safety and Maintenance Seminar.

Land Management and Development Goal **2**

Reclamation strives to provide the greatest overall benefit from existing land resources, while using sound conservation practices and protecting the environment. Recreation opportunities exist at many Reclamation facilities. The Reclamation goal for this program activity under GPRA is displayed below, followed by a discussion of other accomplishments under this program activity.

Performance Goal and Results

Goal

Increase recreational opportunities and improve recreation sites by completing 15 percent of recreation compliance reviews and creating action plans for 15 percent of recreation areas with deficiencies.

Results

Exceeds target.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Percent of completed Recreation Compliance Reviews (cumulative goal)	-	-	15	33	¹ 97	120
Percent of areas with recreation action plans	-	-	15	26	10	10

¹ This performance indicator was measured as a percent in FY 2000. The goal was changed to a number for FY 2001 and beyond to demonstrate the scope of the reservoirs being reviewed.

Data Source

Records of recreation compliance reviews and plans maintained by Reclamation.

Comments

Reclamation conducts recreation compliance reviews to ensure that recreation facilities are in good condition and that they are managed according to safety and health standards, concession agreements, and Reclamation policies. Reclamation's FY 2000 performance goal was to complete recreation compliance reviews and action plans at 15 percent of facilities. Reclamation has exceeded the goal by completing 33 percent of the recreation compliance



reviews (for 64 areas) and 26 percent of the action plans (for 51 areas). These activities identify needed corrective actions to improve the quality of Reclamation's recreation areas.

Discussion of Other Accomplishments

Enhance Recreational Opportunities

Many Reclamation projects provide recreational activities. In FY 2000, Reclamation coordinated with local, State, and other Federal partners to achieve the following accomplishments:

- Participated as a full partner in the Blue Ridge/Berryessa Natural Area Project in California, an ongoing public/private joint venture to conserve the environmental and aesthetic quality of the area, provide quality outdoor recreation opportunities, and promote coordinated resource management.
- Started revegetation at stockpile and borrow areas disturbed during modifications at Bradbury Dam, California. Approximately 1,000 oak seedlings were started in an onsite nursery for the restoration.
- Obligated funds for or completed 26 recreation development and fish and wildlife enhancement projects totaling \$1,096,000 in Oregon, Washington, and Idaho. Projects were cost shared with a variety of non-Federal managing partners throughout the region for a 99.06-percent program accomplishment.
- Provided cost sharing to local governments in Arizona for the development of parks, trails on canals, trail heads, and public health and safety items for public facilities.



C.A.S.T. activities.

Catch A Special Thrill (C.A.S.T.) Fishing Events

"Catch a Special Thrill" events provide a fun-filled day of fishing and boating for disabled and disadvantaged children. Reclamation is an official partner in these activities; and many Reclamation workers volunteer to assist with this program, which gives kids the chance to enjoy a great boat ride and learn to fish, as well as develop a new interest in fishing and the outdoors. C.A.S.T. also benefits the volunteers who participate by giving them the opportunity to serve their community and work with and appreciate the amazing people that live with various limitations.

Reclamation, along with numerous Federal, State, and local entities, participated in six C.A.S.T. events throughout the West.

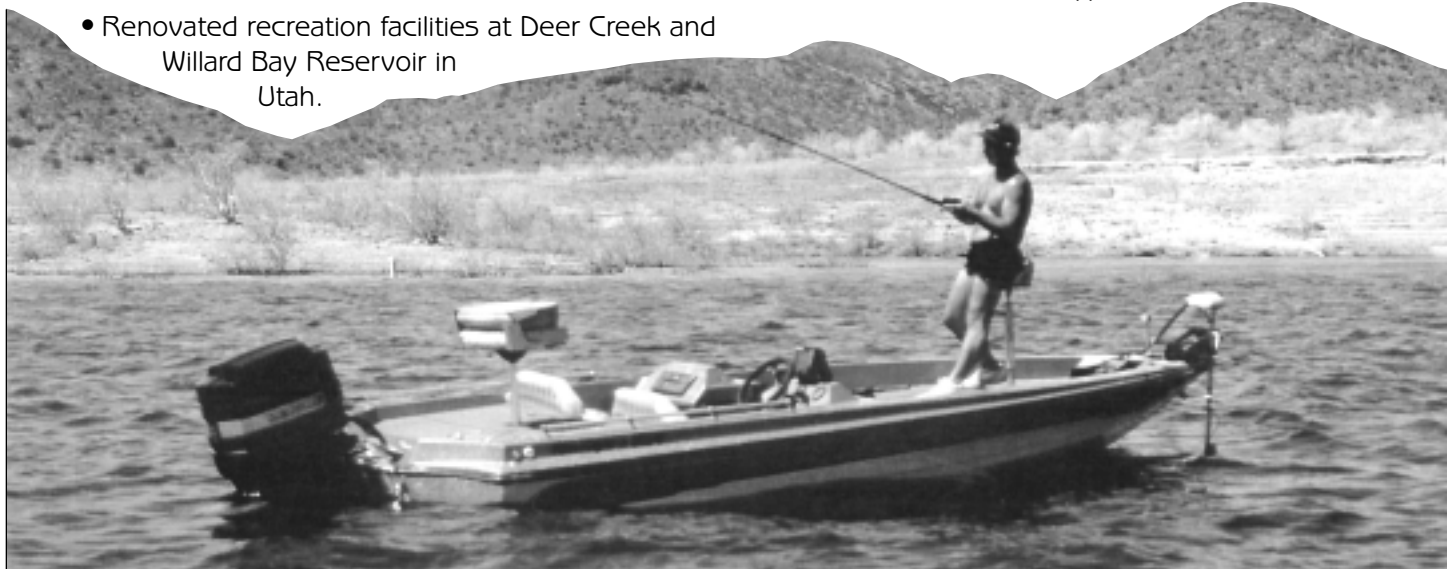
Manage Land Resources

Reclamation manages approximately 8.6 million acres of Federal land, made up of 2.2 million acres of acquired land and 5.8 million acres of withdrawn land. In addition, Reclamation has easements on another 600,000 acres of land. These lands are used for dams, reservoirs, irrigation facilities, power generation facilities, flood control, recreation, and fish and wildlife enhancement. In FY 2000, Reclamation achieved the following accomplishments:

- Developed a region-wide wildfire management program in California, involving master contracts with fire agencies and operation plans customized by facility.
- Completed a 10-year recreation plan for Agate Lake, Oregon, which will enable Reclamation and its partners to manage the area, provide recreational opportunities to the public, and protect its natural resources.
- Completed accessible action plans and agreements with the State of Utah to make facilities at Jordanelle, Red Fleet, Steinaker, and Huntington recreation areas accessible for the disabled.
- Completed a 5-year Snake River Resources Review in response to the growing and complex water use demands on the Snake River. The program was completed on time and within budget (5 years and \$10 million).
- Completed recreation compliance field reviews for recreation sites at Percha and Leasburg Recreation Areas, managed by the State of New Mexico, and for Deer Creek Reservoir, Newton Reservoir, Lost Creek Reservoir, and Echo Reservoir in Utah.
- Developed resource management plans under the National Environmental Policy Act compliance for Willard and Scofield Reservoirs in Utah, setting forth the policy and management direction for guiding and controlling future resource management actions, activities, and recreation uses.

Reclamation reservoirs offer many recreational opportunities.

- Renovated recreation facilities at Deer Creek and Willard Bay Reservoir in Utah.



3 Fish and Wildlife Management and Development

Reclamation works to improve habitat for fish and wildlife in and around its facilities. The Reclamation goal for this program activity under GPRA is displayed below, followed by a discussion of other accomplishments under this program activity.

Performance Goal and Results

Goal

Continue measures contributing to no net loss of wetlands through support of North American Waterfowl Management Plan joint ventures and other local and ecosystem-based programs that benefit wetlands.

Results

Exceeds target.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Acres of wetlands protected and maintained, established, restored, or enhanced	-	-	1,547	7,187	1,000	4,500

Data Source

Section 404 permits, National Environmental Policy Act documents, biological opinions.

Comments

Reclamation created, enhanced, or restored more than 7,000 acres of wetlands in FY 2000. These wetlands are most often funded on a project-specific basis and help to improve the wildlife habitat in or around Reclamation projects. Wetland restoration, development, and enhancement are critical in ensuring adequate habitat for threatened and endangered species. Reclamation exceeded its target because it often works in partnership on wetlands activities, making it difficult to predict the funding availability and exact acres of wetlands to be addressed prior to implementation.

Discussion of Other Accomplishments

Wetlands

In the first year of developing a unified system to track Federal wetlands conservation activities, Reclamation established 124 acres of wetlands; restored 3,561 acres; enhanced 3,887 acres; and protected or maintained 1,249 acres. Most of these wetland conservation activities were accomplished in partnership with both Federal and other partners.

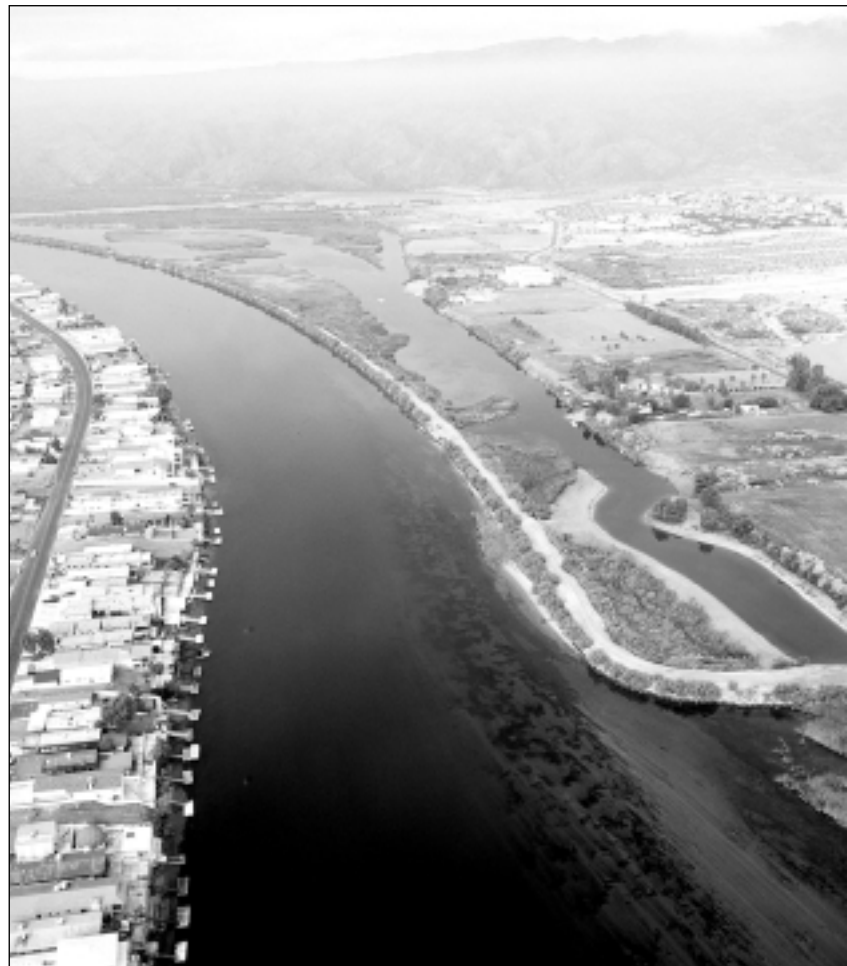
Facility maintenance commitments were met along 238 miles of the lower Colorado River with no net loss of wetlands, while backwater wetland restoration projects continued to be implemented. A total of 31 acres of habitat was restored in the Imperial Dam Restoration Project and the Laughlin Lagoon Rehabilitation Project.

Reclamation participated in studies to restore native plants and riparian habitats in the San Joaquin and Sacramento River basins in California.

Reclamation coordinated with non-Federal cost-share partners on several wetland projects in Idaho and Oregon. The projects included establishing

Laughlin Lagoon.

The piping plover is one of several endangered species of birds that the Bureau of Reclamation is working to help save.



5 acres of wetland habitat, restoring more than 50 acres of wetlands, and enhancing about 8 acres of wetland habitat.

Endangered Fish Species

Reclamation worked to improve habitat for endangered fish at its facilities throughout the West. In FY 2000, Reclamation's accomplishments were as follows:

- Continued upgrading the Nimbus Fish Hatchery on the American River, California, to save chemicals, raise larger fish resulting in a greater survival rate, and lower hatchery operating costs.
- Continued installing a temperature control device on Folsom Dam to help conserve cold water and lessen the impact to threatened salmon in the American River, California.
- Developed flow recommendations for the Green, Gunnison, and Colorado Rivers to help recover a variety of endangered fish in the Upper Colorado and San Juan River Basins.
- Began studying modified operations at Flaming Gorge and Navajo Dams. Modified dam operations will be required to implement the flow recommendations for the Green and San Juan Rivers.
- Finalized the 15-Mile Reach Programmatic Biological Opinion, which provides regulatory certainty for approximately 1 million acre-feet of existing depletions as well as up to 120,000 acre-feet of future depletions while providing for the habitat/flow needs of the endangered fish in the Colorado River above the confluence with the Gunnison River.
- Awarded a contract to construct irrigation system improvements on the Grand Valley Project, Colorado, which will increase water use efficiencies. The conserved water will provide additional drought protection to east and west slope water users and improve habitat conditions for endangered fish species.
- Began work on fish ladders and fish screens to be installed on all major diversion dams/canals on the Colorado, Gunnison, Green, and San Juan Rivers.
- Collaborated with Federal, State, and local stakeholders in New Mexico to sustain instream flows for the Rio Grande silvery minnow, an endangered species found only in the middle valley of the Rio Grande. Severe drought conditions this year resulted in unusually low riverflows through the middle

valley, threatening the minnow. Reclamation leased water from other users to provide a continuous flowing river for the fish.

- Continued fish passage improvement programs in the Rogue, Tualatin, Deschutes, and Crooked River basins in Oregon, installing or contracting for fish screens and ladders.
- Modified water management and leased additional water for release into the Pecos River, New Mexico, to provide streamflows for the endangered Pecos bluntnose shiner.
- Participated in the Battle Creek Salmon and Steelhead Restoration Project in California, to re-establish up to 42 miles of prime salmon and steelhead habitat on the mainstem Battle Creek and an additional 6 miles of its tributaries.
- Participated in the Walker River Basin assessment team, formed to assess, together with other affected parties, possible solutions for settlement of water rights litigation, the recovery of Nevada's Walker Lake freshwater ecosystem, and recovery of the Lahontan cutthroat trout in a manner that minimizes impacts on the local communities.

Changing flows, installing fish ladders, and improving hatcheries can all help recover endangered fish.

Deschutes Ecosystem Restoration Project

The focus of the Deschutes Ecosystem Restoration Project (DRC) is on actions that improve water quantity and/or quality. The DRC solicits voluntary actions that meet these specific restoration goals. Projects approved by the DRC for funding are generally located in selected subbasins with specific streamflow and water quality needs. FY 2000 was the second year that funds totaling \$500,000 were obligated to the Deschutes Basin Resources Conservancy and Reclamation to cover administration and project costs. An additional \$300,000 was appropriated during the fiscal year. As of September 2000, 100 percent of the obligated funds have been spent on restoration projects. The DRC is required to cost share at least 50 percent. To date, the DRC has exceeded the 50-percent cost share. The conservancy has solicited potential projects from irrigation districts, watershed councils, Native American governments, individuals, and other entities.

Rincon Bayou Demonstration Project

The Rincon Bayou Demonstration Project, located along the south Texas coast, began in FY 1993 and was concluded in FY 2000. The two objectives of the project were to: (1) increase the opportunity for freshwater diversions into the upper Nueces Delta and (2) monitor the resulting changes in estuary

productivity. During the 50-month demonstration period, the amount of fresh water diverted into the upper Nueces Delta was increased by about 732 percent. As a result, in a relatively short period of time (just over 4 years), the average salinity gradient in the upper delta reverted to a more natural form, with average salinity concentrations in upper Rincon Bayou becoming the lowest in the Nueces Delta. Estuarine habitat in the delta component of the Nueces Estuary improved in both quality and quantity, and foraging opportunities for many estuarine species increased.

Rincon Bayou
Demonstration Project.



Facility Operations

Goal

4

Reclamation provides water and power through its 348 reservoirs and 58 powerplants. Operating these facilities for the public good is one of Reclamation's major responsibilities. The Reclamation performance goals for this program activity under GPRA are displayed below, followed by a discussion of other accomplishments under this program activity.

Performance Goals and Results

Goal 1

Deliver power to meet Reclamation's contractual commitments 100 percent of the time.

Results

On target.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Number of megawatt-hours/numbers megawatt-hours contracted (percent)	100	100	100	100	100	100

Data Source

Power records maintained by Reclamation.

Comments

Reclamation met 100 percent of its project power commitments in FY 2000.

Goal 2

Attain power production costs per megawatt capacity that rank in the upper 25th percentile for comparable hydropower facilities.

Reclamation powerplant operations ensure power commitments are met.



Results

Exceeds target.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Power production costs (\$)/megawatt capacity (all within the upper 25th percentile)	\$5,128	\$5,879	\$6,300	\$6,009	\$7,100	\$7,300

Data Source

Power operations and maintenance reports.

Comments

Reclamation uses its annual costs per megawatt of power to benchmark against other hydropower entities as an indicator of cost effectiveness. Reclamation's goal is to be within the top 25 percentile of lowest cost hydropower industries. In FY 2000, Reclamation's costs were below its performance target of \$6,300 per megawatt capacity. This target was set as a 3-percent increase above the previous year's costs to adjust for inflation. In addition, Reclamation is well within the estimated 25th percentile of the lowest cost in the hydropower industry of \$6,900 per megawatt and is meeting its overall goal.

Discussion of Other Accomplishments

Impacts of deregulation in the State of California imposed significant stress on power system dependability and service reliability beginning in the summer of 2000. Power resources were in short supply while loads were increasing in the West. Scheduled and emergency operations of Reclamation hydroelectric facilities in the West contributed greatly to alleviating serious threats of brownouts and rotating outages throughout California.

As a partner with Western Area Power Administration and Bonneville Power Administration in the operation of the Federal hydroelectric generation and power transmission systems, coordinating and scheduling outages is becoming increasingly more important. Reclamation took steps in FY 2000 to develop processes where this coordination between agencies is more formal, while



Bureau hydroelectric facilities like this one at Shasta Dam helped to mitigate the energy shortages plaguing many areas of the West.

retaining the flexibility to respond to changing conditions that may impact outage schedules.

Power operations in Reclamation's Pacific Northwest Region are partially funded by Bonneville Power Administration, which contributes about \$50 million annually for basic operations and additional funding for major replacements and additions at Reclamation power facilities.

Reclamation also coordinated, developed, and implemented a methodology to provide generator regulation service to the California Independent Systems Operator as part of the Pacific Gas and Electric integration contract. This service improves the electric utility grid reliability support from Central Valley Project generation as well as increasing power marketing available for project repayment.

The Hoover Dam Visitor Center generated more than \$12 million in revenue, which was more than sufficient to cover the facility's operations, maintenance, and replacement costs as well as Reclamation's voluntary portion of the facility's debt repayment obligation. More than 1.2 million people toured Hoover Dam in FY 2000.

5 Facility Maintenance and Rehabilitation

Reclamation ensures the proper maintenance, reliability, and serviceability of its facilities, identifying and scheduling the necessary upgrades and repairs. The Reclamation performance goals for this program activity under GPRA are displayed below, followed by a discussion of other accomplishments under this program activity.

Performance Goals and Results

Goal 1

Attain a 3-percent or lower forced outage rate for Reclamation's hydropower generating units where cost/benefit analysis justifies expenditures.

Results

Exceeds target.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Number of hours out of service due to forced outage/8,760 hours per year (percent)	2.0	1.3	3.0	1.5	3.0	3.0

Data Source

Power operations and maintenance reports.

Comments

A forced outage rate measures the amount of time unplanned shutdowns result from equipment failure and other operational or maintenance problems. Well maintained facilities often have low forced outage rates. The industry average forced outage rate is 3 percent. During FY 2000, Reclamation obtained a 1.5 forced outage rating, overall. This means that Reclamation facilities had unplanned shutdowns less than 2 percent of the total number of hours within a year.

Goal 2

Reduce risks to downstream public and resources by completing Safety of Dams modifications at three dams or obtaining a decision not to complete an identified modification based on further analysis of risk.

Results

On target.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Completed Safety of Dams modifications and/or decisions not to complete	7	4	3	3	6	2

Data Source

Completion memos and construction documentation.

Comments

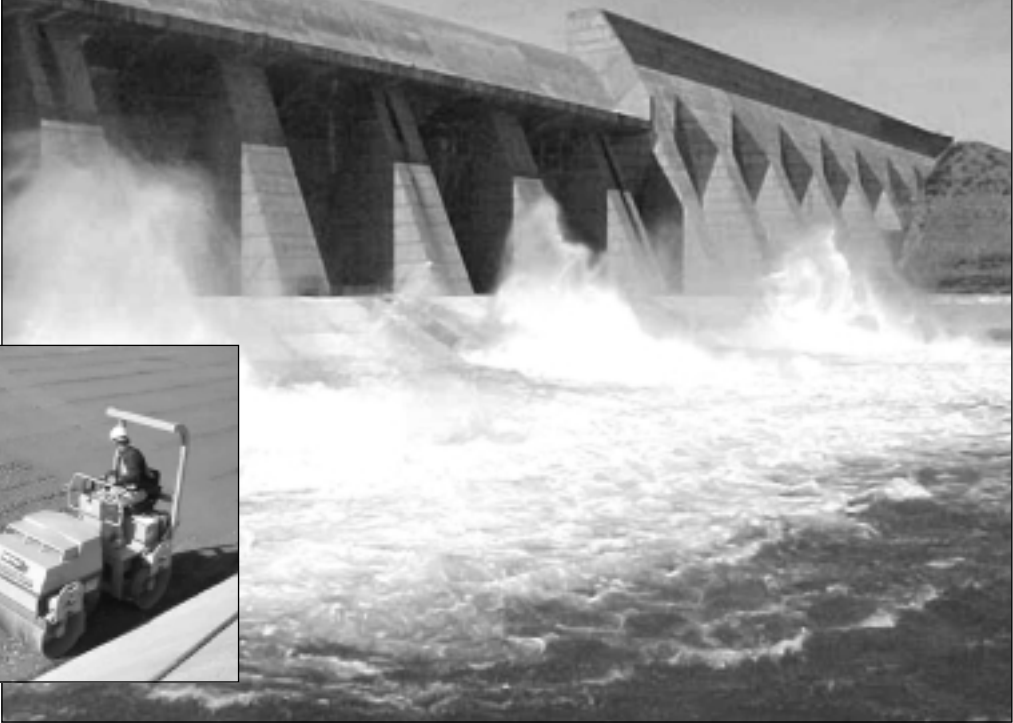
Reclamation conducts periodic assessment of its dams to ensure that facilities are safe. If potential risks of dam failure are identified, Reclamation conducts studies to determine the extent of risk and implements nonstructural actions or structural modifications to reduce the risk. In FY 2000, Reclamation met its performance goal by completing Safety of Dams modifications at Bradbury, Pueblo, and Willow Creek Dams to address identified risks.

