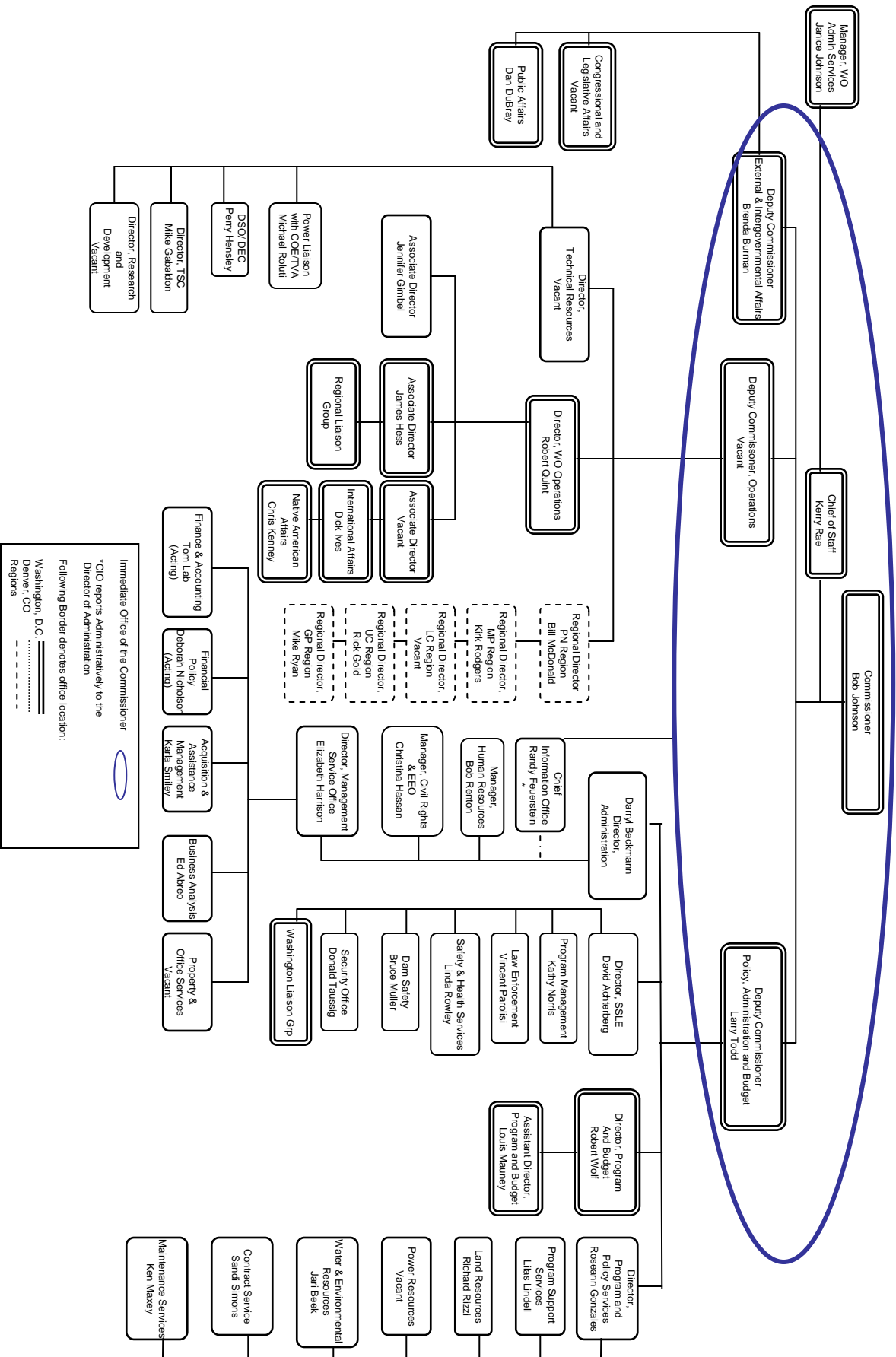




Supplemental Section

Bureau of Reclamation
February 5, 2007





**Bureau of Reclamation
Regional Boundaries and Offices**

Required Supplementary Information

Combining Statements of Budgetary Resources

The Combining Statements of Budgetary Resources, which are included as a principal financial statement, present information about the Bureau of Reclamation's (Reclamation's) total budgetary resources, including carry forward of unused, prior year funding, and spending authority created by reimbursements from other Federal agencies and non-Federal entities. The Combining Statements of Budgetary Resources present this information by major budget account.