Discussion of Other Accomplishments

Maintain and Rehabilitate Facilities

In FY 2000, Reclamation achieved the following accomplishments:

- Updated the AgriMet weather station network, a Pacific Northwest agricultural weather station network that provides crop consumptive use information for major irrigated areas. The 51 stations will receive a new data logger and satellite transmitter, and the upgrade is now 90-percent complete. The new equipment replaces 17-year-old technology and will provide new capabilities as well as enhancing the reliability of the network.
- Installed automated controls and some automated gates at Folsom, New Melones, and Nimbus Powerplants in California.



Repair work at Pueblo Dam (inset) and spillway test (right) following completion.

- Replaced rate of flow and slide gate valves in the Bradbury Dam outlet works to upgrade the facility.
- Completed repairs to a deteriorating wall along the crest of Arrowrock Dam. Because Arrowrock Dam is on the National Register of Historic Places, the wall replacement matches the original design, although it is 3 inches higher (42 inches) to meet modern safety requirements.
- Completed environmental compliance for rehabilitating Arrowrock Dam outlet works, a multiyear, \$15-million project.
- Awarded a \$1.1-million contract to rehabilitate the spillway drum gates at Black Canyon Diversion Dam. If the weather cooperates, allowing lowered reservoir levels to be maintained, work is expected to be completed by March 31, 2001.
- Completed modifications at Pueblo Dam and restored Pueblo Reservoir to normal operations. Modifications were necessary because two of the dam's concrete buttresses sat on shale seams and could have been unstable. A stilling basin, an empty basin directly below the dam's large spillway, was filled with concrete to add stability to the base of the dam. The project was completed 2 months ahead of schedule and \$13 million under budget.

Phase I Safety of Dam activities were completed at Senator Wash Dam, California.



- Initiated a 3-year effort to rewind the generators at Alcova Powerplant and replace the aging voltage regulators. Because of the age and condition of the existing windings, the generators, which were once operated at 20 megawatts capacity, have been limited to a maximum generation of 18 megawatts per unit.

Reclamation has 457 dams and dikes. Of these, 358 would endanger lives if a failure occurred. As these structures age, continued safe performance becomes a greater concern. Reclamation relies greatly on dam safety activities to manage these risks.

Reclamation operates its facilities in cooperation with other Federal, State, tribal, and local agencies to prevent or minimize flood damage while considering the needs of water user contracts, protection of the environment, and other factors. Reclamation and local communities are holding "table top" exercises simulating a variety of severe events to test emergency action plans. These exercises train employees from Reclamation and local agencies to handle such an event.

The goal of Reclamation's Safety of Dams Program, which funds many dam safety activities, is to identify all structures that pose unreasonable risks to public safety, property, the environment, and cultural resources and to take appropriate measures to reduce and manage risks in an efficient and cost-effective manner.

In 2000, the Safety of Dams Program obligated \$52.1 million. Figure 1 displays a comparison of program funding from FY 1994 through FY 2000.

Highlights of the FY 2000 Safety of Dams Program and other dam safety-related activities include:

- Completing 108 reports as part of the Comprehensive and Periodic Facility Reviews. Each dam in the program is reviewed every 3 years. Annual checklist inspections are performed at the remaining Reclamation dams. (Some examinations are funded from project or program funding other than the Dam Safety Program.)
- Evaluating deficiency concerns at 52 dams.
- Monitoring performance at all dams and reviewing and updating performance monitoring programs at 59 dams.
- Improving performance monitoring capabilities at 27 dams.
- Completing safety of dams structural

Removal of the rotating exciter in preparation for the rewind of Alcova Generating Unit #2.

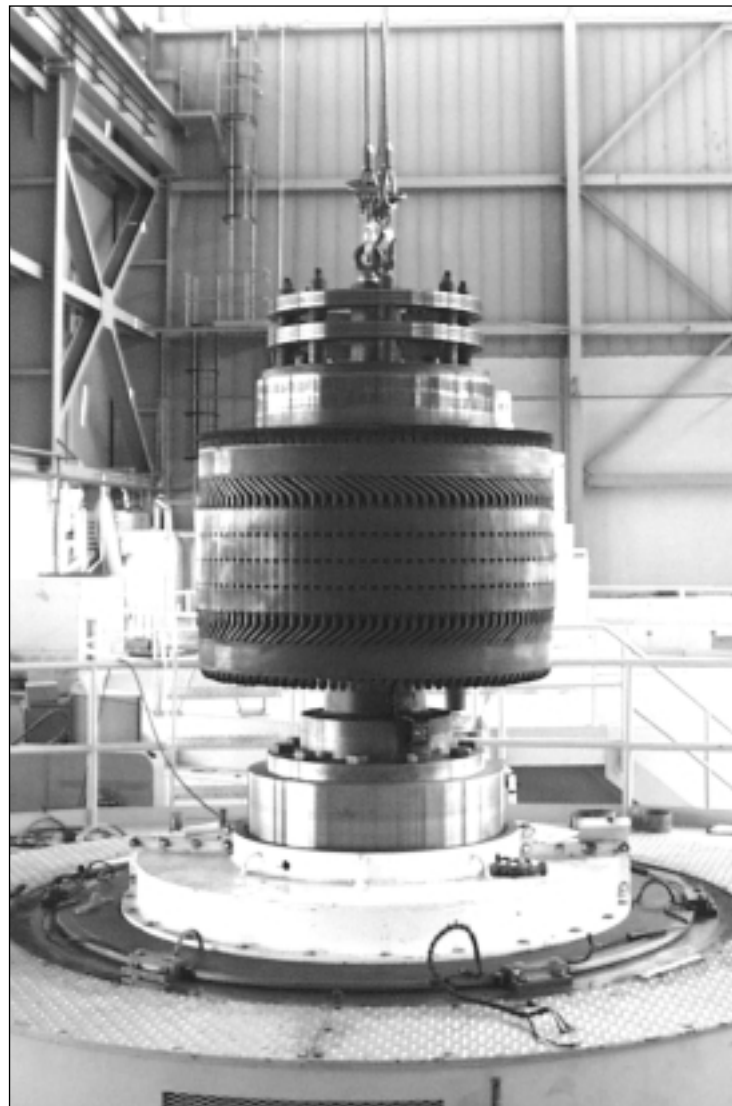


Figure 1. Safety of Dams Program funding. FY 1994 through FY 2000.

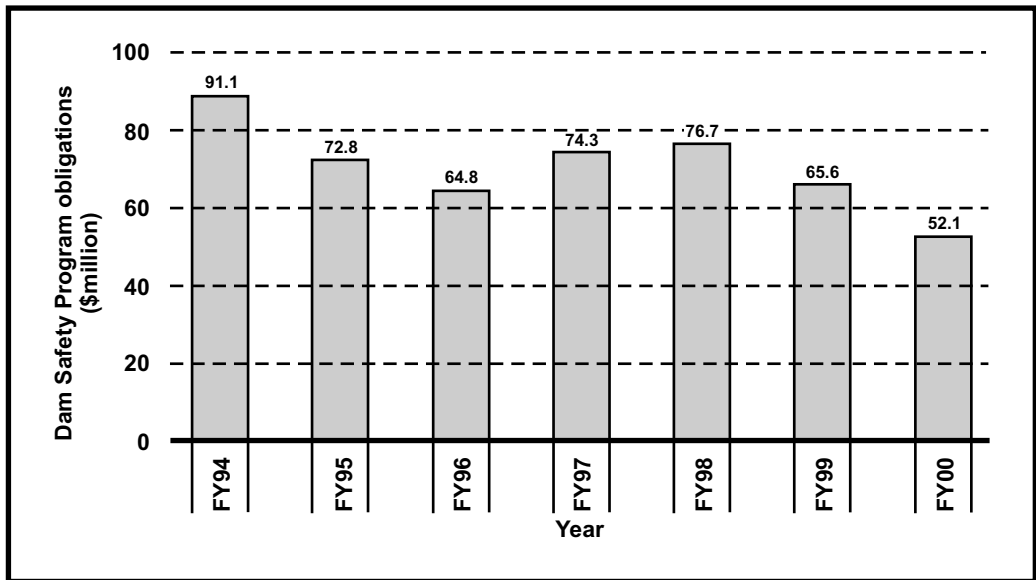
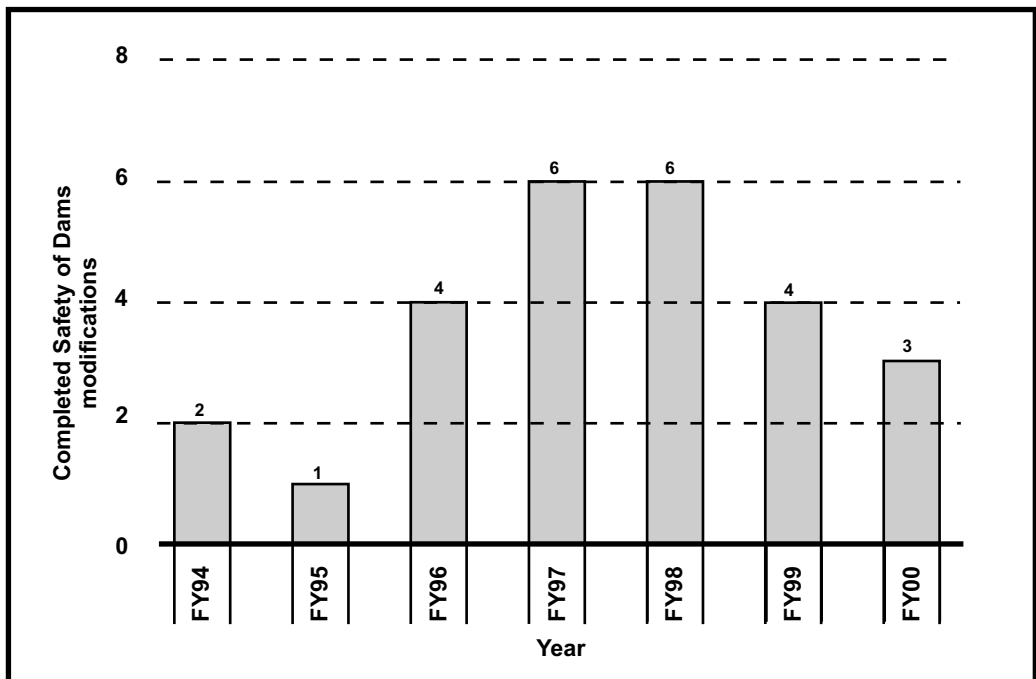


Figure 2. Number of Safety of Dams modifications completed, FY 1994 through FY 2000.



modifications at three dams, with modifications ongoing at four others. (For a comparison with previous years, see figure 2.)

- Reporting annually to Reclamation management on dam safety issues and activities at each dam.
- Updating and testing, on a recurring basis, emergency action plans at all dams that could endanger downstream populations.

Reclamation also provides technical assistance in dam safety for other agencies on a reimbursable basis. In FY 2000, Reclamation provided approximately \$416,000 in reimbursable construction management and engineering services to the National Park Service on 25 separate actions; about \$3.1 million in reimbursable engineering services to the Bureau of Indian Affairs and Native American tribes on 144 separate actions; and about \$70,000 in reimbursable engineering services to the Bureau of Land Management on 18 dams.

Reduce Risks to Public Safety

Reclamation fosters public safety by providing appropriate maintenance and security at its facilities. This work includes rehabilitation activities outside the Safety of Dams Program and developing emergency action plans for facilities. In FY 2000, Reclamation achieved the following accomplishments:

- Developed an Intensive Risk/Impact Assessment for the physical security at Shasta Dam, which had more than 70,000 visitors in 1999. Security risks were limited by providing backup personnel for tour groups of more than 10 individuals, by providing security guard training, by developing an agreement with local law enforcement to assist with security at the Northern California Area Office, and by designating a security team. A new closed-circuit TV system and intrusion detection system were developed, security for drum gates was identified, and steps were taken to ensure critical infrastructure protection.
- Completed a new operations model for Folsom Dam in California to allow for better forecasting of inflows during large flood events. The model will be tested and operated during the upcoming flood season.
- Completed reviews of hazardous waste programs at nine facilities in California.
- Continued installation of a new potable water treatment system at Grand Coulee Dam, in compliance with Federal and State of Washington requirements. The system is expected to be operational in 2001.
- Adopted global imaging technology to develop and update facility flood inundation maps and emergency action plans.
- Completed 59 comprehensive facility review inspections and 49 periodic facility review inspections.



Policy and Administration

This category discusses the formulation, evaluation, and oversight of Reclamation-wide policy, rules, and regulations. It also describes Reclamation's overall management and direction. The Reclamation performance goal for this program activity under GPRA is displayed below, followed by a discussion of other accomplishments under this program activity.

Performance Goal and Results

Goal

Complete eight title transfer process agreements and four terms and conditions agreements with districts interested in owning and managing projects, and transfer one title authorized by the Congress.

Results

Exceeds target for process agreements, below target for transfer agreements, and on target for completed title transfers.

Performance Measure	1998 Actual	1999 Actual	2000 Enacted	2000 Actual	2001 Enacted	2002 Proposal
Number of projects or parts of projects for which an agreement on goals and process has been completed	-	-	8	9	4	1
Number of projects or parts of projects for which title transfer agreements have been completed	-	3	4	3	4	2
Number of titles transferred	1	1	1	1	5	1

Data Source

Agreements and titles.

Comments

A process agreement is often the first step in the process to transfer facilities to willing districts because it lays out the process, roles, and responsibilities of each

party in pursuing title transfer. Reclamation exceeded its target by completing process agreements to transfer titles for the following project facilities:

- North Poudre supply canal and diversion works (Colorado-Big Thompson Project, Colorado)
- Lower Yellowstone Projects (Montana)
- Middle Loup Division (Nebraska)
- Southern Nevada Water Authority (Griffith Project, Nevada)
- Welton-Mohawk Irrigation District (Gila Project, Arizona)
- Carpenteria Valley Water District (Cachuma Project, California)
- Montecito Water District (Cachuma Project, California)
- Fremont-Madison Irrigation District (Minidoka Project, Idaho)
- Nampa-Meridian Irrigation District (Boise Project, Idaho)

The Congress passed legislation authorizing title transfer for a few of the projects for which Reclamation and the district negotiated process agreements, including the Gila River Project (Welton-Mohawk Irrigation and Drainage District) and the Griffith Project (Southern Nevada Water Authority). In many cases, including the two mentioned above, the legislation was adopted fairly late in the fiscal year—which meant that final transfer was not completed by the end of FY 2000. Other projects, such as the Lower Yellowstone Project, were considered, but no legislation was passed during FY 2000. The Congress also passed legislation for a number of projects for which the districts sought congressional approval as their first step. A complete list of title transfers signed into law may be found in Note 7, "Statements and Notes" .

Completion of title transfer agreements is the next stage of the process in which details of the transfer will be laid out. Transfer agreements are often approved by the Congress. Transfer agreements were completed for North Poudre, North Loup, and Carpenteria Water Districts. Reclamation is slightly behind target on this activity because a transfer agreement scheduled to be developed on the Welton-Mohawk Project is taking longer than anticipated.

The last step—the transfer of title—was completed with the Burley Irrigation District, Idaho, in FY 2000. Transfer of facilities or parts of facilities helps Reclamation meet its financial goals and facilitate local control and management of water facilities.

Discussion of Other Accomplishments

Contract Renewal

Reclamation successfully negotiated with local irrigation districts to renew water service contracts and convert some of them to repayment contracts. Renewing the contracts required compliance with the National Environmental Policy Act.

Reclamation also negotiated with the U.S. Army Corps of Engineers (Corps) concerning operation of Harlan County Lake, a Corps reservoir that provides water to two of the districts. The Republican River contracts have innovative terms that are acceptable to the irrigation districts, while providing benefits to other resources and helping to ensure the long-term integrity of the water project.

Privatization of Dutch John, Utah

Reclamation constructed the townsite of Dutch John, Utah, during the 1950s to support construction of the Flaming Gorge Dam and Powerplant. It now primarily houses Reclamation and U.S. Forest Service employees. The community, consisting of about 70 structures and associated infrastructure and utilities, is located on withdrawn National Forest lands and is administered by Reclamation. Legislation signed in 1998 provides for the privatization of certain Federal property in the Dutch John community and surrounding areas of the county.

The process of selling houses, lots, and commercial property is underway. As of March 2000, 20 residential properties and 2 commercial parcels had been sold, and 9 additional residential properties and the State of Utah storage yard had been transferred without cost.

In April, more than 1,800 acres surrounding the developed area were transferred to Daggett County. School properties were transferred to the county school district, and transfer of the gas system and some water rights is in progress.

Customer Service

Reclamation is continually striving to improve its customer service by improving communications and by soliciting customer input and feedback. In FY 2000, the following activities were accomplished:

- Reclamation continued to involve power customers in the power operations and maintenance program for the Central Valley Project, California. Power customers contribute funds in advance, and their collaboration and feedback are sought on planned efforts and accomplishments throughout the year.
- The Central Valley Operations Office in California continued to facilitate a work group comprising water, power, fish and wildlife; and Western Area Power Administration representatives developed operational options for Reclamation after its contract with Pacific Gas and Electric ends due to power deregulation in the State of California.

Maintain Diverse, Skilled Workforce Excellence

Reclamation seeks to improve the diversity of its workforce and to improve workforce training and capabilities. In FY 2000, Reclamation established the following groups/plans to institutionalize diversity:

- **Educational Partnership Group** to work specifically on partnership groups with minority institutions in support of Student Education Employment Programs.
- **Workforce Diversity Group** to provide leadership and direction and establish policy on diversity initiatives, analyze trends and patterns, and report on accomplishments.
- **Diversity Management Councils** to conduct outreach and recruitment and to support regional as well as Reclamation-wide workforce diversity goals, directives, and initiatives.
- **Reclamation-wide Management Council** to be the primary force in communicating to the Commissioner on Reclamation's diversity efforts and future initiatives.

Diversity Implementation Goals

Recruit a workforce that reflects the diversity of the Nation
Retain a workforce that reflects the diversity of the Nation
Ensure accountability at the Secretarial and Reclamation levels for improving diversity
Educate managers and employees regarding diversity
Maintain zero tolerance for discrimination or hostile work environments

Figure 3. Reclamation's Workforce Diversity Implementation Plan goals.

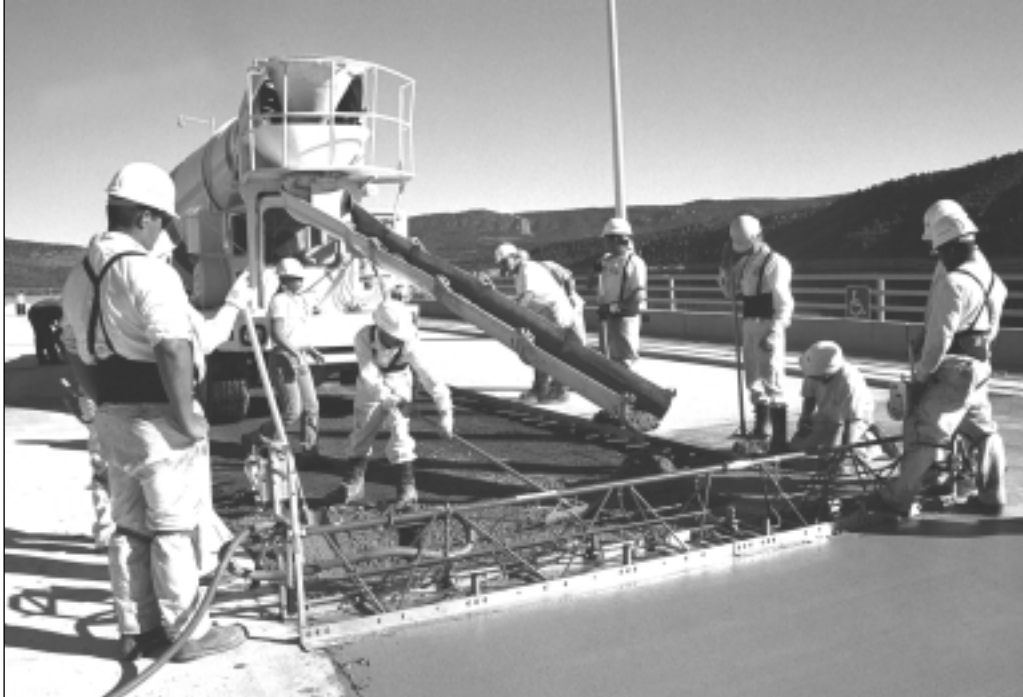
Reclamation wrote and distributed a *Workforce Diversity Implementation Plan* and a *Diversity and EEO Operational Plan* with a "tool box" for managers and supervisors. The implementation plan mirrors Interior's *Strategic Plan for Improving Diversity*. (See figure 3.)

More information concerning Reclamation's diversity efforts appears in the "Supplemental Section."

Job Corps

Reclamation operates five Job Corps Civilian Conservation Centers that provide vocational, educational, social skills, and overall employability training, as well as

Job Corps students pour concrete at Flaming Gorge Dam Visitor Center parking lot.



job placement for at-risk and disadvantaged youth aged 16-24. The centers operate in: Collbran (Colorado), Weber Basin (Utah), Centennial (Idaho), Columbia Basin (Washington), and Fort Simcoe (Washington).

Vocational training provided to students includes the basic construction trades, general maintenance, culinary arts, various trades associated with business technology, heavy equipment operation/maintenance, truck driving, and automotive maintenance. Centers provide academic training to students for attaining a general equivalency diploma (GED) or high school diploma.

During the past year, Reclamation centers completed numerous vocational skills training projects for their centers, local and distant communities, and Federal, State, and local agencies. These projects provide trade-related training for students in a real-work environment and result in valuable improvements needed by various agencies, communities, or organizations.

One major project in May involved the masonry, welding, and maintenance students and instructors from Collbran. The project included pouring approximately 600 cubic yards of concrete to replace one-half of the visitor center parking lot at Flaming Gorge Dam in Utah. The project resulted in an estimated savings to Reclamation of \$200,000 and provided invaluable job training for the students.

Centennial, Fort Simcoe, and Weber Basin Job Corps Centers had staff/student fire crews that provided assistance in firefighting efforts during the period of national fire emergencies.

The Collbran and Weber Basin Job Corps Centers continued their overall center performance at a high level (in the top 10 category of all 119 Job Corps Centers nationwide).

Management Integrity and Accountability

Reclamation believes that maintaining integrity and accountability in all programs and operations (1) is critical for good government, (2) demonstrates responsible stewardship over assets and resources in its care, (3) ensures high quality, responsible leadership, (4) ensures the sound delivery of services to customers, and (5) maximizes desired program outcomes. Reclamation has developed and implemented management, administrative, and financial system controls which reasonably ensure that:

- Programs and operations achieve their intended results efficiently and effectively
- Resources are used in accordance with Reclamation's mission
- Programs and resources are protected from waste, fraud, and mismanagement
- Laws and regulations are followed
- Reliable, complete, and timely data are maintained and used for decisionmaking at all levels

Further, Reclamation firmly believes that the timely implementation of Inspector General and General Accounting Office audit recommendations is essential to improving efficiency and effectiveness in its programs and operations and achieving integrity and accountability goals. As a result, Reclamation has instituted a comprehensive audit followup program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset.

Fiscal Year

2000

Financial Section



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

June 8, 2001

Memorandum

To: Commissioner, Bureau of Reclamation

Subject: Independent Auditors Report on Bureau of Reclamation Financial Statements for Fiscal Year 2000 (No. 01-I-408)

As discussed in the attached independent auditors report on the Bureau of Reclamation's financial statements for fiscal year 2000, we found that Reclamation's principal financial statements were fairly presented in all material respects. The statements consist of the Consolidated Balance Sheet as of September 30, 2000; the Consolidated Statement of Net Cost and Consolidated Statement of Changes in Net Position for the fiscal year ended September 30, 2000; and the Consolidated Statement of Budgetary Resources for the fiscal year ended September 30, 2000. Our tests of Reclamation's internal controls, however, identified material weaknesses and reportable conditions.

Internal Controls

Material Weaknesses. We found internal control weaknesses in the land inventory and construction-in-progress account.

- **Land Inventory.** Reclamation did not have a complete and accurate inventory system to support the lands and land rights reported as \$1.9 billion in the footnotes to the financial statements as a component of general property, plant, and equipment. The weakness occurred because Reclamation had not established adequate procedures for maintaining an accurate inventory of lands and land rights and for reconciling its subsidiary records with its financial accounting system. Reclamation recognized the need for supporting records and issued a 5-year action plan to develop a complete and accurate land inventory that supported the financial accounting system, issued interim guidelines and procedures for reconciling land records, and developed a schedule for completing the reconciliation within the 5-year plan period.
- **Construction-in-Progress Account.** Reclamation's construction-in-progress account included costs for completed projects, costs that should have been expensed when incurred, inappropriate costs for land, inappropriate costs for grants, and costs for projects whose construction had been placed in abeyance. We determined that the account was overstated by approximately \$1.1 billion.

Reportable Conditions. In addition to the material weaknesses, we identified reportable conditions in the following areas:

- **Inconsistent Accounting Treatment.** Reclamation had not established or enforced the management controls necessary to ensure that financial data are processed and accounted for consistently within Reclamation. As a result, Reclamation's accounts required adjustments totaling in excess of \$1.7 billion, which includes the \$1 billion discussed in the section on the construction-in-progress weakness.
- **Prior Year Adjustments for Line Description PY ADJ.*** Reclamation improperly included \$12.6 million of prior period activity identified as PY ADJ* in fiscal year 2000 activity.
- **Undelivered Orders.** Reclamation did not fully implement the controls identified in the Reclamation Manual Supplement Fin 03-20-20-100-B, "Reconciliation of SGL Accounts," and the Financial Accounting Services year-end memorandum to ensure adequate oversight on undelivered orders by program managers.
- **Prior Year Revenue Recognition.** Reclamation did not always record revenue in the accounting records in the appropriate fiscal periods.

Compliance With Laws and Regulations

The results of our tests of compliance with certain laws and regulations disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards" and Office of Management and Budget (OMB) Bulletin 01-02.

Consistency of Other Information

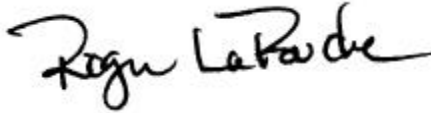
We found that the information presented in the Management Discussion and Analysis and the supplementary information sections of Reclamation's Annual Report for fiscal year 2000 were consistent with the principal financial statements.

As detailed in the attached report, we made 12 recommendations to correct the identified internal control weaknesses. Based on Reclamation's April 10, 2001 response (see Appendix 3 of the Attachment) to the draft report, we consider 2 recommendations resolved and implemented and 10 recommendations resolved but not implemented (see Appendix 4 of the Attachment).

Since all of the recommendations are resolved, no further response to the Office of Inspector General is required (see Appendix 4 of the Attachment).

Section 5(a) of the Inspector General Act (5 U.S.C. app.3) requires the Office of Inspector General to list this report in its semiannual report to the Congress.

The independent auditors report is intended for the information of management of the Department of the Interior, the OMB, and the Congress. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "Roger LaRouche". The signature is written in a cursive style with a large, sweeping initial "R".

Roger La Rouche
Assistant Inspector General
for Audits

Attachment

Independent Auditors Report

Bureau of Reclamation

Financial Statements

Fiscal Year 2000

We have audited the Bureau of Reclamation's (Reclamation) principal financial statements for the fiscal year ended September 30, 2000. Reclamation's principal financial statements consist of the Consolidated Balance Sheet as of September 30, 2000; the Consolidated Statement of Net Cost and Consolidated Statement of Changes in Net Position for the fiscal year ended September 30, 2000; and the Consolidated Statement of Budgetary Resources for the fiscal year ended September 30, 2000. These financial statements are the responsibility of Reclamation, and our responsibility is to express an opinion, based on our audit, on these principal financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget (OMB) Bulletin 01-02, "Audit Requirements for Federal Financial Statements." These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the principal financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the principal financial statements and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit work provides a reasonable basis for our opinion. The objective, scope, and methodology of our work are discussed in Appendix 1.

Opinion on Principal Financial Statements

In our opinion, the principal financial statements referred to above present fairly, in all material respects, the financial position of Reclamation as of September 30, 2000 and its consolidated net cost, changes in net position, and budgetary resources for the fiscal year ended September 30, 2000 in conformity with generally accepted accounting principles.

Our audit was conducted to form an opinion on the principal financial statements taken as a whole, and our opinion relates only to the principal financial statements. The supplemental financial and management information contained in Reclamation's Annual Report and footnotes 13 and 15 is presented for additional analysis and is not a required part of the principal financial statements. We applied certain limited procedures, including discussions with management on the methods of measurement and presentation of this information, to ensure compliance with OMB guidance and consistency with the financial statements. This information, however, has not been subjected to the auditing procedures applied in our audit of the principal financial statements, and accordingly, we express no opinion on it.

As discussed in Note 5 to the financial statements, Reclamation changed its method of treating certain investigations and development costs in fiscal year 2000.

As discussed in Note 1E, the Department changed its accounting for appropriations of trust and special receipt revenues in accordance with new guidance from the Department of the Treasury. The change also resulted in a significant decrease to appropriations used and a significant change to transfers, net.

Report on Internal Controls

In planning and performing our audit, we considered Reclamation's internal controls over financial reporting by obtaining an understanding of the internal controls, determining whether the internal controls had been placed in operation, assessing control risks, and performing tests of the controls to determine our auditing procedures for the purpose of expressing an opinion on the principal financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in Bulletin 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (FMFIA) of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal controls, and accordingly, we do not provide an opinion on the internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public

Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect Reclamation's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may occur and not be detected.

We noted certain matters involving the internal controls and their operation that we considered to be material weaknesses or reportable conditions.

Material Weaknesses

Our review identified two conditions that we believe to be material weaknesses, as follows:

A. BOR Needs Improved Controls Over Land Inventory

Reclamation did not have a complete and accurate inventory system to support the lands and land rights reported as \$1.9 billion in the footnotes to the financial statements as a component of general property, plant, and equipment. The weakness occurred because Reclamation had not established adequate procedures for maintaining an accurate inventory of land and land rights and for reconciling its subsidiary records with its financial accounting system.

Reclamation's financial accounting system support for lands and land rights costs is detailed in a cost summary report that had not been reconciled with subsidiary records, including individual project plat book maps (along with individual land purchase contracts).

After we informed Reclamation that the subsidiary records did not support the land costs, Reclamation initiated an effort to reconcile the financial accounting system with its project plat book maps and acquisition records. Our subsequent tests of Reclamation's reconciliation efforts disclosed that additional efforts were needed to ensure that the subsidiary records for land supported Reclamation's financial accounting system. Reclamation recognized the need for supporting records and issued a 5-year action plan to develop a complete and accurate land inventory that supported the financial accounting system, issued interim guidelines and

procedures for reconciling land records, and developed a schedule for completing the reconciliation within the 5-year plan period.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation:

1. Develop a complete and accurate inventory system that identifies, by project, all lands and land rights.
2. Develop policies and procedures that require the inventory for lands and land rights to be adequately maintained and reconciled on a periodic basis with the land acquisition records and with amounts reported in the general ledger accounts for lands and land rights
3. Include a material land inventory system internal control weakness in Reclamation's Federal Managers' Financial Integrity Act report to the Department of the Interior.

Reclamation Response. Reclamation concurred with our recommendations. In response to our recommendations, Reclamation issued a 5-year action plan for the development of a complete and accurate inventory system, issued interim guidance for maintaining the land inventory and reconciling the inventory with the general ledger, and has included the weakness in its FMFIA report.

B. Reclamation Needs Improved Controls Over Construction-in-Progress Account

Reclamation did not have sufficient internal controls to ensure that the general ledger control account for construction-in-progress was accurate. The account included costs for completed projects, costs that should have been expensed when incurred, costs for land that should have been recorded in the standard general ledger for land, costs for grants that should have been expensed, and costs for projects where the construction had been placed in abeyance. As such, the account was overstated by approximately \$1.1 billion. The overstatement impacts several accounts including land; other property, plant, and equipment; accumulated depreciation; and depreciation expense. When informed of these deficiencies, Reclamation reviewed the account balances and transactions and made the necessary adjustments.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation:

1. Implement management oversight procedures to ensure that the construction-in-progress account only includes costs for items meeting the definition of property, plant, and equipment and that completed projects are transferred in a timely manner.
2. For construction projects placed in abeyance, disclose the current status of the projects in a footnote to the financial statements.
3. For lands and land rights, record all land costs in the standard general ledger for lands and land rights.
4. For grant costs, develop and implement specific policies and internal controls to ensure that proper accounting treatment is established when the agreement is entered into with the grantee and is followed through project completion.

Reclamation Response. Reclamation concurred with the recommendations. Reclamation issued a Preliminary Draft Reclamation Manual Supplement on plant accounting that addressed oversight responsibilities for properly reporting property, plant, and equipment costs. Reclamation agreed to record all land and land rights costs in the standard general ledger account for land. As relates to grant costs, Reclamation will issue guidance and implement controls to ensure proper treatment. In addition, Reclamation will disclose in its financial statements the current status of construction projects placed in abeyance.

Reportable Conditions

We identified reportable conditions as follows:

C. Inconsistent Accounting Treatment

Reclamation has not established or enforced the management controls necessary to ensure that financial data are processed and accounted for consistently within Reclamation. For example, land costs were recorded in three standard general ledger accounts including land; construction-in-progress; and other property, plant, and equipment. In another example, Reclamation transferred costs from the construction-in-progress account for some completed project features in a timely manner, while for other project features Reclamation did not transfer the costs until several years after completion. As a result, Reclamation's accounts required adjustments totaling in excess of \$1.7 billion which includes the \$1.1 billion described in Finding B above.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation:

1. Develop management controls requiring the standardization of accounting for similar costs, including management oversight of the regions to ensure the regions are applying the policies and procedures consistently.
2. Review the application of accounting posting models to ensure that similar transactions are treated the same.

Reclamation Response. Reclamation concurred with the recommendations. Reclamation has established a CFO Audits Project Team to identify opportunities for improving management controls and oversight. Additionally, Reclamation will issue guidance, when necessary, and establish controls to ensure that consistent accounting treatment is achieved Reclamation-wide.

D. Reclamation Needs Improved Controls Over Prior Period Activity

Reclamation improperly included prior period activity in fiscal year 2000 activity. These transactions were identified by "PY ADJ*" in the line description. The "PY ADJ*" description occurred on 20,380 transaction lines and affected standard general ledger accounts in the current and prior year.

When informed of this deficiency, Reclamation reviewed the transactions and made the necessary adjustments totaling \$12.6 million.

Recommendation

We recommend that the Commissioner, Bureau of Reclamation, develop written guidance regarding proper treatment of line description “PY ADJ*” transactions and proper recording of prior year adjustments.

Reclamation Response. Reclamation concurred with the recommendation and will issue written guidance which addresses the proper treatment of “PY ADJ*” transactions and prior period adjustments.

E. Reclamation Needs Improved Controls Over Undelivered Orders

Reclamation did not fully implement the controls identified in the Reclamation Manual Supplement Fin 03-20-20-100-B, Reconciliation of SGL Accounts, and the FAS year-end memorandum to ensure adequate oversight on undelivered orders by program managers. We reviewed a sample of the undelivered orders account at year-end and determined that Reclamation was not always deobligating balances promptly.

When informed of the need to review the undelivered orders account to identify the appropriate balance, Reclamation reviewed the sampled transactions and made adjustments.

Recommendation

We recommend that the Commissioner, Bureau of Reclamation, implement the controls identified in Reclamation’s Manual Supplement and year-end memorandum to ensure adequate monitoring of undelivered orders by program managers.

Reclamation Response. Reclamation concurred with the recommendation. Reclamation will emphasize the need for monitoring and reviewing undelivered orders in the year-end memorandum.

F. Reclamation Needs Improved Controls Over Prior Year Revenue Recognition

Reclamation’s internal control procedures were not sufficient to identify and record revenue in the appropriate fiscal periods. Reclamation included in its fiscal year 2000 general ledger revenue accounts an estimated \$113 million earned in fiscal year 1999.

- A majority (\$77 million) of the dollar value was Reclamation’s share of rents and royalties collected from lessees of Federal onshore oil and gas leases. Reclamation received the amount in fiscal year 2000 although the funds were earned for oil and gas produced in fiscal year 1999.

- Another large portion (\$15 million) of the dollar value represented Reclamation's share of revenues from land and timber sales. Reclamation received the amount in fiscal year 2000 although the funds were earned from sales in fiscal year 1999.

When informed of the need to review these transactions to identify the appropriate fiscal periods for the revenue to be accrued, Reclamation reviewed the transactions and made adjustments.

Recommendation

We recommend that the Commissioner, Bureau of Reclamation, implement procedures to accrue revenue in the fiscal period in which it is earned.

Reclamation Response. Reclamation concurred with the recommendation and will develop and implement procedures to ensure recognition of revenue in the proper fiscal periods.

Stewardship and Performance Measures

In addition, we considered Reclamation's internal controls over Required Supplementary Stewardship Information by obtaining an understanding of Reclamation's internal controls, determining whether these internal controls had been placed in operation, assessing control risks, and performing tests of controls as required by Bulletin 01-02. Our review was not of sufficient scope to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

With respect to internal controls related to performance measures reported in the Management Discussion and Analysis section of the Annual Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions as required by Bulletin 01-02. Our procedures were not designed to provide assurance on internal controls over reported performance measures, and accordingly, we do not provide an opinion on such controls.

Report on Compliance With Laws and Regulations

Management of Reclamation is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance as to whether Reclamation's financial statements are free of material misstatement, we performed tests of Reclamation's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in Bulletin 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to Reclamation.

Under the FFMIA, we are required to report whether Reclamation's financial management systems substantially comply with (1) Federal financial management system requirements, (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transaction level. To meet our reporting requirement, we performed tests of compliance with the FFMIA section 803(a) requirements. The results of our tests disclosed no instances in which Reclamation's financial management systems did not substantially comply with these three requirements.

The results of our tests of compliance with certain laws and regulations, exclusive of the FFMIA, disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards" and Bulletin 01-02.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

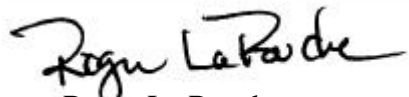
Prior Audit Coverage

We reviewed prior Office of Inspector General and General Accounting Office audit reports related to Reclamation's financial statements to determine whether these reports contained any unresolved or unimplemented recommendations that were significant to Reclamation's financial statements or internal controls. The results of this review are in Appendix 2.

We made 12 recommendations addressing the material weaknesses and reportable conditions that we identified in our tests of Reclamation's internal controls. Based on Reclamation's April 10, 2001 response (see Appendix 3), we consider 2 of the recommendations resolved and implemented and 10 of the recommendations resolved but not implemented. The recommendations that have not been implemented will be forwarded to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Since all the recommendations are considered resolved, no further response to the Office of Inspector General is required (see Appendix 4).

Section 5(a) of the Inspector General Act (5 U.S.C. app.3) requires the Office of Inspector General to list this report in its semiannual report to the Congress.

This report is intended for the information of management of the Department of the Interior, the Office of Management and Budget, and the Congress. However, this report is a matter of public record, and its distribution is not limited.



Roger La Rouche
Assistant Inspector General
for Audits

Objective, Scope, and Methodology

Management of Reclamation is responsible for the following:

- Preparing the principal financial statements and the required supplementary information in conformity with generally accepted accounting principles and for preparing the other information contained in the Annual Report for fiscal year 2000.
- Establishing and maintaining an internal control structure over financial reporting. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures.
- Complying with applicable laws and regulations.

We are responsible for the following:

- Expressing an opinion on Reclamation's principal financial statements.
- Obtaining an understanding of the internal controls based on the internal control objectives in Bulletin 01-02, which require that (1) transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial statements and the required supplementary information in accordance with Federal accounting standards; (2) assets be safeguarded against loss from unauthorized acquisition, use, or disposal; and (3) transactions and other data supporting reported performance measures be properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.
- Testing Reclamation compliance with selected provisions of laws and regulations that could materially affect the principal financial statements or the required supplementary information.

To fulfill these responsibilities, we took the following actions:

- Examined, on a test basis, evidence supporting the amounts disclosed in the principal financial statements.
- Assessed the accounting principles used and the significant estimates made by management.
- Evaluated the overall presentation of the principal financial statements.

- Obtained an understanding of the internal control structure related to safeguarding assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; financial reporting; and certain performance measure information reported in the annual report.
- Tested relevant internal controls over the safeguarding of assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; and financial reporting.
- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all of the internal controls related to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as the controls related to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls needed to achieve the objectives outlined in our report on internal controls.

Prior Audit Coverage

Our review of prior Office of Inspector General and General Accounting Office audit reports related to Reclamation financial statements was conducted to determine whether these reports contained any unresolved or unimplemented recommendations that were significant to Reclamation's financial statements or internal controls. Our review disclosed that there were no General Accounting Office reports that contained significant unresolved or unimplemented recommendations related to Reclamation's principal financial statements. The Office of Inspector General, however, had three reports that had significant unresolved or unimplemented recommendations which were considered to be reportable weaknesses as follows:

➤ “Development Status of the Dolores and the Animas-LaPlata Projects, Bureau of Reclamation” (No. 94-I-884), dated July 1994, stated that the economic justification and the financial feasibility of the Dolores and the Animas-LaPlata Projects have declined because of changes in both Reclamation's criteria for computing project benefits and the local farmers' ability to afford the costs of irrigated agriculture. Two of the report's three recommendations have been implemented, but the remaining recommendation, to finalize a cost allocation that reallocated costs based on the use of facilities rather than on benefits, has not been implemented. The revision to the cost allocation is cited in the 1988 Supplement to the Definite Plan Report and is expected to be finalized pending completion of a significant portion of the Dolores Project construction. Reclamation approved the final cost allocation on January 25, 2001. By memorandum dated March 1, 2001, the Department of the Interior's Office of Financial Management informed the Office of Inspector General that Reclamation had completed the action required to implement the report's three recommendations.

➤ “Follow-up of Recovery of Irrigation Investment Costs, Bureau of Reclamation” (No. 98-I-250), dated February 1998, stated that Reclamation had not taken actions necessary to accelerate recovery of interest-free irrigation assistance costs concurrent with the interest-bearing power investment costs. Reclamation, in accordance with applicable legislation, assigns to power users the repayment of that portion of project irrigation investment which exceeds the irrigation water user's ability to pay, referred to as irrigation assistance. It is the policy of Reclamation and the Power Marketing Administrations to provide for the repayment of this assistance near the end of a project's irrigation repayment period. In 1989, the Office of Inspector General concluded that, as a result of this policy, additional revenues estimated at \$2.1 billion (with a value of \$415 million in 1989) would not be collected over the repayment periods of the respective projects. In 1990, Reclamation requested and received advice from the Office of the Solicitor that stated that concurrent repayment of irrigation assistance is allowed for certain projects. Reclamation, however, had not revised its policy for repayment of irrigation assistance based on the advice received. Reclamation did support legislation proposed by the Department of Energy that intended to place all power repayment obligations, including irrigation assistance, on a straight-line amortization basis with interest. However, no such legislation had been enacted. As a result of the delayed repayment, the value of the irrigation assistance investment recovered by Reclamation will be substantially reduced, and

taxpayers will unnecessarily bear the costs of subsidizing the project beneficiaries. Based on the response from the Assistant Secretary for Water and Science to our report, we considered the report's three recommendations unresolved and have referred the recommendations to the Assistant Secretary for Policy, Management and Budget for resolution. In an August 21, 2000 memorandum, the Assistant Secretary for Policy, Management and Budget detailed four steps to be taken by Reclamation to resolve the recommendations. The required actions had not been completed by September 30, 2000. The estimated completion dates for steps 1 and 3 are June 1, 2001 and September 21, 2001, respectively. The estimated completion date for step 2 has not been determined. No completion date is applicable to step 4.

➤ “Irrigation of Ineligible Lands, Bureau of Reclamation” (No. 94-I-930), dated July 1994, stated that Reclamation had not taken actions necessary to ensure that Federal project water was used to irrigate only lands determined to be suitable for irrigation and eligible to receive water under Federal law. As a result, lands Reclamation identified as ineligible to receive Federal water were being irrigated from at least 24 projects in eight states despite the existence of other competing needs for water. Because of a pending lawsuit against Reclamation and other agencies regarding flows in the Snake and Columbia Rivers, Reclamation has been advised by counsel to not proceed with development of any plans addressing unauthorized water use that might affect Reclamation's Pacific Northwest Region. Reclamation, therefore, has submitted to the Office of Inspector General separate plans that address unauthorized water use in Reclamation's other four regions.



United States Department of the Interior

BUREAU OF RECLAMATION
Washington, D.C. 20240

IN REPLY REFER TO:

D-5010

APR 10 2001

MEMORANDUM

To: Office of Inspector General
Attention: Assistant Inspector General for Audits

From: J. William McDonald
~~Acting for~~ Regional Director
Pacific Northwest Region
(Exercising the Commissioner's authority)

Subject: Draft Audit Report on "Independent Auditor Report on Bureau of Reclamation Financial Statements for Fiscal Year 2000"

The Bureau of Reclamation offers the following comments in response to the recommendations issued in the subject report:

We recommend that the Commissioner, Bureau of Reclamation:

Recommendation A.1

Develop a complete and accurate inventory system that identifies, by project, all lands and land rights.

Response

Concur. Reclamation's new real property inventory system, Foundation Information Resources Management (FIRM), which has been implemented, provides a centralized electronic database of Reclamation's real property, including lands and land rights. Reclamation will complete data entry and reconcile the data in the FIRM system with either summary records or acquisition contracts. In projects where land records do not exist or cannot be readily obtained, general estimates of lands and land rights will be used. Upon completion, the FIRM system will serve as a support system providing a database of Reclamation's land holdings, including location, acreage, and cost.

The responsible official is the Director, Operations. The target date for completing data entry and reconciling data in the FIRM system is September 30, 2005, contingent upon receipt of adequate funding.

Recommendation A.2

Develop policies and procedures that require the inventory for lands and land rights to be adequately maintained and reconciled on a periodic basis with the land acquisition records and with amounts reported in the general ledger accounts for land and land rights.

Response:

Concur. On December 29, 2000, Reclamation issued interim guidance that requires the inventory for lands and land rights to be adequately maintained and reconciled on a periodic basis with the land acquisition records and with amounts reported in the general ledger accounts for land and land rights. This guidance will be finalized and transmitted to the regions for implementation.

The responsible officials are the Director, Management Services, and the Director, Office of Policy. The target date for finalizing the guidance is September 30, 2001.

Recommendation A.3

Include a material land inventory system internal control weakness in Reclamation's Federal Managers' Financial Integrity Act report to the Department of the Interior.

Response

Complied. Reclamation included the land inventory material weakness in the Commissioner's Fiscal Year 2000 Annual Assurance Statement, dated October 13, 2000, and will continue to report this weakness until corrective actions are implemented.

The responsible official is the Director, Management Services. The target date for reporting this weakness is October 15 of each year until resolved.

Recommendation B.1

Implement management oversight procedures to ensure that the construction-in-progress account only includes costs for items meeting the definition of property, plant, and equipment and that completed projects are transferred in a timely manner.

Response

Concur. Reclamation issued a preliminary draft Reclamation Manual supplement on plant accounting that includes oversight responsibilities to ensure the proper reporting of property, plant, and equipment costs. Reclamation has also established a multidisciplinary team to review business practices, controls, oversight, and organizational alignment. The recommendations of this review team and additional guidance will be incorporated into the final Reclamation Manual supplement.

The responsible officials are the Director, Management Services, and the Director, Operations. Reclamation's Finance and Accounting Services will issue and implement the final Reclamation Manual supplement on plant accounting by September 30, 2001.

Recommendation B.2

For construction projects placed in abeyance, disclose the current status of the projects in a footnote to the financial statements.

Response

Complied. The current status of construction projects in abeyance was disclosed in the notes to the fiscal year 2000 financial statements. The status of these projects will continue to be disclosed in the notes to subsequent financial statements.

The responsible official is the Director, Management Services.

Recommendation B.3

For lands and land rights, record all land costs in the standard general ledger for lands and land rights.

Response

Complied. Reclamation made the necessary adjustments to record all land costs into the standard general ledger for land and land rights during the fiscal year 2000 financial statement audit and will in subsequent years record land costs into this standard general ledger.

The responsible officials are the Director, Management Services, and the Director, Operations.

Recommendation B.4

For grant costs, develop and implement specific policies and internal controls to ensure that proper accounting treatment is established when the agreement is entered into with the grantee and is followed through project completion.

Response

Concur. Reclamation will issue appropriate guidance and implement controls to ensure the proper treatment of grant costs.

The responsible official is the Director, Management Services. Reclamation's Finance and Accounting Services will issue a draft policy and procedures, which will include internal control and oversight responsibilities, by June 30, 2001, with final guidance issued by September 30, 2001.

The procedures and internal controls addressed in the guidance will be implemented by September 30, 2001.

Recommendation C.1

Develop management controls requiring the standardization of accounting for similar costs, including management oversight of regions to ensure the regions are applying the policies and procedures consistently.

Response

Concur. Reclamation has established a Chief Financial Officer Audits Project Team to identify opportunities for improving management controls and oversight. Additionally, Reclamation will issue guidance, when necessary, and establish controls to ensure that consistent accounting treatment is achieved Reclamation-wide.

The responsible official is the Director, Management Services. The target date for completion of this recommendation is September 30, 2001.

Recommendation C.2

Review the application of accounting posting models to ensure that similar transactions are treated the same.

Response

Concur. As discussed under Recommendation C.1, Reclamation will establish controls to ensure the consistent treatment of similar accounting transactions.

The responsible officials are the Director, Management Services, and the Director, Operations. The target date for completing this recommendation is September 30, 2001.

Recommendation D.1

Develop written guidance regarding proper treatment of line description "PY ADJ*" transactions and proper recording of prior year adjustments.

Response

Concur. Reclamation will issue written guidance which addresses the proper treatment of "PY ADJ*" transactions and prior period adjustments.

The responsible official is the Director, Management Services. The target date for Reclamation's Finance and Accounting Services to issue written guidance is June 30, 2001.

Recommendation E.1

Implement the controls identified in its Manual Supplement and year-end memorandum to ensure adequate monitoring of undelivered orders by Program Managers.

Response

Concur. Reclamation will emphasize the need for monitoring and reviewing undelivered orders in the year-end closing memorandum. In addition, the interbureau Operations Advisory Group (OAG) has been tasked with improving the validation of undelivered orders. Among the recommendations that have been proposed are enforcement of quarterly reviews and the issuance of updated Departmental and bureau guidance.

The responsible officials are the Director, Management Services, and the Director, Operations. The target date for issuing the year-end memorandum is July 15, 2001, and the target date for implementing the OAG recommendations is September 30, 2001.

Recommendation F.1

Implement procedures to accrue revenue in the fiscal period in which it is earned.

Response

Concur. Reclamation will develop and implement procedures to ensure recognition of revenue in the proper fiscal period. Of the estimated \$113 million in overstated fiscal year 2000 revenues, a \$92 million adjustment was made. An adjustment could not be made for the remaining \$21 million since this amount was based on a statistical projection.

The responsible official is the Director, Management Services. Finance and Accounting Services will issue draft written guidance by May 30, 2001, with final procedures issued by July 30, 2001. The final procedures will be implemented by September 30, 2001.

cc: Assistant Secretary - Water and Science, Attention: Kathleen Wheeler
Director, Office of Financial Management, Attention: Wayne Howard

STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
A.1, A.2, B.1, B.3, B.4, C.1, C.2, D.1, E.1, and F.1	Resolved; not Implemented.	No further response to the Office of Inspector General is required. The recommendations will be forwarded to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
A.3 and B.2	Implemented.	No further action is required.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Balance Sheet
As of September 30, 2000**

(In Thousands)

ASSETS

Intragovernmental Assets	
Fund Balance With Treasury (Note 2)	\$ 909,174
Unavailable Funds at Treasury (Note 2)	2,319,831
Accounts Receivable, Net (Note 3)	23,315
Advances and Prepayments	175
Total Intragovernmental Assets	\$ 3,252,495

Accounts Receivable, Net (Note 3)	289,345
Unmatured Receivables (Note 3)	2,821,073
Loans Receivable (Note 4)	157,667
Advances and Prepayments	3,224
Cash and Other Monetary Assets	95
Other Assets (Note 5)	398,775
Assets Constructed for Others (Note 6)	91,154
Construction in Abeyance (Note 7)	639,737
General Property, Plant, and Equipment, Net (Note 7)	12,414,889

Total Assets **\$ 20,068,454**

LIABILITIES

Intragovernmental Liabilities	
Accounts Payable	\$ 23,863
Debt (Note 8)	103,332
Other Intragovernmental Liabilities (Note 9)	20,578
Total Intragovernmental Liabilities	\$ 147,773

Accounts Payable	199,460
Deferred Revenues From Unmatured Accounts Receivable (Note 3)	2,821,073
Environmental Cleanup Costs (Note 12a)	5,534
Other Liabilities (Note 9)	361,246

Total Liabilities **\$ 3,535,086**

Commitments and Contingencies (Note 12b)

NET POSITION

Unexpended Appropriations (Note 10)	204,694
Cumulative Results of Operations	13,671,210
Unavailable Capital	2,657,464

Total Net Position **\$ 16,533,368**

Total Liabilities and Net Position **\$ 20,068,454**

The accompanying notes are an integral part of these statements.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Net Cost
For the Year Ended September 30, 2000**

(In Thousands)

Expenses:

Operating Expenses:

Intragovernmental	\$ 166,531
With the Public	<u>849,708</u>

Total Operating Expenses \$1,016,239

Interest Expense

Intragovernmental	\$ 17,770
With the Public	<u>17</u>

Total Interest Expense \$ 17,787

Depreciation and Amortization \$ 194,043

Bad Debt Expense (209)

Imputed Costs 87,696

Expenses Not Requiring Budgetary Resources 9,993

Other Expenses 1,792

Total Expenses \$ 1,327,341

Exchange Revenues:

Sale of Goods and Services to Federal Agencies \$ (388,669)

Sale of Goods and Services to the Public (263,939)

Total Exchange Revenues \$ (652,608)

Net Cost of Operations \$ 674,733

The accompanying notes are an integral part of these statements.

U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2000

(In Thousands)

Net Cost of Operations \$ (674,733)

Financing Sources

(Other than Exchange Revenues):

Appropriations Used	170,783
Royalties and Other Revenue Transfers	530,065
Donations and Other Non-exchange Revenue	6,055
Imputed Financing	104,244
Net Transfers	<u>(74,403)</u>

Net Results of Operations \$ 62,011

Prior Period Adjustments (Note 18) (670,841)

Accounting Change for Unexpended Appropriations 354,254

Net Change in Cumulative Results of Operations \$ (254,576)

Increase (Decrease) in Unexpended Appropriations (322,174)

Change in Net Position \$ (576,750)

Net Position - Beginning of Period 17,110,118

Net Position - End of Period \$16,533,368

The accompanying notes are an integral part of these statements.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Budgetary Resources
For the Year Ended September 30, 2000**

(In Thousands)

Budgetary Resources:

Budget Authority	\$ 921,351
Unobligated Balances - Beginning of Fiscal Year	355,501
Transfer of Prior Authority	(62)
Spending Authority From Offsetting Collections	310,601
Adjustments (Note 13)	(63,977)
Total Budgetary Resources	\$ 1,523,414

Status of Budgetary Resources:

Obligations Incurred	\$ 1,286,635
Unobligated Balances - Available	235,302
Unobligated Balances - Unavailable	1,477
Total, Status of Budgetary Resources	\$ 1,523,414

Outlays:

Obligations Incurred	\$ 1,286,635
(Less): Spending Authority From Offsetting Collections	(310,601)
Obligated Balance, Net - Beginning of Fiscal Year	547,241
Obligated Balance - Transferred, Net	0
(Less): Obligated Balance, Net - End of Fiscal Year	(643,092)
Total Outlays	\$ 880,183

The accompanying notes are an integral part of these statements.

U.S. Bureau of Reclamation

Notes to the Financial Statements

for the Year Ended

September 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements were prepared to report the financial position and results of operations of the U.S. Bureau of Reclamation (Reclamation) as required by the Chief Financial Officers Act of 1990. They were prepared from Reclamation's books and records in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 97-01, dated October 16, 1996, and applicable amendments. Furthermore, the financial statements were prepared in accordance with Reclamation's accounting policies which are summarized in this note.

The books are kept, and these financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Federal Accounting Standards Advisory Board (FASAB), recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish GAAP for the Federal Government under Rule 203 of the AICPA's Code of Professional Conduct. The accounts are maintained in accordance with the Department of Treasury's (Treasury) U.S. Standard General Ledger.

The financial statements are presented on a consolidated basis. Accordingly, all intrabureau transactions and balances have been eliminated. These transactions pertain to intrabureau use of Reclamation's Working Capital Fund, which provides support services and equipment for Reclamation programs and activities, as well as for other Federal agencies. Eliminations also included custodial revenues collected for interest on invested capital for Treasury. Revenue and expense eliminations for fiscal year (FY) 2000 totaled \$278.3 million and \$284 million, respectively, which included \$21.5 million of custodial revenue and expense eliminations. The elimination of budgetary resources totaled \$262.5 million, as shown on the Consolidated Statement of Budgetary Resources. In addition, \$9.1 million in intrabureau receivables and payables were eliminated.

B. REPORTING ENTITY

Reclamation was created by the Reclamation Act of June 17, 1902 (32 Stat. 388), to reclaim the arid and semiarid lands in the Western United States and to provide economic stability in the newly annexed portion of the United States. Since 1902, Reclamation's mission has expanded to include such activities as providing water for municipal and industrial (M&I) uses, flood control, and supplying energy through the operation of hydroelectric generating facilities. Today, Reclamation's original mission has essentially been completed, and the agency is evolving to accommodate a redefined role. Its focus is shifting from building new structures to improving the management and environmental integrity of resources already developed. It is one of eight programmatic bureaus administratively housed within the U.S. Department of the Interior (Department).

C. BUDGETS AND BUDGETARY ACCOUNTING

To more accurately reflect its water resources management mission, Reclamation implemented a new programmatic budget structure in FY 1998. The new budget structure is more responsive to the planning, accounting, and reporting requirements of the Government Performance and Results Act (GPRA) of 1993.

Under this new budget structure, all funding is allocated to six major program activities. Five of these major program activities are under the umbrella of Water and Related Resources. The "Water and Energy Management and Development" activity covers all aspects of decisionmaking processes, including water and energy resource management, utilization, and development of water supplies and energy resources, water conservation, and applied science and technology development. The "Land Management and Development" activity involves work related to land resource administration, recreation management, and legal compliance. The "Fish and Wildlife Management and Development" activity includes conservation, enhancement, and restoration of fish and wildlife populations and their habitats. "Facility Operation" activities include operation of Reclamation projects. The "Facility Maintenance and Rehabilitation" activity ensures the reliability and operational readiness of Reclamation's storage reservoirs, distribution systems, powerplants, recreation facilities, and other federally funded investments. The sixth major program activity, "Policy and Administration," involves the development of Reclamation policy and the direction of daily operations.

FY 2000 appropriations were provided to Water and Related Resources, the Loan Program, the California Bay-Delta Ecosystem Restoration Program, and Policy and Administration. Additional FY 2000 budgetary resources were provided by permanent authority, contributed funds, revolving funds, operation and maintenance (O&M) reimbursements from water users, and transfers from other agencies. All funds allocated to Reclamation for FY 2000 are accounted for in this report.

Reclamation is responsible for administering or posting transactions to 45 separate Treasury symbols, excluding miscellaneous receipt accounts managed by Treasury. These funds fall into a variety of classes, including general appropriation, revolving (permanent), contributed

funds, working capital, and special receipt accounts. Reclamation finances its activities from several sources: the General Fund, the Reclamation Fund, and contributed funds. The Reclamation Fund is a special receipt fund into which a substantial portion of Reclamation's revenues (mostly repayment of capital investment costs) and deposits by other Federal agencies (mostly revenues from certain Federal mineral royalties and hydropower transmission) are made. No expenditures are made directly from the Reclamation Fund; a specific appropriation is required from the Congress in order to transfer funds out of the Reclamation Fund into one or several expenditure funds. As of September 30, 2000, the Reclamation Fund had a balance of \$2.32 billion, reported on the Consolidated Balance Sheet as Unavailable Funds at Treasury.

D. BASIS OF ACCOUNTING

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

E. REVENUES AND OTHER FINANCING SOURCES

The current congressional budgetary process under which Reclamation operates does not distinguish between capital and operating expenditures. For budgetary purposes, both are recognized as a use of budgetary resources. For financial reporting purposes under accrual accounting, however, operating expenses are recognized when incurred, while expenditures for capital and other long-term assets are capitalized and not recognized as expenses until they are consumed in Reclamation's operations. Financing sources for these expenses, which are derived from current and prior year appropriations and operations, are recognized on this same basis. Unexpended appropriations are recorded as equity of the U.S. Government.

Unexpended Appropriations represent amounts of budget authority which include unobligated or obligated balances not rescinded or withdrawn. Effective FY 2000, guidance issued by Treasury redefined Unexpended Appropriations. The Unexpended Appropriations balance now includes only those resources received from Treasury's General Fund. Appropriations realized and recorded as budget authority from special receipt revenues that do not flow through Treasury's General Fund are now considered part of Cumulative Results of Operations in lieu of Unexpended Appropriations. In FY 2000, a separate line was created on the Statement of Changes in Net Position to record the cumulative accounting change for Unexpended Appropriations. Since Reclamation receives the majority of its funding from the Reclamation Fund, this \$354.3 million adjustment represents special receipt or Reclamation funded projects which began the year with Unexpended Appropriations, which were reclassified to Cumulative Results of Operations.

Certain revenues credited to the Reclamation Fund are classified according to their appropriate GPRA responsibility segments and are presented on the Statement of Net Cost, in order to more closely match earned revenues with their associated costs. Accretions to the

Reclamation Fund, those revenues received due to legislative requirement and for which no matching costs were incurred by Reclamation, are classified as financing sources (Royalties and Other Revenue Transfers) on the Statement of Changes in Net Position.

Reclamation has completed water projects costing \$19.2 billion through FY 2000. This includes \$1.9 billion in land costs. Reclamation enters into long-term repayment contracts and water service contracts to recover a portion of these costs over the useful life of the projects. Power marketing agencies enter into agreements with power users, also to recover a portion of these costs, on Reclamation's behalf. Costs associated with multipurpose plants are allocated to the various purposes (principally power, irrigation, M&I water, fish and wildlife enhancement, recreation, and flood control) through a cost allocation process. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Therefore, Reclamation anticipates that it will recover only those costs that are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control are mostly non-reimbursable.

To repay a portion of the Federal investment allocated to reimbursable irrigation and M&I water facilities, Reclamation has entered into repayment contracts with water users which convey the right to use these facilities in exchange for annual payments. The typical repayment period is 40 years but may extend to 50 years or more if authorized by the Congress. Long-term, unmatured reimbursable capital asset costs are recorded as deferred and unmatured receivables and unbilled deferred revenue. The associated repayment is recognized as revenue, including interest if applicable, when the annual amount becomes due each year. These accounts do not include reimbursable capital asset costs which are being repaid through water service-type contracts and power marketing agreements. All long-term, unmatured receivables associated with repayment contracts are classified as entity assets if repaid to the Reclamation Fund and non-entity if transferred to Treasury's General Fund.

In some cases, reimbursable capital costs are recovered through a power and water rate setting process. Such rates include capital cost factors, among other components, for recovering the reimbursable capital cost over the applicable future payment period. In accordance with Reclamation's policy, these annual payments are recognized as revenue when billed. The reimbursable capital investment costs being repaid through rate setting arrangements have not been recognized on the statements as a receivable or other asset.

Water users advance funds to Reclamation for their share of the O&M costs. Generally, a cost allocation process is used to allocate these costs to water users. Revenue related to O&M reimbursements is recognized as these costs are allocated and transfers are made from advance accounts. Revenue from water users is recognized as O&M expenses are incurred.

Reclamation performs certain services for other governmental and public entities. These services are initially financed through the General Fund and subsequently reimbursed by the service recipients. Reimbursements are recognized as revenue at the time services are rendered.

F. FUNDS WITH THE U.S. TREASURY AND CASH

Cash receipts and disbursements are processed by Treasury. The balance in Treasury represents all undisbursed balances in Reclamation's accounts, including funds awaiting disbursement for goods and services received. The funds with Treasury and other cash include appropriated, revolving, and contributed funds which are available to pay current liabilities and to pay outstanding obligations. Imprest funds are cash held outside Treasury by the agency for immediate or emergency payments. As discussed under section C, the Reclamation Fund is a special receipt fund; funds become available only upon appropriation.

G. PROPERTY, PLANT, AND EQUIPMENT

Plant facilities are stated at acquisition cost, net of depreciation. Cost includes direct labor and materials, payments to contractors, and indirect charges for engineering, supervision, and overhead. Power and M&I water facilities are interest bearing Federal investments, and their cost also includes interest during construction. Public domain land that is withdrawn for project purposes is transferred to the project at no cost. While Reclamation's withdrawn land has no acquisition costs and is, therefore, identified in the "Supplemental Section" of this report, the residual costs associated with such land are carried on the balance sheet.

In general, plant facilities and structures are depreciated based on the composite service life of each project, using average straight line depreciation. The composite service life is based on the estimated useful life of a project's components. Project composite service lives range from 25 to 100 years.

The balances reflected on the Consolidated Balance Sheet represent the cost of investments net of depreciation estimated since the projects came into service. While some projects are approaching 100 years of service and some have been fully repaid, projects developed by Reclamation continue to be productive and are expected to continue to be viable for many years to come. Although these projects have indefinite useful or economic lives, a shorter life has been estimated for calculating depreciation for financial statement presentation purposes.

Service facilities consist of houses, buildings, garages, and shops owned by Reclamation and used in electric, irrigation, M&I, or multipurpose operations and are not included in the plant accounts of a specific project. Service facilities are valued at acquisition cost and are depreciated over their estimated useful lives using the straight-line method. The estimate used for calculating depreciation on service facilities ranges from 30 to 75 years.

Movable equipment is stated at acquisition cost and is depreciated over its estimated useful life using the straight-line method. The estimated useful lives used for calculating depreciation on movable equipment generally ranges from 5 to 20 years. The capitalization threshold is currently \$15,000. When movable equipment is transferred from one project to another, the transfer is made at the net book value of the property.

The Statement of Federal Financial Accounting Standard (SFFAS) Number 6, "Accounting for Property, Plant, and Equipment," defines deferred maintenance as "maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period." For FY 2000, due to amendments to SFFAS Number 6, deferred maintenance is presented in the supplemental section of these financial statements.

H. INVESTIGATION AND DEVELOPMENT COSTS

Investigation and development costs represent funds specifically appropriated by the Congress that have been expended for general engineering studies. Historically, Reclamation's accounting practice has been to capitalize these investigation and development costs. In FY 2000, Reclamation implemented a change in accounting principle for investigations and development costs not related to project construction. This change in accounting principle will cause investigations and development costs not related to project construction to be expensed when incurred, in the same way that Research and Development (R&D) costs are, in accordance with SFFAS No. 8, "Supplementary Stewardship Reporting." This change in accounting principle is discussed further in "Note 5, Other Assets."

I. ACCRUED LEAVE

Annual leave is accrued as earned, and sick leave is accrued when used. Annual and sick leave are funded as used through a surcharge assessment added to direct labor costs. The accrued unfunded annual leave balance represents the current value of the leave earned but not yet funded and, as such, is reported as a future funding requirement in appropriated and contributed funds. Reclamation's revolving funds (Working Capital Fund, Lower Colorado River Basin Development Fund, and Upper Colorado River Basin Fund) fund their accrued unused annual leave balances and accrued sick leave by including a leave component in their customer rates. When a funding deficit occurs in the revolving funds (i.e., the leave component in the rate is not sufficient to fully fund all accrued leave), rates are adjusted in subsequent years to cover this deficit. Moreover, rates are adjusted, as necessary, to accommodate salary increases.

J. RETIREMENT AND OTHER BENEFITS

Reclamation employees belong to either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Reclamation and its employees contribute to these systems. Both are contributory pension plans. Although Reclamation funds a portion of pension benefits under CSRS and FERS relating to its employees and makes the necessary payroll withholdings from them, it does not report assets associated with these benefit plans. Such amounts are maintained and reported by the Office of Personnel Management. According to the Statement of Federal Financial Accounting Standards No. 5, "Accounting for Liabilities of the Federal Government," Reclamation recorded the FY 2000 estimated cost of pension and other future retirement benefits and the associated imputed financing sources which are paid by the Office of Personnel Management on its behalf.

Similarly, a liability was recorded for the estimated actuarial liability for future workers' compensation benefits. This actuarial liability represents the present value of the total expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases.

NOTE 2. FUND BALANCE WITH TREASURY

The fund balance with Treasury is shown below:

Fund Balance With Treasury	
(In Thousands)	
A. Fund Balances	
(1) Revolving Funds	\$ 227,222
(2) Appropriated Funds	681,952
(3) Unappropriated – Unavailable Funds	<u>2,319,831</u>
Total	<u><u>\$3,229,005</u></u>

Cash receipts and disbursements are processed by Treasury. The balance in Treasury represents all undisbursed balances in Reclamation accounts. As of September 30, 2000, Reclamation had \$909.2 million in funds with Treasury, which were available to pay outstanding obligations. The Unappropriated-Unavailable Fund Balance represents funds in the Reclamation Fund. In addition to Treasury fund balances, Reclamation had \$95 thousand in cash held outside of Treasury in imprest funds as of September 30, 2000.

NOTE 3. RECEIVABLES

Receivable balances are categorized as Entity or Non-Entity. Entity receivables represent the amount, which when collected, may be used for agency operations. Non-entity receivables represent amounts which, when collected, are deposited into Treasury's General Fund and cannot be spent by Reclamation. All Non-Entity receivables are due from the public. Entity and Non-Entity receivable balances are combined and presented together in the financial statements. Non-Entity receivables are disclosed in "Note 14, Non-Entity Assets."

ACCOUNTS RECEIVABLE

The Accounts Receivable balances shown represent current amounts due to Reclamation. An allowance for estimated uncollectible accounts has been established for accounts receivable due from the public. The allowance amount is determined by reviewing accounts receivable aging reports to identify receivables that are probably uncollectible based on various factors,

including age, past experience, present market conditions, and characteristics of debtors. All accounts receivable due from other Federal agencies (Intragovernmental) are considered collectible; and, accordingly, no allowance account is established for these receivables. The current allowance amounts represent the total estimated allowance for Reclamation and have been netted against the gross accounts receivable totals in the respective categories as summarized below:

Accounts Receivable

(In Thousands)			
	Gross Amount Due	Allowance	Net Amount Due
Intragovernmental	\$ 23,315	\$ 0	\$ 23,315
Public	289,729	384	289,345
Total	<u>\$ 313,044</u>	<u>\$ 384</u>	<u>\$ 312,660</u>

Delinquent receivables are being pursued through such measures as referrals to Treasury (\$213 thousand), Department of Justice (\$1.6 million), agency counsel (\$11 thousand) and salary offsets. During FY 2000, \$94 thousand was determined to be uncollectible and written-off.

In FY 1999, Reclamation recorded a cumulative accounts receivable of \$189.5 million for the Central Valley Project's (CVP) Municipal and Industrial Operation and Maintenance deficit. In FY 2000, this accounts receivable was increased to \$204.6 million, an increase of \$15.1 million. The accumulated CVP M&I O&M deficit is the sum of all unpaid annual O&M deficits (including interest on capital and deficits) over time. In most cases, these O&M deficits were primarily attributable to historical (fixed rate) water service contracts which did not generate sufficient revenue to recover the annual cost of delivering the water. This resulted in annual O&M deficits for most CVP contractors which have accumulated over time. Legislation enacted during FY 2001 and potential administrative adjustments may reduce the financial statement entry for future years. In particular, the FY 2001 Energy and Water Appropriations Act includes provisions to convey title for Sly Park Dam and Reservoir (Public Law [P.L.] 106-377); and the Hawaiian Reclamation Act of 2000 (House Resolution [H.R.] 1694) includes provision to convey title for Sugar Pine Dam and Reservoir. This is discussed further in "Note 7, General Property, Plant, and Equipment, Net."

UNMATURED RECEIVABLES

To repay a portion of the Federal investment allocated to reimbursable irrigation and M&I water facilities, Reclamation has entered into repayment contracts with non-Federal (public) water users which convey the rights to use these facilities in exchange for annual payments. Unmatured receivables represent the unrecovered balance of this Federal investment. The

typical repayment period is 40 years but may extend to 50 years or more if authorized by the Congress. The associated repayment is recognized as revenue, including interest if applicable, when the annual amount becomes due each year. At this time, the annual amount due is reclassified from unmatured receivables to (current) accounts receivable. There is not an allowance for uncollectible accounts (and associated bad debt expense) recorded on any unmatured receivable, as revenue has not been recognized until the receivable has been reclassified to (current) accounts receivable. Until revenue is recognized for these unmatured receivables, they are recorded in the offsetting liability account, Deferred Revenues from Unmatured Accounts Receivable.

As discussed in Note 14, the total Unmatured Receivables balance of \$2.8 billion is further classified as Entity or Non-Entity. The Entity Unmatured Receivables balance (\$1.3 billion) is deemed to be restricted, as collections of such receivables are deposited in the Reclamation Fund. These collections into the Reclamation Fund are not available unless they are appropriated by the Congress. The future collections of Non-Entity Unmatured Receivables (\$1.5 billion) will be deposited into Treasury's General Fund and, thus, cannot be spent by Reclamation.

The Entity Unmatured Receivables balance has been reduced by \$82.2 million for FY 2000 financial statement purposes only. This reduction represents currently uncollectible accounts, of which \$62.7 million is related to the repayment of capital investment associated with the second half of the Columbia River Basin project. A decision has not been made to develop the second half of this project. Additionally, \$15.5 million is for the repayment contract on the Washita River Basin Project in Oklahoma; and \$4 million is for the Teton Project repayment contracts. Although the Washita Project is complete, the salinity content of the water in Foss Reservoir is too high to make it usable. Public Law 90-311, dated May 18, 1968, relieves the conservancy district of construction repayments and interest accruals until initial delivery of water. Currently, no practical or feasible method of alleviating the water quality problems has been determined, so it is unlikely this receivable will be collected. On June 5, 1976, before the Teton Project was completed, a breach in the Teton Dam occurred, and the project was extensively damaged. Work on the Teton Project was never resumed. Since the amounts for these three receivables are unmatured receivables, no revenue has been recognized. Under the matching principle, a bad debt expense (with the offsetting allowance for doubtful accounts) cannot be recognized without the recognition of the associated revenue. Since no revenue has been recognized, it would be improper to record an allowance amount for these three accounts. Although Reclamation has removed these unmatured receivables and associated deferred revenues from its financial statements, until the Congress specifically authorizes the cancellation of the contracts and the write-off of the receivables, they are still considered valid repayment obligations.

The United States and the Central Arizona Water Conservation District (CAWCD) have been engaged in litigation regarding several issues related to the Central Arizona Project (CAP). As a result of the litigation, the United States and the CAWCD have entered into a stipulated settlement agreement that would fix CAWCD's repayment obligation at \$1.65 billion for the Water Supply System and the New Waddell and Modified Roosevelt Dams Stages of the CAP.

This is a reduction from the court ruled repayment ceiling of \$1.781 billion that was used in previous repayment calculations under the Master Repayment Contract for the CAP. This reduction in repayment calculations has resulted in a net overpayment through FY 2000 by the CAWCD of \$30.2 million, which will be credited against future billings, in accordance with provisions of the Settlement Agreement. Under the agreement, CAWCD will pay \$1.65 billion with a fixed interest bearing portion of 73 percent and will agree to a block of 200,000 acre-feet of annual water supply being reallocated from reimbursable non-Federal purposes to non-reimbursable Federal purposes. The reallocated Federal water is intended for use in settling Indian water rights claims with tribes in central Arizona. Under the settlement, \$1.65 billion is the minimum recovery of CAP construction costs. The United States could recover a higher amount depending upon the occurrence of future events, including the outcome of claims against contractors and the availability of surplus power revenues. The settlement itself does not require congressional approval; however, its implementation will require congressional action; and the settlement is conditioned upon several Indian water rights settlements and other legislation being approved and implemented in a manner satisfactory to, among others, the Attorney General of the United States and the Secretary of the Interior. Such legislation will need to be negotiated by the current administration and, subsequently, enacted by the Congress.

NOTE 4. LOAN PROGRAMS

Reclamation operates loan programs which provide Federal assistance to non-Federal organizations for constructing or improving water resource projects in the West. Reclamation's loan programs are authorized under the Small Reclamation Projects Act of 1956 (P.L. 84-984), the Distribution System Loans Act (P.L. 84-130), and the Rehabilitation and Betterment Act (P.L. 84-130). The loan programs are classified into two major categories. The first category is Credit Reform loans, which are loans made after FY 1991 that have been accounted for under the provisions of the Credit Reform Act of 1990 (Credit Reform) (P.L. 101-508). The other category of loans pertains to those loans made prior to the requirements of Credit Reform. This second category of loans (\$86.9 million) consists primarily of drought relief and principal repayment loans. Loan interest rates vary depending on the applicable legislation; and, in some cases, there is no stated interest rate on agricultural and Native American loans. Interest on applicable loans does not accrue until the loan enters repayment status. Entity and Non-Entity loan balances are combined and presented together here and in the financial statements. Non-Entity loans are presented separately in "Note 14, Non-Entity Assets."

The following is a status of the loans receivable and associated interest receivable:

Loans Receivable

(In Thousands)

Loan Program	Loans Receivable Gross	Allowance for Subsidy Cost	Net Loans
Credit Reform Loans	\$ 132,763	\$ 62,030	\$ 70,733
Other Loans	86,934	0	86,934
Total	<u>\$ 219,697</u>	<u>\$ 62,030</u>	<u>\$ 157,667</u>

CREDIT REFORM LOANS

Credit Reform required extensive changes in accounting for loans to the public. Prior to Credit Reform, funding for loans was provided by congressional appropriation from the general or special funds. Under Credit Reform, loans contain two components, the first of which is borrowed from Treasury. These Treasury borrowings, which will be repaid from loan repayments, are authorized by Credit Reform.

The second component represents the subsidized portion of the loan and is funded by a congressional appropriation. This component represents the estimated cost to the Federal Government resulting primarily from the difference between the loan interest rate and the Treasury interest rate, estimated defaults, and fees associated with making a loan.

As mentioned above, loans made after FY 1991 are accounted for under the provisions of Credit Reform. Reclamation currently has eight Credit Reform loans outstanding totaling \$132.8 million. Of this amount, \$21.5 million was disbursed during FY 2000.

Again, loans made under the provisions of Credit Reform include a subsidy component, which represents the estimated cost to the Federal Government of making these loans. The subsidy associated with the \$21.5 million of loans disbursed during FY 2000 was \$7.9 million, along with related administrative expenses of \$274,714.

NOTE 5. OTHER ASSETS

Other Assets

(In Thousands)

A. Intragovernmental	
(1) Other Assets	\$ 3,405
(2) Other General Property, Plant, and Equipment	0
(3) Investigations	<u>28,186</u>
Total Intragovernmental Other Assets	\$ 31,591
B. Public	
(1) Other Assets	242,720
(2) Other General Property, Plant, and Equipment	4,616
(3) Investigations	<u>119,848</u>
Total Other Assets	<u>\$ 398,775</u>

Total Other Assets primarily include costs for general investigations and development and power rights. Other physical property costs that are not properly classified in the general property, plant, and equipment accounts are also reported as Other Assets. For FY 2000, all Other Assets are classified as Entity Assets.

(1) OTHER ASSETS

The 'Other' category predominantly represents power rights costs, as well as costs for preliminary Safety of Dam work studies that could lead to construction, and Settler's Assistance costs. Settler's Assistance costs are those costs originally incurred in projects in connection with pre-entry community service planning, post-entry orientation and assistance, cooperative agency assistance, development farm operation, and similar nonphysical property costs. In FY 2000, a prior period adjustment of \$6.2 million was made to expense non-construction related Safety of Dam costs associated with prior periods, and a prior period adjustment of \$10 million was made to fully amortize Settler's Assistance and related transitional development costs associated with prior periods.

Power rights represent the amortized cost of the right or privilege to use the facilities of others or the right to future power generation or power revenues when such rights are not subject to early liquidation. The net power rights associated with the Central Arizona Project are \$182.8 million, which are associated with the Navajo Generating Station. In FY 2000, annual amortization costs of \$10.7 million associated with these power rights were recorded.

In 1969, the Bureau of Reclamation entered into an agreement with five other entities for the construction of the Navajo Generating Station, in Page, Arizona. This agreement entitled Reclamation to a firm 24.3 percent of the generation of electricity for the CAP for a term of 50 years ending in 2017. In 1991, the participants agreed to the construction of scrubbers on the three generating units for the reduction of sulfur dioxide emission pursuant to 40 Code of Federal Regulations (CFR) Part 52 (AD-FLR-4018-5). In FY 2000, Reclamation's costs of \$100.8 million associated with the Navajo Generating Station scrubbers were transferred from Construction In Progress to Other Assets to represent Reclamation's additional investment in the power rights. A prior period adjustment of \$9.6 million was made to amortize prior years power rights associated with these scrubbers.

(2) OTHER GENERAL PROPERTY, PLANT, AND EQUIPMENT

Other General Property, Plant, and Equipment is comprised mainly of unique physical assets such as levee systems, the costs of which are mostly non-reimbursable. In FY 2000, a prior period adjustment of \$42.6 million was made to record depreciation of these non-reimbursable costs associated with prior years.

(3) INVESTIGATIONS

Investigation and development balances represent funds specifically appropriated by the Congress that have been expended for general engineering studies. Historically, Reclamation's accounting practice has been to capitalize investigation and development costs to comply with Reclamation laws and Federal Energy Regulatory Commission's accounting standards. If the Congress authorized Reclamation to proceed with the project or activity for which these costs were incurred, they were then transferred to either reimbursable or non-reimbursable accounts. If the project or activity was not subsequently authorized for construction or the investigation was abandoned, then the accumulated costs were expensed.

In FY 2000, Reclamation implemented a change in accounting principle for investigations and development costs not related to project construction. This change in accounting principle will cause investigations and development costs not related to project construction to be expensed when incurred, in the same way that research and development costs are, in accordance with SFFAS No. 8, "Supplementary Stewardship Reporting."

For investigations and development costs not related to project construction incurred prior to FY 2000, Reclamation has recorded a prior period adjustment of \$415.9 million, to reflect the change in accounting principle. Reclamation will continue to capitalize investigations and development costs that may lead to project construction.

The investigation accumulated costs of \$148 million presented in the table above represent those investigations and development costs expended for general engineering studies which may lead to project construction and, therefore, have been capitalized.

NOTE 6. ASSETS CONSTRUCTED FOR OTHERS

The FY 2000 balance of \$91.2 million represents costs associated with the Navajo Indian Irrigation Project, which was authorized by P.L. 87-483 (June 13, 1962). Under this law, the Congress appropriated funding for the project to the Bureau of Indian Affairs (BIA), who transferred funding to Reclamation for construction of the facilities. Subsequent to this law, Reclamation and BIA entered into a formal Memorandum of Agreement that provided for the transfer of such amounts to BIA upon completion of the project facilities. As such, upon completion of construction of designated segments of project facilities, agreed upon by both bureaus, the facilities will be transferred to BIA by formal document. In FY 2000, Reclamation transferred \$47.8 million in residual costs associated with completed segments of the project to BIA.

Included in the FY 2000 balance of \$91.2 million, is \$45.1 million which represents the construction of the Gallegos Pumping Plant. This facility is being completed in 'blocks' of construction. The pumping plant cannot be fully operational until all blocks are completed. Currently, Block 8 laterals will not be completed until 2002, and Block 9 will be developed incrementally in three steps—the last stage to be completed in 2005. At that time, the feature may then be ready for transfer to BIA.

NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

The schedule below supports the Property and Equipment balance presented in the Consolidated Balance Sheet:

Schedule of Fixed Assets

(In Thousands)

Class of Fixed Assets	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land	\$ 1,885,154	\$ 0	\$ 1,885,154
Other Structures and Facilities	17,362,101	7,373,389	9,988,712
Equipment	94,054	51,621	42,433
Information Technology Software	26,158	14,751	11,407
Construction In Progress	487,183	0	487,183
Total	\$ 19,854,650	\$ 7,439,761	\$ 12,414,889

The land balance is comprised of the acquisition cost of land and land rights, as well as the costs of relocating the property of other parties and clearing the land. Lands which were withdrawn from the public domain do not have an acquisition cost and, accordingly, are not represented in this category. Such lands are accounted for as stewardship land, which is discussed in the "Supplemental Section."

The Other Structures and Facilities category is primarily comprised of Reclamation's investment in its multipurpose water facilities. For FY 2000, \$21.2 million of abandoned or retired plant facilities was written off.

In accordance with SFFAS No. 16, "Measurement and Reporting for Multi-Use Heritage Assets," structures and facilities which are included on the National Register of Historic Places are considered multi-use heritage assets. Multi-use heritage assets are further discussed in the "Supplemental Section" under "Stewardship Assets."

As discussed in Note 1G, other structures and facilities costs are depreciated on a straight-line basis over the composite service life of each project. The composite service life of a project is based on the estimated useful life of the project's components, which is based on engineering estimates. The composite project lives range from 25 to 100 years. Buildings (service facilities), which are depreciated over 30-75 years, are included in the structures and facilities balance. The straight-line method is also used to depreciate equipment over its service life, generally ranging from 5 to 20 years.

CONSTRUCTION IN PROGRESS

At the end of FY 2000, Reclamation's Construction in Progress totaled \$487.2 million, about \$1.4 billion less than 1999. For FY 2000 and prior, Reclamation conducted a comprehensive analysis of the Construction in Progress account. The decrease in Construction in Progress is primarily the result of expensing costs that were incorrectly capitalized in Construction in Progress and transfers made to Land or to Other Structures and Facilities for completed plant. In FY 2000, Reclamation recorded prior period expenses from Construction in Progress of \$231.4 million and current year expenses from Construction in Progress of \$45.9 million. The balance of \$1.1 billion, transferred from Construction in Progress in FY 2000, represents capitalized costs that were moved to the Land account, Other Structures and Facilities, Construction in Abeyance, or Other Assets.

Project costs are transferred from Construction in Progress to Other Structures and Facilities when a project or feature of a project is deemed to be substantially complete, when the project or feature is providing benefits and services for the intended purpose, and when the project or feature is generating revenue. Until these three criteria are met, costs are retained in Construction in Progress. Many of Reclamation's major construction projects are of such size and complexity that it is not uncommon for them to take decades to complete (e.g., the Fryingpan-Arkansas Project was authorized in 1962 and declared completed 32 years later in 1994).

In FY 2000, \$16.5 million of interest during construction (IDC) was capitalized. Also, a prior period adjustment of \$11.4 million was made to record IDC assessed for prior years. The authority for charging IDC is included in the authorizing legislation for a particular project or administrative policy established pursuant to the law. Generally, the costs allocated to reimbursable functions, except irrigation, are subject to IDC unless otherwise provided by law. The interest rates used in computing IDC are the rates specified in the authorizing legislation or, if rates are not specified, the rates established by Reclamation laws or administrative policy. Rates used for IDC are based on the rates established for the fiscal year in which construction began. The interest rates applied during the current year ranged from 2.5 percent to 12.375 percent.

CONSTRUCTION IN ABEYANCE

In past years, Reclamation began the planning of and construction on various features included in six projects located in California, Colorado, and South and North Dakota, on which activities have either been placed in abeyance or intended benefits never provided. These projects were authorized to provide various benefits, among them irrigation, fish and wildlife conservation and enhancement, recreation, municipal water supplies, and flood control. Until congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of weather and time and to keep the asset ready for potential completion. The costs for O&M of these projects and costs for studies, that may or may not lead to construction pending a final determination, have been capitalized.

The investment in these projects through FY 2000 ranges from \$59 thousand to \$303.6 million per project, including investigations costs, and covers a period from 1965 to the present. Continued planning or construction on these assets has been held in abeyance for various reasons that include such concerns as the implementation of a Federal policy in the late 1970s and early 1980s requiring cost-share agreements be executed with non-Federal entities before the resumption of construction on certain projects, environmental, international treaty, and economic issues on others. The Congress and local interests continue to pursue acceptable alternatives for the completion of those projects in which there has been a substantial investment. As for some of these projects, bills have either been recently introduced into, or are under consideration by, the Congress to reformulate the project or provide funding for continued work.

As it is uncertain when construction will resume on, or benefits will be provided by, these assets; classification into this account provides a more meaningful and accurate status of their disposition. With the exception of the subsequent event disclosed in this note below, related to the deauthorization of certain features of the Garrison Diversion Unit, the Congress has not yet deauthorized any of these assets nor should it be inferred from this classification that the future viability of them is necessarily in doubt.

PLANT NOT CURRENTLY IN SERVICE

The Washita River Basin Project, discussed in Note 3, is not currently providing service. Until the project can deliver water that is of acceptable quality, the Congress has authorized postponement of repayment by the water district. If it is ever definitively determined that the project will never be able to provide usable water, the associated facilities would be written-off.

TRANSFER OF FACILITIES

During FY 1995, Reclamation initiated a program to transfer title to, and responsibility for, certain single purpose projects and facilities to non-Federal governmental entities. Before a project can be transferred, Reclamation policy requires that it must meet the following criteria: protect the Treasury and taxpayer's financial interests; comply with applicable Federal laws; protect interstate compacts and interests; meet Native American trust responsibilities; and protect public aspects of the project. Any proposed transfer would require congressional authorization.

In July 2000, the Griffith Project Prepayment and Conveyance Act, P. L. 106-249, directed the Secretary of the Interior to convey the Robert B. Griffith Water Project, a single-purpose municipal and industrial water diversion and conveyance project located in Southern Clark County, Nevada, to the Southern Nevada Water Authority (Authority), the operating and repayment entity. At the end of FY 2000, the total construction costs for the transferred assets, including land costs of \$3.7 million, were \$187 million, and accumulated depreciation on the plant facilities was \$89 million. Subject to prepayment by the Authority of the Federal repayment amount of \$121.2 million, the final conveyance of the water project is anticipated to occur in FY 2001.

The Wellton-Mohawk Title Transfer Act, P.L. 106-221, was enacted in June 2000, to authorize the Secretary of the Interior to convey certain works, facilities, and titles of the Gila Project and designated lands within or adjacent to the Gila Project to the Wellton-Mohawk Irrigation and Drainage District. The Gila Project has a blanket authorization from the Congress for beneficial uses of Colorado River water other than irrigation. Presently, the district is using Colorado River water for irrigation and municipal and industrial purposes. The Gila Project, Wellton-Mohawk Division, is characterized as a water supply project. The Act authorizes the Secretary of the Interior (Secretary) to carry out the terms of a Memorandum of Agreement, dated July 10, 1998, between Reclamation and the district for the transfer of works, facilities, and lands to the district including conveyance of acquired lands, public lands, and withdrawn lands as defined in the Memorandum of Agreement. At the end of FY 2000, the total construction costs for the transferred assets, including land costs of \$2.5 million, were \$45.8 million; and accumulated depreciation on the plant facilities was \$43.6 million. The work necessary to carry out this title transfer will begin in September 2000. Reclamation estimates the process to take approximately 30 months to complete.

In June 2000, the Carlsbad Irrigation Project Acquired Land Transfer Act, P.L. 106-220, was enacted to authorize the Secretary of the Interior to convey certain real property within the Carlsbad Project in New Mexico to the Carlsbad Irrigation District. The Act authorizes the Secretary to transfer all rights, title, and interest of the United States in the irrigation and drainage system of the Carlsbad Project, including lands, surface and mineral rights. In accordance with Section 3.(c)(1) of P.L. 106-220, previously collected construction credits in the amount of \$2.5 million were transferred from the Reclamation Fund to the General Fund of the Treasury to be credited to deficit reduction or retirement of the Federal Debt. The total construction costs for the transferred assets, including land costs of \$173 thousand, were \$6.9 million at the end of FY 2000; and accumulated depreciation on the plant facilities was \$6.7 million. Reclamation estimates the transfer to be completed in FY 2001.

On November 7, 2000, the Nampa and Meridian Conveyance Act, P.L.106-466, directed the Secretary of the Interior to convey facilities to the Nampa-Meridian Irrigation District. The conveyance of facilities includes all right, title, and interest of the United States in and to any portion of the canals, laterals, and drains. It also includes any other portion of the water distribution and drainage system operated or maintained by the district for delivery of water to and drainage of water from lands within the boundaries of the district. No water rights are transferred, modified, or otherwise affected by the conveyance of facilities and interests to the Nampa and Meridian Irrigation District under this Act. As of FY 2000, claim deed has not been issued.

On November 3, 1998, P.L. 105-351 directed the Secretary of the Interior to convey certain facilities of the Minidoka Project to the Burley Irrigation District. The conveyance of facilities includes all right, title, and interest of the United States in and to acquired lands, easements, and rights-of-way of or in connection with the Southside Pumping Division. It also includes other improvements to the land or uses for the delivery of water from the headworks of the Southside Canal at the Minidoka Dam and Reservoir to land in Burley, Idaho, including all facilities used in conjunction with the division. On February 28, 2000, a quit claim deed conveyed title to Burley Irrigation District. In FY 2000, Reclamation recorded the transfer of these assets from it's financial statements, including \$3.2 million in total costs and \$1.8 million in associated accumulated depreciation.

In October 2000, the Northern Colorado Water Conservancy District Conveyance Act, P.L. 106-376, directed the Secretary of the Interior to convey the North Poudre Supply Canal and Diversion Works, the Charles Hansen (Supply) Canal and Windsor Extension, and the Dixon Feeder Canal, all of which are facilities of the Colorado-Big Thompson Project located in Larimer County, Colorado, to the Northern Colorado Water Conservancy District. At the end of FY 2000, the total construction costs for the transferred assets, including land costs of \$111 thousand, are \$5.6 million. Accumulated depreciation on the transferred facilities is \$4.7 million. Subject to the prepayment of \$150 thousand from the district for the facilities and \$1.8 million from the power customers to be treated as full and complete payment by the power customers of all aid to irrigation associated with the facilities conveyed, the final conveyance of the water distribution facilities is anticipated to occur in FY 2001.

In October 2000, the Palmetto Bend Conveyance Act, P.L. 106-512, directed the Secretary of the Interior to convey to the State all right, title, and interest (excluding the mineral estate) in and to the project held by the United States. At the end of FY 2000, the total construction costs for the transferred project, including land costs of \$29.8 million, are \$90.5 million. Accumulated depreciation on the plant facilities is \$28.3 million. Subject to a payment of the adjusted net present value of current repayment obligations on the project, calculated 30 days prior to closing, the final conveyance of the project is anticipated to occur in FY 2001.

As discussed in "Note 3, Accounts Receivable," Reclamation has recorded a receivable of \$204.6 million for the Central Valley Project's Municipal and Industrial Operation and Maintenance deficit. Legislation enacted during FY 2001 and potential administrative adjustments may reduce the financial statement entry for FY 2001. In particular, the FY 2001 Energy and Water Appropriations Act includes provisions to convey title for Sly Park Dam and Reservoir (P.L. 106-377); and the Hawaiian Reclamation Act of 2000 (H.R. 1694) includes provision to convey title for Sugar Pine Dam and Reservoir. At the end of FY 2000, total costs for Sly Park Dam and Reservoir and related facilities were \$32 million, and total costs for Sugar Pine Dam and Reservoir and related facilities were \$71 million. P.L. 106-377 declares any remaining capital obligation on Sly Park Dam and Reservoir to be non-reimbursable and non-returnable. H.R. 1694 directs the Secretary to exclude remaining capital costs from recovery until such time that Sugar Pine Dam and Reservoir is operationally integrated with the rest of the CVP. The two acts will reduce or defer M&I contractors' deficit by approximately \$90 million and M&I capital obligations by approximately \$68 million.

In October 2000, the Middle Loup Conveyance Act, P.L. 106-366, directed the Secretary of the Interior to convey the Middle Loup Division of the Pick-Sloan Missouri Basin Project located in Nebraska to the Loup Basin Reclamation District. The Middle Loup Division consists of the Sargent River Irrigation District and Farwell Irrigation District. The total construction costs for the assets to be transferred, including land costs of \$7.5 million, are \$52.7 million. Accumulated depreciation on the plant facilities is \$30.9 million. The final conveyance of the Middle Loup Division is anticipated to occur in FY 2001, subject to prepayment by the Loup Basin Reclamation District of the Federal repayment amount of \$2.8 million and \$2.6 million to be repaid by the power customers for irrigation aid.

On December 23, 2000, Title IV of P.L. 106-566, cited as the Clear Creek Distribution System Conveyance Act, was enacted to authorize the Secretary of the Interior to convey all rights, title, and interest in and to the Clear Creek Distribution System as defined in Agreement No. 8-07-20-L6975. This agreement between the United States and the Clear Creek Community Services District sets forth the terms and conditions whereby the title to the Clear Creek Distribution System will be transferred to the Clear Creek Community Services District. The total construction costs for the transferred assets, including land costs of \$123 thousand, were \$1.2 million. The work necessary to carry out the title transfer began in January 2001.

Since the program is evolving, and due to the complex nature of transferring title, including legislative and negotiated provisions, it is difficult to anticipate the magnitude of future title transfers. The "Policy and Administration" section of the FY 2000 "Management, Discussion, and Analysis" provides a list of projects in the various stages of transfer.

**SUBSEQUENT EVENT - DEAUTHORIZATION OF PROJECT FEATURES -
GARRISON DIVERSION UNIT**

On December 21, 2000, P.L. 106-554 enacted the Dakota Water Resources Act of 2000. Among the many provisions of this Act are amendments to P.L. 89-108 (79 Stat. 433; 100 Stat. 418), and the deauthorization of certain project features and irrigation service areas, including the Taayer Reservoir, Sykeston Canal, and the Lonetree Dam and Reservoir. The legislation is lengthy and complex, and extensive counsel from the Solicitor will be required in order to determine the intent of the law with regard to the accounting treatment for various project costs. The estimate of costs which may be written off for these deauthorized features is approximately \$26.1 million, which is subject to change depending on the Solicitor's analysis of the legislation.

NOTE 8. DEBT

As discussed under Note 4, Reclamation makes loans which are subject to the provisions of Credit Reform. Under Credit Reform, loans consist of two components—the part borrowed from the Treasury and the appropriated part to cover the estimated subsidy. The liabilities shown in the following table represent amounts borrowed from Treasury to fund Credit Reform loans.

Debt					
(In Thousands)					
	Beginning Balance	New Borrowings	Repayments	Ending Balance	Refinancing
Intragovernmental Debt:					
Borrowing from Treasury	\$81,549	\$ 21,897	\$ 114	\$ 103,332	\$ 0

NOTE 9. OTHER LIABILITIES

Other Liabilities			
(In Thousands)			
	Non-Current Liabilities	Current Liabilities	Total
Total Intragovernmental	\$ 11,409	\$ 9,169	\$ 20,578
Total Public	302,072	59,174	361,246
Total Other Liabilities	<u>\$ 313,481</u>	<u>\$ 68,343</u>	<u>\$ 381,824</u>

Intragovernmental current liabilities (\$9.1 million) are comprised of accrued funded payroll and benefits (\$6.3 million), deposit fund liabilities (\$1 million), and Federal advances (\$1.8 million). Additionally, (\$52.5 thousand) represents claim settlement payments made on Reclamation's behalf by the Treasury's Judgement Fund. Repayment to the Treasury is required in accordance with 41 U.S.C. Section 612.

Intragovernmental non-current liabilities (\$11.4 million) are comprised of unfunded Federal Employees' Compensation Act liabilities.

The current portion of public liabilities include accrued-funded payroll and benefits (\$18 million), advances from non-Federal entities (\$36.7 million), and deposit fund liabilities (\$4.4 million). Advances are received from non-Federal facility users and are applied to such charges as construction, O&M, and future power or water service billings.

The non-current portion of public liabilities (\$302.1 million) includes unearned revenue and other long-term payables dependent on the future delivery of water and power resources. Also included in this category are accrued unfunded annual leave (\$44.1 million), an actuarial workers' compensation liability (\$84.6 million), and other unfunded liabilities (\$36.4 million).

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined and presented together in the balance sheet. Liabilities not covered by budgetary resources are disclosed in Note 17.

NOTE 10. UNEXPENDED APPROPRIATIONS

Unexpended Appropriations consist of obligated funds, unobligated funds, and unavailable authority. Obligated funds represent amounts designated for payment of goods and services ordered but not received (undelivered orders), or for goods received and not yet paid for.

Unobligated funds, depending on budget authority, are generally available for new obligations in current operations; however, there may be restrictions placed on the availability of these amounts for obligation. Unobligated funds include amounts made available for multiple fiscal years and no-year appropriations that are available for an indefinite period of time. Unavailable authority includes amounts appropriated to Reclamation in prior fiscal years, which may not be used for current operations.

Unexpended Appropriations

(In Thousands)	
Unexpended Appropriations	
(1) Unobligated	
a. Available	\$ 72,181
b. Unavailable	0
(2) Undelivered Orders	132,513
Total Unexpended Appropriations	<u>\$ 204,694</u>

Unexpended Appropriations have been converted to Cumulative Results of Operations for all non-General-Funded accounts, as discussed in "Note 1.E, Revenues and Other Financing Sources."

NOTE 11. COST BY BUDGET FUNCTIONAL CLASSIFICATION

The following table presents Reclamation's total cost and earned revenue by Budget Functional Classification (BFC), which is defined by Treasury for use in Government-wide reporting. In addition to Reclamation's appropriations, the following table also includes costs and earned revenue associated with appropriations transferred from other agencies. Appropriations were transferred from 1) Fish and Wildlife Service (BFC 303 and 304); 2) Department of Transportation (BFC 401); 3) Bureau of Indian Affairs (BFC 452); and 4) Department of Labor (BFC 504).

Gross Cost and Earned Revenue by Budget Functional Classification

(In Thousands)			
Functional Classification	Gross Cost	Earned Revenue	Net Cost
301 - Water Resources	\$1,298,439	\$394,139	\$904,300
303 - Recreational Resources	0	0	0
304 - Pollution Control Abatement	81	0	81
306 - Other Natural Resources	(118)	256,775	(256,893)
401 - Ground Transportation	279	0	279
452 - Area and Regional Development	339	0	339
504 - Training and Employment	27,107	355	26,752
806 - General Purpose Fiscal Assistance	1,213	1,338	(125)
Total Net Cost	\$1,327,340	\$652,607	\$674,733

The following table presents Reclamation’s intragovernmental cost and earned revenue by BFC, which includes activity that arises from transactions with Federal entities. These amounts are transactions between Reclamation and other Federal entities.

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

(In Thousands)

Functional Classification	Gross Cost	Earned Revenue	Net Cost
301 - Water Resources	\$ 262,934	\$ 290,112	\$ (27,178)
303 - Recreational Resources	0	0	0
304 - Pollution Control Abatement	25	0	25
306 - Other Natural Resources	19	98,326	(98,307)
401 - Ground Transportation	97	0	97
452 - Area and Regional Development	(17)	0	(17)
504 - Training and Employment	6,596	215	6,381
806 - General Purpose Fiscal Assistance	0	15	(15)
Total	\$ 269,654	\$ 388,668	\$ (119,014)

NOTE 12. CONTINGENCIES

Reclamation is currently involved in various environmental cleanup actions and legal proceedings. Disclosure and recognition of these contingent liabilities have been made in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government."

A. ENVIRONMENTAL CLEANUP LIABILITIES

Reclamation has several potential environmental cleanup liabilities associated with hazardous waste removal, containment, or disposal. Reclamation’s hazardous waste sites include abandoned mines, vehicle maintenance facilities, and landfills. These sites have various types of contamination, including heavy metal contamination from acid mine drainage and soil contamination from waste petroleum, heavy metal, and other regulated toxic waste.

In FY 2000, Reclamation’s cumulative liability for environmental cleanup is \$5.5 million for eight sites. Additional liability that could be incurred related to these sites is \$15.5 million. Most of Reclamation’s cleanup sites fall under the purview of the Resources Conservation and Recovery Act of 1976 (five sites) and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 (one site), which created the Superfund Program. The Clean Water Act and the Endangered Species Act each govern one site.

In addition to the eight sites for which a liability was recognized, there are twelve other cleanup sites which did not meet the criteria for recognizing a liability. For these, either the sufficient probability of loss was not present, or a reasonable estimate of the potential loss could not be determined.

In prior years, Reclamation had disclosed a potential liability for the Iron Mountain Mine Superfund Site cleanup costs of between \$20 million to \$90 million. However, in October 1997, the United States received a summary judgment ruling that Reclamation's construction, ownership, and operation of CVP facilities, which includes features located within the Iron Mountain Superfund Site, does not make it responsible for "on-mountain" remediation costs, including the cleanup of acid mine drainage from Iron Mountain. Under the ruling, the United States is entitled to CERCLA's third-party defense with respect to small federally owned parcels on Iron Mountain. The issue remains as to whether Reclamation bears any CERCLA responsibility for alleged releases from CVP facilities. A hearing on most or all of the remaining issues is scheduled for FY 2001.

B. LEGAL CLAIMS AND ASSERTIONS

Reclamation is party to a number of lawsuits and other actions where monetary amounts are sought from Reclamation. Reclamation is a defendant in various types of litigation and legal claims including construction cost claims, lawsuits over repayment of certain project costs, water rights claims, and a claim seeking damages resulting from alleged failure to construct required drainage facilities. Currently, Reclamation is a party to 18 legal cases. In each case, either the sufficient probability of loss was not present or a reasonable estimate of the potential loss could not be determined.

In the one case which merits further discussion, a CVP water district is seeking an unspecified amount of damages (possibly exceeding \$1 billion) plus other relief based on their claim that the Federal defendants are required to construct facilities to drain the land they are farming. On March 10, 1995, the U.S. District Court for the Eastern District of California issued a partial judgment and injunction directing the Federal defendants, Reclamation, and others, "without delay, [to] take such reasonable and necessary actions to promptly prepare, file, and pursue an application for a discharge permit for the San Luis Drain." The Federal defendants have appealed the partial judgment and injunction to the Ninth Circuit Court of Appeals. On February 4, 2000, that Court affirmed the District Court's conclusion that the Federal Defendants must act promptly to provide drainage service but reversed the injunction because it foreclosed other solutions. It remanded the case to the District Court for further proceedings consistent with its opinion. On September 29, 2000, the parties recommended to the District Court the manner in which that Court's mandatory injunction is to be modified to comply with the Court of Appeals' decision. The Federal defendants intend to continue to present vigorous opposition to the plaintiffs' claims for monetary relief.

NOTE 13. STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources provides information about the total budgetary resources that were available for the fiscal year and their status at the end of the period. The statement also reconciles obligations to total outlays for the period.

Reclamation has two revolving funds, the Lower Colorado River Basin Development Fund (LCRBDF) and the Upper Colorado River Basin Fund (UCRBF), which require repayment of funds that were advanced from the General Fund of the Treasury for construction. Under the LCRBDF, all appropriations made for construction of the Central Arizona Project are advanced from Treasury's General Fund. Repayment of this advance and associated interest charges, which is currently \$1.5 billion, is payable to the Treasury. Similarly, for the UCRBF, appropriations provide advance funding for project construction. The outstanding balance payable to the Treasury at the end of FY 2000 is \$144 million.

The Statement of Budgetary Resources reflects a total adjustment of \$64 million. The \$59.8 million adjustment for the Revolving Accounts represents repayments to the Treasury for advances for LCRBDF and UCRBF construction costs. \$1.1 million represents adjustments to the Credit Reform Program Accounts. The \$128-thousand adjustment in the Special Receipt Accounts is an adjustment to the repayment of capital investment for the Colorado River Dam Fund. Also, the \$3.2-million adjustment shown under the General Accounts represents canceled authority returned to the Treasury.

The Colorado River Dam Fund is a permanent indefinite appropriation, which was established by the Boulder Canyon Project Act of 1928. Revenues are derived primarily from the sale of electrical energy generated at Hoover Dam, in Boulder City, Nevada. The Hoover Dam Power Plant Act of 1984 authorized the availability of receipts deposited into the fund, without further appropriation, for operation, maintenance, and replacement costs, as well as repayment of the capital investment and associated interest charges.

Reclamation is also authorized to receive contributed funds from non-Federal entities such as States, municipalities, and water districts for investigations, surveys, construction, and other work authorized by Reclamation law. This authority is provided by the Contributed Funds Act (43 U.S.C. 395). In FY 2000, Reclamation received \$11.6 million in contributed capital.

All unobligated balances are subject to reapportionment by OMB in conjunction with the current year appropriation. Obligations are made in accordance with OMB guidance and the Principles of Federal Appropriation Law. The net obligated balance at the end of FY 2000 of \$643 million includes undelivered orders of \$461.8 million. The unobligated-unavailable balance of \$1.5 million represents expired budget authority from prior years' annual appropriations that will be returned to Treasury when it becomes canceled authority.

The FY 2000 Consolidating Statement of Budgetary Resources which follows contains information about total budgetary resources that were available for the fiscal year and their status at the end of the period, presented by major funding category.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidating Statement of Budgetary Resources
For the Year Ended September 30, 2000**

(In Thousands)	General Accounts	Revolving Accounts	Special Receipt Accounts	Loan Program Accounts	Intra- bureau Eliminations	Consoli- dated Total
Budgetary Resources:						
Budget Authority	\$ 754,786	\$ 21,226	\$ 110,515	\$ 34,824	\$ 0	\$ 921,351
Unobligated Balances—						
Beginning of Fiscal Year	180,072	167,209	8,488	5,409	(5,677)	355,501
Transfer of Prior Authority	3,707	(3,769)	0	0	0	(62)
Spending Authority From						
Offsetting Collections	163,790	392,586	0	11,088	(256,863)	310,601
Adjustments	(3,206)	(59,779)	128	(1,120)	0	(63,977)
Total Budgetary Resources	\$ 1,099,149	\$ 517,473	\$ 119,131	\$ 50,201	\$ (262,540)	\$ 1,523,414
Status of Budgetary Resources:						
Obligations Incurred	\$ 950,385	\$ 441,727	\$ 107,964	\$ 49,099	\$ (262,540)	\$ 1,286,635
Unobligated Balances—						
Available	147,404	75,746	11,167	985	0	235,302
Unobligated Balances—						
Unavailable	1,360	0	0	117	0	1,477
Total, Status of Budgetary Resources	\$ 1,099,149	\$ 517,473	\$ 119,131	\$ 50,201	\$ (262,540)	\$ 1,523,414
Outlays:						
Obligations Incurred	\$ 950,385	\$ 441,727	\$ 107,964	\$ 49,099	\$ (262,540)	\$ 1,286,635
(Less): Spending Authority						
From Offsetting						
Collections	(163,790)	(392,586)	0	(11,088)	256,863	(310,601)
Obligated Balance, Net—						
Beginning of Fiscal Year	421,321	82,835	35,546	1,862	5,677	547,241
Obligated Balance,						
Transferred, Net	0	0	0	0	0	0
(Less): Obligated Balance,						
Net—End of Fiscal Year	(427,397)	(151,475)	(45,063)	(19,157)	0	(643,092)
Total Outlays	\$ 780,519	\$ (19,499)	\$ 98,447	\$ 20,716	\$ 0	\$ 880,183

NOTE 14. NON-ENTITY ASSETS

Non-Entity Assets	
(In Thousands)	
Accounts Receivable, Net	\$ 21
Unmatured Receivables	1,542,782
Loans Receivable	<u>36,375</u>
Total Non-Entity Assets	\$ 1,579,178
Total Entity Assets	<u>18,489,276</u>
Total Assets	<u>\$ 20,068,454</u>

For FY 2000, there are no intragovernmental Non-Entity assets. All Non-Entity receivables represent amounts which, when collected, are deposited into Treasury's General Fund and cannot be spent by Reclamation. All Non-Entity receivables are due from the public.

NOTE 15. CONSOLIDATING INFORMATION FOR THE STATEMENTS OF NET COST AND CHANGES IN NET POSITION

For FY 2000, the Statements of Net Cost and Changes in Net Position are presented in a consolidated format at the beginning of the Financial Section of this report. They are further expanded and presented on the following pages (pages 96-99) by GPRA responsibility segment, in a consolidating format.

NOTE 16. CONSOLIDATED STATEMENT OF FINANCING

SFFAS No. 7, "Accounting for Revenue and Other Financing Sources," which became effective in FY 1998, presents the conceptual framework for the Consolidated Statement of Financing presented here (page 100). The intent of the Consolidated Statement of Financing is to facilitate the understanding of the financial net cost of operations in relation to the obligation of budget authority. Because the accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources, this information is provided to highlight the differences.

The Statement of Financing consists of four sections: (1) budgetary and nonbudgetary resources used to fund activities; (2) resources that do not fund the net costs of operations; (3) components of net costs of operations that do not require resources during the reporting period; and (4) costs for which financing sources are yet to be provided.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidating Statement of Net Cost
For the Year Ended September 30, 2000**

(In Thousands)	Water and Energy Man- agement and Development	Land Manage- ment and Development	Fish and Wildlife Man- agement and Development	Facilities Operations	Facilities Maintenance and Rehabilitation
Expenses:					
Operating Expenses:					
Intragovernmental	\$ 134,999	\$ 3,755	\$ 27,251	\$ 65,750	\$ 21,846
With the Public	203,134	25,056	111,523	282,772	56,482
Total Operating Expenses	<u>\$ 338,133</u>	<u>\$ 28,811</u>	<u>\$ 138,774</u>	<u>\$ 348,522</u>	<u>\$ 78,328</u>
Interest Expense:					
Intragovernmental	23,736	0	0	15,469	0
With the Public	5	1	1	4	3
Total Interest Expense	<u>\$ 23,741</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 15,473</u>	<u>\$ 3</u>
Depreciation and Amortization	161,189	2,058	2,244	5,756	15,639
Bad Debt Expense	(114)	0	(125)	13	0
Imputed Costs	9,560	3,495	1,259	61,997	1,769
Expenses Not Requiring					
Budgetary Resources	37	(65)	98	(4,357)	(603)
Other Expenses	113	0	0	117	1,403
Total Expenses	<u>\$ 532,659</u>	<u>\$ 34,300</u>	<u>\$ 142,251</u>	<u>\$ 427,521</u>	<u>\$ 96,539</u>
Exchange Revenues:					
Sale of Goods and Services to Federal Agencies	(124,088)	0	(7,166)	(210,507)	(47,773)
Sale of Goods and Services to the Public	(243,031)	\$ (861)	(47,963)	11,523	44,971
Total Exchange Revenues	<u>\$ (367,119)</u>	<u>\$ (861)</u>	<u>\$ (55,129)</u>	<u>\$ (198,984)</u>	<u>\$ (2,802)</u>
Net Cost of Operations	<u>\$ 165,540</u>	<u>\$ 33,439</u>	<u>\$ 87,122</u>	<u>\$ 228,537</u>	<u>\$ 93,737</u>

Policy and Administration	Total Program Expenses and Exchange Revenues	Nonprogram Expenses and Exchange Revenues	Combined Total	Intrabureau Eliminations	Consolidated Total
\$ 13,036	\$ 266,637	\$ 162,434	\$ 429,071	\$ (262,540)	\$ 166,531
33,396	712,363	137,345	849,708	0	849,708
\$ 46,432	\$ 979,000	\$ 299,779	\$ 1,278,779	\$ (262,540)	\$ 1,016,239
0	39,205	0	39,205	(21,435)	17,770
0	14	3	17	0	17
\$ 0	\$ 39,219	\$ 3	\$ 39,222	\$ (21,435)	\$ 17,787
5	186,891	7,152	194,043	0	194,043
0	(226)	17	(209)	0	(209)
1,342	79,422	8,274	87,696	0	87,696
14,496	9,606	387	9,993	0	9,993
0	1,633	159	1,792	0	1,792
\$ 62,275	\$1,295,545	\$ 315,771	\$ 1,611,316	\$ (283,975)	\$ 1,327,341
0	(389,534)	(277,433)	(666,967)	278,298	(388,669)
0	(235,361)	(28,578)	(263,939)	0	(263,939)
\$ 0	\$ (624,895)	\$ (306,011)	\$ (930,906)	\$ 278,298	\$ (652,608)
\$ 62,275	\$ 670,650	\$ 9,760	\$ 680,410	\$ (5,677)	\$ 674,733

**U.S. Department of the Interior
Bureau of Reclamation
Consolidating Statement of Changes in Net Position
For the Year Ended September 30, 2000**

(In Thousands)	Water and Energy Management and Development	Land Management and Development	Fish and Wildlife Management and Development	Facilities Operations
Net Cost of Operations	\$ (165,540)	\$ (33,439)	\$ (87,122)	\$ (228,537)
Financing Sources (Other than Exchange Revenues):				
Appropriations Used	71,066	4,595	41,624	24,084
Royalties and Other Revenue Transfers	4,577	2,422	0	0
Donations and Other Nonexchange Revenue	2,540	2,134	0	53
Imputed Financing	23,388	3,495	1,855	62,374
Net Transfers	(41,038)	22,095	86,958	25,361
Net Results of Operations	\$ (105,007)	\$ 1,302	\$ 43,315	\$ (116,665)
Prior Period Adjustments (Note 18)	(473,433)	(12,419)	(221,441)	(19,317)
Accounting Change for Unexpended Appropriations	142,953	16,431	89,296	29,852
Net Change in Cumulative Results of Operations	\$ (435,487)	\$ 5,314	\$ (88,830)	\$ (106,130)
Increase (Decrease) in Unexpended Appropriations	(128,901)	(14,351)	(84,138)	(24,453)
Change in Net Position	\$ (564,388)	\$ (9,037)	\$ (172,968)	\$ (130,583)
Net Position – Beginning of Period	\$ 12,720,709	195,354	795,229	490,390
Net Position – End of Period	\$ 12,156,321	\$ 186,317	\$ 622,261	\$ 359,807

Facilities					
Maintenance and Rehabilitation	Policy and Administration	Nonprogram Activities	Combined Total	Intrabureau Eliminations	Consolidated Total
\$ (93,737)	\$ (62,275)	\$ (9,760)	\$ (680,410)	\$ 5,677	\$ (674,733)
2,586	344	26,484	170,783	0	170,783
0	0	523,066	530,065	0	530,065
1,328	0	0	6,055	0	6,055
3,516	1,342	8,274	104,244	0	104,244
106,263	47,000	(321,042)	(74,403)	0	(74,403)
\$ 19,956	\$ (13,589)	\$ 227,022	\$ 56,334	\$ 5,677	\$ 62,011
(35,658)	0	91,427	(670,841)	0	(670,841)
69,785	5,866	71	354,254	0	354,254
\$ 54,083	\$ (7,723)	\$ 318,520	\$ (260,253)	\$ 5,677	\$ (254,576)
(63,295)	(7,057)	21	(322,174)	0	(322,174)
\$ (9,212)	\$ (14,780)	\$ 318,541	\$ (582,427)	\$ 5,677	\$ (576,750)
809,471	(65,051)	2,169,693	17,115,795	(5,677)	17,110,118
\$ 800,259	\$ (79,831)	\$ 2,488,234	\$16,533,368	\$ 0	\$16,533,368

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Financing
For the Year Ended September 30, 2000**

(In Thousands)

Obligations and Nonbudgetary Resources

Obligations Incurred	\$ 1,286,635	
Less: Spending Authority for Offsetting Adjustments	(310,601)	
Donations	1,700	
Financing Imputed for Costs Subsidies	87,696	
Transfers In-Out, Net	0	
Exchange Revenue Not in the Budget	(380,746)	
Total Obligations as Adjusted, and Nonbudgetary Resources		\$ 684,684

Resources That Do Not Fund Net Cost of Operations

Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided	(862)	
Costs of Capitalized Assets on the Balance Sheet	197,069	
Change in Loans Receivable	14,231	
Financing Sources for Unfunded Costs	0	
Financing Sources That Funds Costs of Prior Periods	16,251	
Total Resources That Do Not Fund Net Cost of Operations		\$ 226,689

Costs That Do Not Require Resources

Depreciation and Amortization	194,043	
Bad Debt Expense	(172)	
Reevaluation of Assets and Liabilities	1,793	
Total Costs That Do Not Require Resources		\$ 195,664

Financing Sources Yet to Be Provided 21,074

Net Cost of Operations \$ 674,733

NOTE 17. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources

(In Thousands)

	Noncurrent Liabilities	Current Liabilities	Total
Intragovernmental	\$ 11,407	\$ 52	\$ 11,459
Public	165,105	0	165,105
Total Liabilities	\$ 176,512	\$ 52	\$ 176,564

Intragovernmental current liabilities not covered by budgetary resources (\$52.5 thousand) represent claim settlement payments made on Reclamation's behalf by Treasury's Judgement Fund. Repayment to Treasury is required in accordance with 41 U.S.C. Section 612.

The non-current intragovernmental liability balance (\$11.4 million) is comprised of unfunded Federal Employees' Compensation Act liabilities payable to the Department of Labor.

Liabilities due to the public that are not covered by budgetary resources (\$165.1 million) are comprised of accrued unfunded annual leave (\$44.1 million), an actuarial workers' compensation liability (\$84.6 million), and other unfunded liabilities (\$36.4 million).

NOTE 18. PRIOR PERIOD ADJUSTMENTS

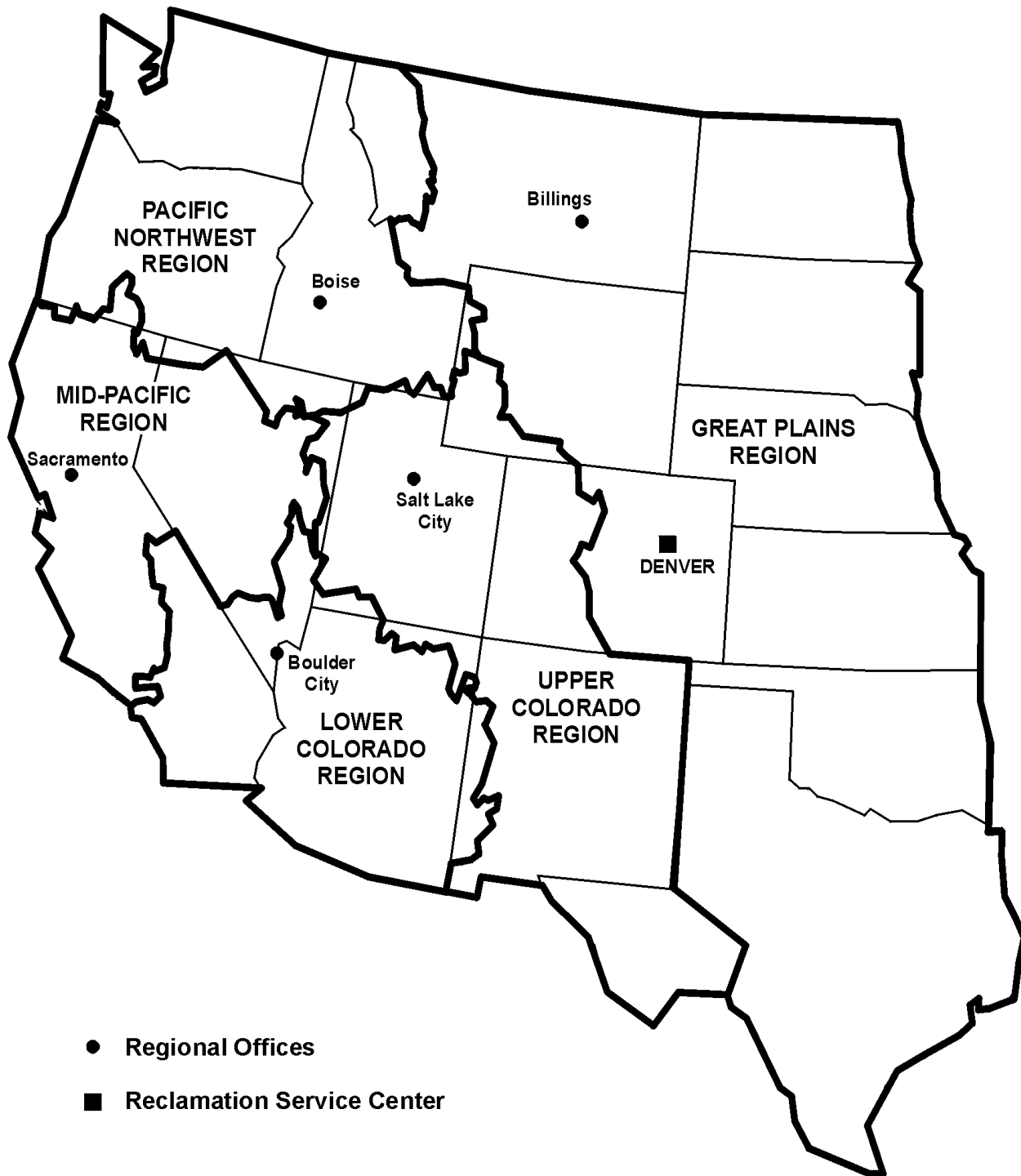
Prior period adjustments are used to reflect in the current period the retroactive impact of newly adopted accounting standards, policies, and correction of errors. In FY 2000, Reclamation recorded net prior period adjustments of (\$670.8) million. Of this amount, \$77.9 million represents an increase to cumulative net results for revenue and expense adjustments that pertained to a prior period, and (\$748.7) million represents a decrease to capitalized asset depreciation and dispositions that pertained to a prior period. Further description of these prior period adjustments can be found in each of the categories within these Notes to the Financial Statements.

Fiscal Year

2000

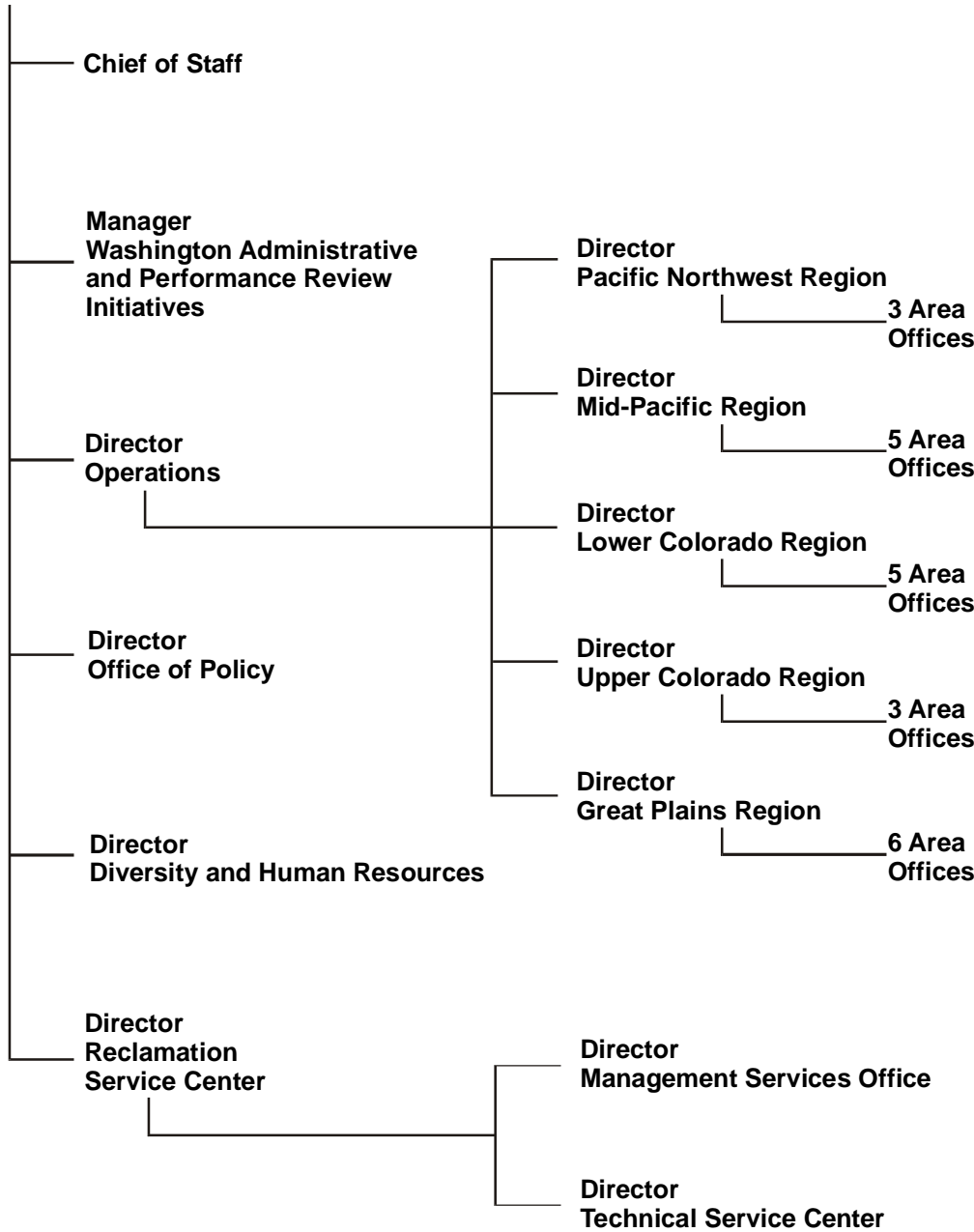
Supplemental Section

RECLAMATION'S REGIONAL OFFICES AND BOUNDARIES



Bureau of Reclamation Organization Chart

**Commissioner
Bureau of Reclamation**



INTERNAL REVIEWS AND AUDITS OF RECLAMATION PROGRAMS

Reclamation continues to strengthen and improve the performance of its programs and activities by regularly conducting internal management control reviews and by effectively implementing Office of Inspector General (OIG) and General Accounting Office (GAO) recommendations.

During fiscal year (FY) 2000, Reclamation completed five management control reviews. The functional areas reviewed were: (1) Water Conservation; (2) Facility Maintenance; (3) Sensitive Automated Information Systems; (4) Acquisition Management; and (5) Personal Property Management. These reviews did not identify any material weaknesses.

During FY 2000, 21 corrective actions from previous management control reviews were implemented. As of September 30, 2000, there are 95 outstanding corrective actions.

During FY 2000, the OIG completed six audits and the GAO completed four audits of Reclamation's programs and activities. The following is a summary of the status of audit recommendations.

	FY 2000 Recommendations	Recommendations Implemented/Closed In FY 2000¹	Outstanding Recommendations²
OIG	13	25	27
GAO	2	0	4

¹ Recommendations may have resulted from audits in previous years.

² Outstanding recommendations may have resulted from prior year audits.

SAFETY OF DAMS PROGRAM

The goals and major accomplishments of Reclamation's Safety of Dams Program were described in the "Management Discussion and Analysis" section. More detail concerning specific Safety of Dams modification activities is presented in table 1.

Table 1.—Safety of Dams Modifications Completed or Underway in FY 2000

Dam Name and Location	Estimated Total Project Cost (\$ in millions)	Major Modification Features
Modifications Substantially Complete		
Willow Creek, Montana	2.6	Strengthened foundation and built stability berm to increase stability during earthquakes. Installed filters that collect and control seepage to reduce the risk of dam failure from internal erosion.
Bradbury Dam, California	41.5	Strengthened foundation, built stability berm, and modified spillway to increase stability during earthquakes.
Pueblo Dam, Colorado	16.8	Built concrete buttress at toe of dam to increase foundation stability and installed seepage control features.
Modifications Underway		
Casitas Dam, California	37.4	Strengthening foundation and building stability berm to increase stability during earthquakes.
Folsom Dam, California	28.2	Modifying Mormon Island Auxiliary Dam to improve stability during earthquakes.
Wasco Dam, Oregon	1.1	Constructing filtered seepage interceptor trench and stability berm to reduce risk of dam failure from internal erosion.
Salmon Lake Dam, California	8.5	Strengthening foundation and improving drainage to increase stability during earthquakes.

STEWARDSHIP ASSETS

Stewardship assets—officially known as Stewardship Property, Plant, and Equipment (PP&E)—are resources owned by the Federal Government that involve substantial investment for the long-term benefit of the Nation and meet one of the following definitions from the Federal Accounting Standards Advisory Board:

- **Heritage assets** are PP&E that are unique because they have historical or natural significance; are of cultural, educational, or artistic importance; or have significant architectural characteristics. Heritage assets are expected to be preserved indefinitely.
- **Stewardship land** includes land and land rights owned by the Federal Government and not acquired, for or in connection with, general PP&E. Examples include parks, wildlife reserves, forests, and grazing lands. All withdrawn lands are stewardship lands.
- **Stewardship investments** are substantial investments made to yield long-term public benefits in certain specific categories.

As shown in table 2 and discussed in sections that follow, Reclamation has identified stewardship assets in the heritage assets and stewardship land categories.

HERITAGE ASSETS

Heritage assets are divided into two major groups: cultural and natural.

Cultural Assets

Cultural resources laws mandate that Reclamation identify and evaluate all cultural resources (historic, prehistoric, and ethnographic sites) on its lands. Located sites are evaluated against criteria to determine eligibility for listing in the National Register of Historic Places. Sites of unusual merit are also included in another listing, that of National Historic Landmarks. As shown in table 2, some of these sites have been listed, some have been determined ineligible for listing, some have not yet been evaluated, and one has been destroyed.

Some historic properties are used by Reclamation in carrying out its mission and are considered to be multi-use heritage assets. The Statement of Federal Financial Accounting Standard No. 16 defines multi-use heritage assets as “heritage assets whose predominant use is general government operations.”

Table 2.—Summary of Reclamation Stewardship Assets

Number and Condition of Heritage Assets		
Cultural Heritage Assets	Unit	Condition
National Register of Historic Places Properties (NRHP)	Listed: 49 properties; 8 districts (29 multi-use) Eligible: 821 properties; 7 districts ¹	Unclassified ³
Sites determined not eligible for listing in NRHP	135	
Unevaluated archeological and historic sites	² 10,936	Unclassified ³
Sites destroyed	1	
National Historic Landmarks	³ 5	Unclassified
Museum property	7,849,682 objects (⁴ 4,415,310 catalogued and 3,434,372 uncatalogued)	Unclassified ⁵

Natural Heritage Assets

Ten paleontological sites

Number and Condition of Stewardship Lands

Stewardship Lands	Unit	Condition
Lands withdrawn for project purposes in 15 of the 17 Western States	5,774,375.6 acres	Safeguarded

¹ Two regions of five provided limited responses to these categories. The number of listed properties decreased from 55 to 49, while the number of districts increased from 5 to 8. Comparing locations of listed properties with Reclamation-managed land boundaries has shown that properties fall outside the boundaries; some other reported properties are co-managed by Reclamation, but the partner is the lead. In one case, title to a distribution system (an historic district) was transferred to the irrigation district, but title to two structures within the district was retained for a net gain of one property. In other cases, ownership has been transferred from the Federal domain. Such properties have been deleted from the report. The number of eligible properties decreased from 1,412 to 821. The 821 includes 7 new or corrected listings. The large decrease in properties (607 excluding the 7 new properties) is due to uncertainty whether properties reported previously as eligible have been formally determined to be so. Closure of an office, and apparent loss of records associated with these properties, is a major cause of the uncertainty. Resolution is being sought to the question.

² This number is an estimate of the actual number of resources managed by Reclamation. Regions are actively researching records and compiling information to respond accurately. The number of unevaluated sites increased as a result of research and new field work.

³ The condition of these resources varies considerably depending on the type, location, and use. An interagency task force is working to define condition assessment criteria for archeological and historic sites. Reclamation anticipates using the standards that are developed.

⁴ This figure is an increase of 1,151,999 objects catalogued over that reported in FY 1999.

⁵ Condition for catalogued objects ranges from "fair" to "very good." By the end of FY 2003, the vast majority of uncatalogued objects will be catalogued and brought up to condition standards required under *Department Manual 411*.

Twenty-nine of the 57 individual properties and districts have been determined to be multi-use heritage assets and include dams, water distribution systems, and office buildings. Capital investment costs for multi-use heritage assets are capitalized as general property, plant, and equipment in the principal financial statements and depreciated over their service life, as discussed in Note 7. (See “Financial Statements and Notes” section.)

Museum Property.— Over the last 5 years, Reclamation has made giant strides in identifying, accessioning, and cataloguing its museum property. Major collections are now properly housed and being made available for exhibit and for use by researchers. These accomplishments are the result of completing action items in Reclamation’s Museum Property Collections Management Plan (PLAN) and other activities. The detailed PLAN, prepared in FY 1998, identifies six major goals under which specific actions necessary to reach accountability for Reclamation collections are identified.

In addition to guiding Reclamation’s actions, the PLAN is used to track progress in correcting Reclamation’s portion of the department-wide material weakness in accountability for artwork and artifacts. More information concerning stewardship assets is included in Reclamation’s Bureau Museum Property Management Summary Report to the Department of the Interior (Interior) for FY 2000.

Native American Graves Protection and Repatriation Act.— Reclamation’s collection also includes “objects identified as cultural items under the Native American Graves Protection and Repatriation Act of 1990 (NAGPRA).” Recently, items collected prior to November 1990 were determined to be museum property; Reclamation’s museum property numbers do not include all cultural items at this time because these were being tracked separately. As required by law, Reclamation is consulting with tribes on the repatriation or disposition of all NAGPRA items. Table 3 shows the number of human remains which are known at this time.

Table 3.—Summary of NAGPRA Completion Status

Total Funds Exended on NAGPRA	Total Number of Human Remains Subject to NAGPRA	Number of Culturally Affiliated Human Remains	Number of Human Remains Repatriated	Number of Culturally Unidentifiable Human Remains	Number of Inventory Completion/Intent to Repatriate Notices
\$233,109	1,433 individuals ¹	902 individuals	7 individuals	524 individuals	2 individuals ²

¹ The University of California at Berkeley has, in its possession, 190 individuals (19 individuals are affiliated) whose “control” is unknown. It is possible some of these individuals will eventually fall under Reclamation’s control as land records become better understood.

² Two inventory completion notices and zero intent to repatriate notices have been submitted to the National Park Service (NPS) by Reclamation. Another nine notices may have been submitted by California museums who had Reclamation’s human remains in their possession; if these notices were published, they do not mention Reclamation as having control of the human remains.

Interior GPRA Goals.— As part of its goals under the Government Performance and Results Act (GPRA), Interior is seeking to increase the ability of the public to access information about museum property, as measured against a baseline established in FY 1998. Reclamation contributed to meeting this goal by tracking visitation at New Melones Visitor Center at New Melones Lake, California, and at the Guernsey Museum at Guernsey Lake, Wyoming.

Another Interior GPRA goal is to increase the number of museum objects available for research or public interpretation by improving basic accountability for these resources as measured against a baseline established in 1998. Reclamation contributed to meeting this goal by increasing its number of catalogued items by nearly 1.2 million over its FY 1999 figure (table 2).

Finally, Interior set a GPRA goal to develop Internet access to all Interior museum collection sites in Federal facilities by September 30, 2002. Reclamation contributed to meeting this GPRA goal through a website for its fine art collection: <www.usbr.gov/art/>. The site displays images from Reclamation's fine art collection, along with biographical information about the artists. During FY 2000, the site received 19,500 visits.

Natural Resources

At this time, only one region is reporting numbers of paleontological sites. Other regions are actively surveying and researching records for information. Of the 10 paleontological sites under the natural heritage assets category, 3 are reservoir areas. Nine non-Federal repositories hold paleontological collections from Reclamation lands.

STEWARDSHIP LANDS

The Bureau of Reclamation operates largely as a business-type entity, whose primary stated mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. Reclamation provides water and power throughout the 17 Western States.

Reclamation lands are integral to project purposes, such as constructing and operating dams, power facilities, or water projects. The lands were either acquired at a cost or withdrawn from the public domain in support of Reclamation's mandate to provide irrigation water, municipal and industrial water, flood control, and power. While Reclamation's lands are acquired or withdrawn for specific project purposes, other multipurpose uses of the land occur. For example, if it does not interfere with the primary purpose for which

land was withdrawn, activities such as boating and camping, fish and wildlife management, or the grazing of livestock on the land may be authorized. Reclamation land is multipurpose use land, with the predominant uses being those which fulfill authorized project purposes. The term, "withdrawn lands," with respect to Reclamation, refers to those lands withdrawn from public entry and set aside for authorized Reclamation project purposes and contributed to the project by the United States. Of Reclamation's 7,994,857.4 total acres of land, 5,774,375.6 acres of withdrawn land were transferred from the Bureau of Land Management and the U.S. Forest Service at no cost, for use in constructing authorized Reclamation projects.

From a land management point of view, Reclamation's projects are consistently comprised of plots of withdrawn lands directly adjacent to, or intermingled with, acquired lands. They are managed exactly the same and are both used in connection with authorized project purposes. Therefore, Reclamation's project lands most closely resemble general property, plant, and equipment rather than stewardship assets. However, in an effort to provide the most comprehensive and useful information to readers of financial statements, Reclamation is reporting acreage of its withdrawn lands which do not have an acquisition cost and, hence, are deemed to fall within the realm of stewardship assets.

Reclamation safeguards its withdrawn lands in order to protect them against waste, loss, and misuse. They are managed consistent with their intended purposes in accordance with Federal laws and regulations and are not materially degraded while under Government care. Site reviews are performed on Reclamation lands, and all areas shall receive field reviews every 5 years. Reviews for hazardous waste, improper dumping or trespass, and on-site reviews of concessions provide further safeguarding of the land's condition. While periodic reviews are performed, it is not feasible or cost effective to do full condition assessments of all Reclamation's lands, a large portion of which lie under water or structures. Additionally, there are often large tracts of inaccessible wilderness surrounding the upper surface of the water's edge, which would be difficult and costly to assess. This notwithstanding, the condition of Reclamation's land, as a whole, is sufficient to support the mission of the agency and is consistent with the statutory purposes for which the lands were withdrawn.

FINANCIAL RESOURCES

The Department of the Interior's budget authority, about \$8.6 billion, was the third smallest of the 14 cabinet level agencies within the Executive Branch. Reclamation's FY 2000 budget authority of \$921.2 million represents about 11 percent of Interior's total budget authority.

Funding for Reclamation's major program activities is provided from appropriations, revolving fund revenue, transfers from other Federal agencies, and contributions from non-Federal entities. Table 4 provides a summary of Reclamation's major sources of FY 2000 new budget authority.

Table 4.—New Budget Authority – FY 2000
(in millions)

Water and Related Resources	\$ 588.2
California Bay-Delta Ecosystem Restoration	60.0
Central Valley Project Restoration Fund	42.0
Revolving Funds	21.2
Policy and Administration	47.4
Loan Program	34.8
Contributed Funds from Non-Federal Entities	12.9
Transferred Funds from Other Federal Agencies	47.4
Permanent Appropriations	67.1
Total	<u>\$ 921.0</u>

The Consolidated Statement of Budgetary Resources, which is included as a principal financial statement, presents information about Reclamation's total budgetary resources, including carryforward of unused, prior year funding and spending authority created by reimbursements from other Federal agencies and non-Federal entities. The total budgetary resources of \$1.7 billion, before eliminations, includes \$300.4 million of Working Capital Fund budgetary resources received from other Reclamation funding sources.

The Consolidating Statement of Budgetary Resources is broken down by account type. The General Accounts are comprised of appropriations made to Reclamation and appropriation transfers from other Federal agencies. The Revolving Accounts include the Lower Colorado River Basin Development Fund, the Upper Colorado River Basin Fund, and the Working Capital Fund. The Special Receipt Accounts are comprised of the Central Valley Project Restoration Fund, the Colorado River Dam Fund, contributions from non-Federal entities, and permanent appropriations. The permanent appropriations

provide for the transfer, without annual appropriation, of revenues from various funds for construction, operation, maintenance, replacement, environmental studies, and other associated activities at various projects.

The California Bay-Delta Ecosystem Restoration account is included as part of Reclamation for budget presentation purposes; these funds will be distributed among participating Federal agencies based on a program recommended by the State of California and Federal Agencies (CALFED) group and approved by the Secretary of the Interior. The CALFED Bay-Delta Program was established in May 1995 to develop a comprehensive, long-term solution to the complex and interrelated problems in California's San Francisco Bay/Sacramento-San Joaquin Delta (Bay-Delta).

The Bay-Delta system provides habitat for 120 fish and wildlife species, some listed as threatened or endangered. The system is also critical to California's economy because the two rivers that flow into the Bay-Delta provide potable water for two-thirds of California's homes and businesses and irrigate more than 4 million acres of farmland on which 45 percent of the Nation's fruits and vegetables are grown.

CALFED is comprised of a consortium of Federal and State agencies. Federal agencies include Reclamation, the U.S. Fish and Wildlife Service, the Environmental Protection Agency, and the National Marine Fisheries Service, with possible participation by other agencies in the future. State agency involvement includes oversight by the California Resources Agency and the participation of the State Department of Water Resources, the Department of Fish and Game, and the California Environmental Protection Agency.

WORKING CAPITAL FUND

Reclamation operates a Working Capital Fund (WCF) to efficiently finance support services and equipment for Reclamation programs and other various Federal and non-Federal agencies. The WCF operates as a revolving fund and, accordingly, fully recovers its costs from its customers (see table 5).

Although the WCF is operated as a single entity, it has been subdivided into 58 activities to facilitate management of the fund. Among the largest of the activities is the Technical Service Center (TSC), which provides engineering and technical services to other Reclamation organizations, as well as other governmental and nongovernmental agencies.

As mentioned previously, the WCF operates as a revolving fund, fully recovering costs from its customers. The types of services provided by the WCF fall into

**Table 5.—Working Capital Fund
Condensed Statement of Financial Position
as of September 30
(in thousands)**

	2000
Assets	
Intragovernmental Assets	
Fund Balance with Treasury	\$ 47,233
Accounts Receivable	<u>9,162</u>
Total Intragovernmental Assets	\$ 56,395
Accounts Receivable, Net	99
Other Assets	0
General Property, Plant, and Equipment, Net	<u>37,295</u>
Total Assets	\$ 93,789
Liabilities	
Intragovernmental Liabilities	
Accounts Payable	\$ 7,712
Other Intragovernmental Liabilities	<u>3,535</u>
Total Intragovernmental Liabilities	\$ 11,247
Accounts Payable	4,970
Other Liabilities	<u>2,093</u>
Total Liabilities	\$ 18,310
Net Position	
Cumulative Results of Operations	75,479
Total Net Position	<u>\$ 75,479</u>
Total Liabilities and Net Position	\$ 93,789

three broad categories: (1) Engineering and Technical Services; (2) Administrative Services; and (3) Computer and Related Services. Table 6 presents a Statement of Net Cost for the WCF. The presentation by major category of services is intended to provide information on the relative composition of the WCF.

The most significant activities in the Engineering and Technical Services category are technical services related to water resources management support provided by the Technical Service Center. Also included in this category are vehicles and aircraft used for engineering support.

**Table 6.—Combined Working Capital Fund Statement of Cost
for the Year Ended September 30, 2000
(in thousands)**

	Engineering and Technical Services	Administrative Services	Computer Services	Combined
Expenses:				
Operating Expenses:				
Intragovernmental	\$ 53,646	\$ 110,212	\$ (7,657)	\$ 156,201
With the Public	30,989	67,961	17,126	116,076
Total Operating Expenses	\$ 84,635	\$ 178,173	\$ 9,469	\$ 272,277
Interest Expense	1	2	0	3
Total Interest Expense	\$ 1	\$ 2	\$ 0	\$ 3
Depreciation and Amortization	2,474	1,424	2,708	6,606
Bad Debt Expense	0	11	0	11
Imputed Costs	0	8,274	0	8,274
Other Expenses	84	112	2	198
Total Expenses	\$ 87,194	\$ 187,996	\$ 12,179	\$ 287,369
Exchange Revenues:				
Sale of Goods and Services	(85,049)	(184,025)	(12,514)	(281,588)
Total Exchange Revenues	(85,049)	(184,025)	(12,514)	(281,588)
Net Cost of Operations	\$ 2,145	\$ 3,971	\$ (335)	\$ 5,781

The Administrative Services category includes various services provided, and costs incurred, to support Reclamation's programs, such as space and facilities costs, utilities, finance and accounting services, human resource services, some management costs, and miscellaneous materials and supplies. The Computer Services category includes various computer and software activities such as development, maintenance, and support.

DEFERRED MAINTENANCE

Reclamation owns a water resources management infrastructure consisting of diversion and storage dams, hydroelectric powerplants, water conveyance facilities (canals, pipelines, siphons, tunnels, and pumps), recreational facilities, and associated buildings, bridges, and roads, as well as an inventory of related construction, maintenance, laboratory, and scientific equipment with a combined total value of \$20.8 billion, as of September 30, 2000. The operation and maintenance of some of these assets is performed by Reclamation using annual or permanent appropriations or other funding sources available to it. However, the operation and maintenance of the remaining assets, approximately 50 percent of the combined total value of all assets, is performed by Reclamation's water and power customers or by others (collectively, "contractors") at their expense, pursuant to contracts with Reclamation.

As provided by the Federal Accounting Standards Advisory Board,¹ maintenance is "the act of keeping fixed assets in an acceptable condition." This excludes "activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended." Deferred maintenance is defined as "maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period."

Reclamation employs a commercial, off-the-shelf, maintenance management system on many of its larger, more complex facilities and also performs condition assessment site reviews and other assessments to estimate the condition of, and determine the need for any maintenance related to, its assets. Under this program, essentially all of Reclamation's major assets, whether operated and maintained by Reclamation or its contractors, are assessed triennially. Although some degree of review is done annually on many of Reclamation's major facilities, it would not be physically feasible (nor cost effective, given the number of assets and their geographic dispersion) to do full condition assessment reviews annually on all assets. However, monitoring/tracking of maintenance-related deficiencies/recommendations is generally conducted on an annual basis.

There are many factors that influence whether maintenance is performed as scheduled or deferred. These factors include, among others, limitations on access to facilities (e.g., due to water levels); intervening technological innovations or developments; seasonal or climatological considerations; reassessment of priorities; delays in the contract award process; availability of, or delays related to, the contractor; and changes in funding priorities resulting,

¹ Statement of Federal Financial Accounting Standards Number 6.

in some cases, from emergencies or unforeseen critical maintenance requirements. However, it is Reclamation’s policy to give critical maintenance—that which addresses a threat to life, property, and safety—the highest priority in attention and resources.

Table 7 below identifies Reclamation’s estimate of deferred maintenance as of September 30, 2000, on **only** those facilities (Reserved) operated and maintained by it. Furthermore, the precision attributable to these estimates for the assets involved is based on current, available data.

Table 7—Estimate of Deferred Maintenance as of September 30, 2000

Category	Asset Condition	Estimated Range of Cost by Category (\$ in thousands)	Total Estimated Cost by Category (\$ in thousands)
Dam Facilities ¹	Poor to Good	201-3,531	10,440
Power Facilities ¹	Poor to Good	30-8,684	11,314
Canal Facilities	Poor to Good	565-649	2,001
Fish Facilities	Good	5-920	925
Roads	Poor	65	65
Bridges	Fair to Good	150-156	306
Other ²	Poor to Good	60-890	2,321
Code Compliance	Fair	1,220	1,220

¹ Because these are broad categories, the actual item on which maintenance has been deferred could be a relatively small component of an overall category (e.g., a siphon or drain in an overall water conveyance system). None of the individual maintenance items would affect the overall safety of the facility or personnel or impact the delivery of water or power.

² This category includes phones, radio equipment, elastic liners, recreation facilities, desalting plant, housing, and parking lot.

It is anticipated that the precision of Reclamation’s estimates will be refined considerably in the future, as Reclamation improves its procedures and systems for tracking condition assessments and for reporting the scheduling and deferral of maintenance work. To this end, Reclamation’s reporting of deferred maintenance has increased since last year, due largely to incorporating the Dam Safety Information System as a tool in the process. It is expected that wide variations in the reporting of deferred maintenance will take place from year to year because of the kind of maintenance work that takes place across Reclamation.

In FY 1999, Reclamation began implementation of its "Plan for Improving the Reporting of Deferred Maintenance" (Plan). The purpose of the Plan is to establish the steps Reclamation intends to take to improve the reporting of deferred maintenance. Although Reclamation implemented the Plan in FY 1999, it will take several years before the Plan is fully achieved. It is also possible that additional deferred maintenance could be reported when all of the computerized management and documentation systems used for such reporting purposes become fully operational.

DIVERSITY ACCOMPLISHMENTS

AFRICAN AMERICAN INITIATIVE

African Americans have been a primary under-represented group in the Department of the Interior and in Reclamation. In an effort to address the under-representation of blacks, the Commissioner requested each director to forecast staffing needs for the next 12 months (February 2000 – February 2001) and prepare goals to improve under-representation of blacks in their organization. As a result of this effort, Reclamation’s goals consisted of a total of 45 "project" staff hires within the calendar year specified above. The hires consisted of permanent and temporary hires to various student and intern appointments. From

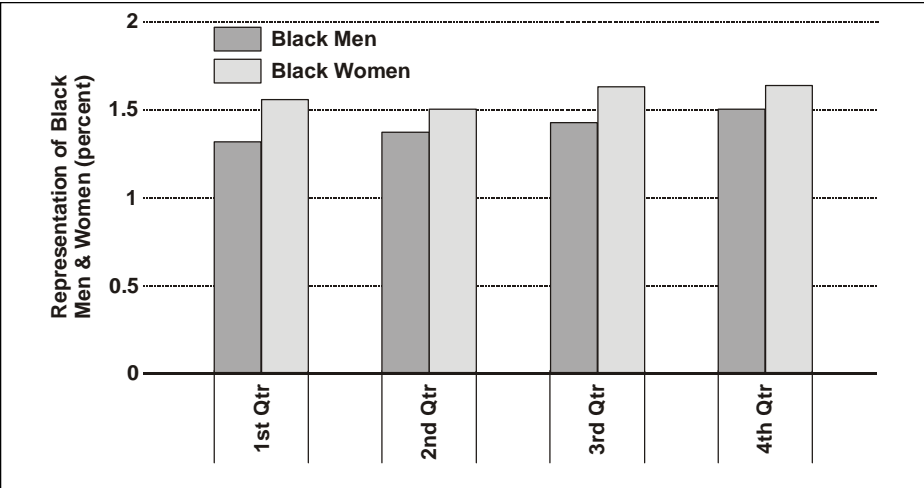


Figure 1.—The progress made each quarter.

March 1, 2000, to September 30, 2000 (timeframe hires were tracked), there were 27 hires. As a result, representation of black men increased from 1.3 to 1.5 percent and black women from 1.6 to 1.7 percent. Black men moved 23.0 percent closer to parity (parity for black men is 3.5 percent), and black women moved 8.2 percent closer to parity (parity for black women is 3.3 percent). (See figure 1.)

REPRESENTATION OF DIVERSITY

For the purposes of this discussion, diversity equals women and minorities. At the end of FY 2000, white women were the most represented group, Hispanics the next group, American Indians, and then Asian Americans and Pacific

Islanders (AAPI). Women decreased in numbers the last quarter of the fiscal year but still remained slightly higher than the first quarter (1,512 versus 1,505).

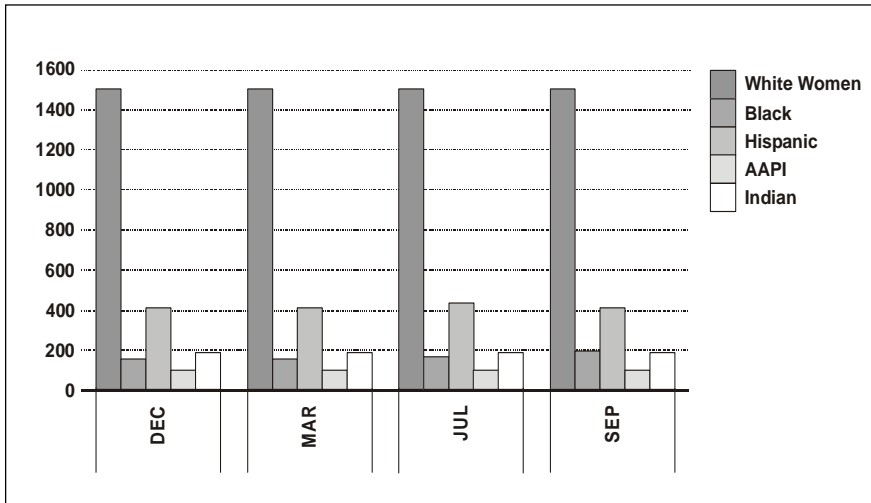


Figure 2.—Comparison of Reclamation diversity with that of civilian workforce.

percent), black women (3.3 percent versus 1.70 percent), and AAPI men (2.7 percent versus 1.20 percent). All groups moved closer to parity. (The RCLF is the civilian labor force data that are directly comparable or relevant to the data looked at in the Federal workforce. For example, when we analyze the representation of black engineers employed in Reclamation’s workforce, we compare them with the number of black engineers reported in the RCLF—as opposed to the number of blacks in the overall civilian labor force.)

Figure 2 shows the breakout per group and the progress made each quarter. At the end of FY 2000, Reclamation’s total permanent workforce was 5,475; temporary workforce was 375; and persons with targeted disabilities was 71.

Compared to the relevant civilian labor workforce (RCLF), there were three markedly under-represented groups: black men (3.5 percent versus 1.50

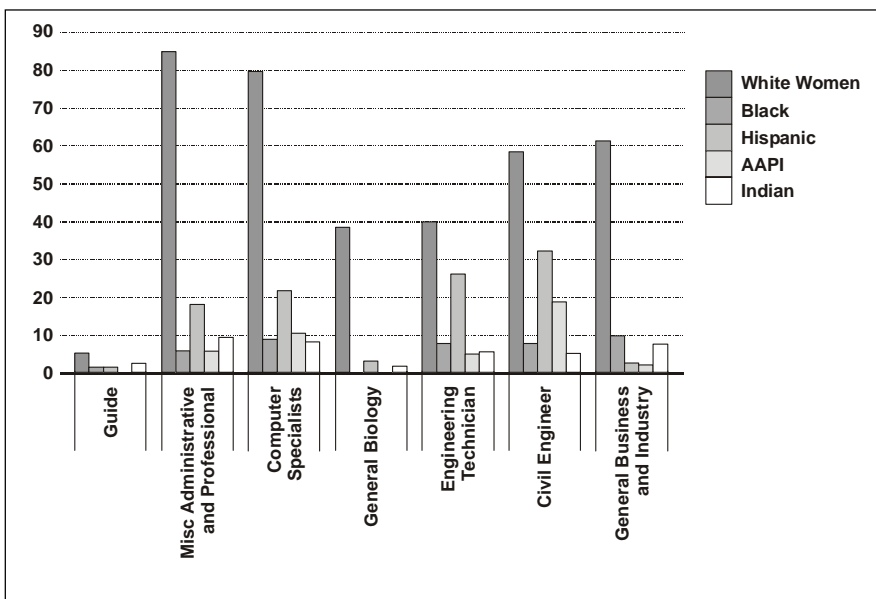


Figure 3.—Targeted occupations.

TARGET OCCUPATIONS

Seven occupations were targeted for improved representation. There were gains and losses experienced in all seven targeted occupations and in all groups. The increases and decreases in representation were not enough to make significant impact overall; however, white women were the most represented diversity group within all occupations, Hispanics second, and AAPI third. Figure 3 shows the representation of all diversity groups by occupation.

PERSONS WITH DISABILITIES

The percentage of persons with disabilities continued to rise in FY 2000. Compared to the third quarter of FY 2000, the percentage increased from 1.3 percent to 1.4 percent; Government average is 1.2 percent. Figure 4 shows the progress made each quarter. (Note: Targeted disabilities are those disabilities in which an individual has difficulty performing one or more functional activities (e.g., deafness, blindness, missing extremities).

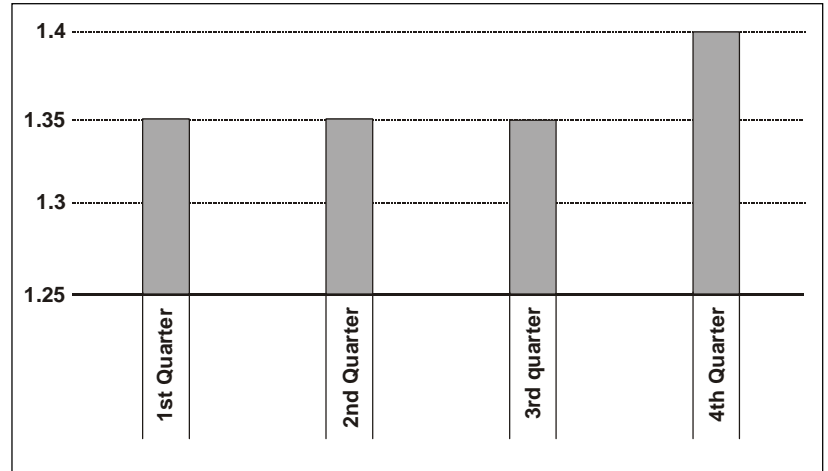


Figure 4.—Percentage of Reclamation employees with disabilities, per quarter.



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