Reclamation's largest budget account is Water and Related Resources, which supports the development and management of water and related resources in the 17 Western States. This account funds the operation and maintenance (O&M) of Reclamation facilities to deliver water and power, preservation of natural resources, and continued efforts towards water conservation and technology development.

The Working Capital Fund (WCF), the Lower Colorado River Basin Development Fund (LCRBDF), and the Upper Colorado River Basin Fund (UCRBF) are revolving funds that operate on a cost recovery basis. The WCF provides support services and equipment for Reclamation programs and activities, as well as for other Federal entities.

The Colorado River Dam Fund is an available receipt fund into which various operating revenues of the Hoover Dam are collected, primarily from the sale of power generated at the dam. These revenues are used to fund the O&M of the dam.

The Central Valley Project Restoration Fund provides funding for fish and wildlife habitat restoration, improvement, and acquisition activities. Revenues come from project beneficiaries and donations.

Reclamation Trust Funds collect amounts that are earmarked for specific purposes and are expended accordingly, primarily to finance activities such as fish and wildlife habitat restoration and other mitigation efforts.

The Policy and Administration budget account is used to finance all of Reclamation's centralized management functions that are not chargeable directly to a specific project or program. These functions include management of personnel, safety and health, and information resources. Also included are budgetary policy formulation and execution, procurement and general services, and public affairs activities.

The California Bay-Delta Restoration account provides funds that are distributed 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. CALFED is comprised of a consortium of Federal and State agencies. Federal agencies include Reclamation, the United States (U.S.) Fish and Wildlife Service, the U.S. 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.

The Other Budget Accounts balance includes several smaller activities within Reclamation, including the San Gabriel Restoration Fund (\$9.9 million), loan program, and financing funds. The upward subsidy re-estimate recorded in fiscal year (FY) 2006 was \$2.1 million.

**U.S. Department of the Interior
Bureau of Reclamation
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2006**

(In Thousands)	Water and Related Resources	Working Capital Fund	Lower Colorado River Basin Development Fund
BUDGETARY RESOURCES			
Unobligated Balance, Beginning of Fiscal Year	\$ 276,153	\$ 27,882	\$ 266,952
Recoveries of Prior Year Unpaid Obligations	27,091	2,609	509
Budget Authority:			
Appropriations	892,556	-	-
Spending Authority from Offsetting Collections:			
Earned:			
Collected	236,740	349,975	190,137
Change in Receivables from Federal Sources	(4,315)	109	(944)
Change in Unfilled Customer Orders:			
Advance Received	12,642	(473)	(493)
Without Advance from Federal Sources	(6,761)	-	-
Subtotal	1,130,862	349,611	188,700
Nonexpenditure Transfers, Net	(103,962)	-	24,808
Temporarily Not Available Pursuant to Public Law	(7,017)	-	-
Permanently Not Available	(1,818)	-	(4,902)
Total Budgetary Resources	\$ 1,321,309	\$ 380,102	\$ 476,067
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred (Note 14):			
Direct	\$ 899,338	\$ -	\$ -
Reimbursable	236,569	352,072	147,164
Total Obligations Incurred	1,135,907	352,072	147,164
Unobligated Balance Available:			
Apportioned	185,354	28,030	328,903
Exempt from Apportionment	48	-	-
Total Unobligated Balance Available	185,402	28,030	328,903
Total Status of Budgetary Resources	\$ 1,321,309	\$ 380,102	\$ 476,067
OBLIGATED BALANCE			
Obligated Balance, Net, Beginning of Fiscal Year:			
Unpaid Obligations	\$ 441,972	\$ 32,038	\$ 28,255
Less: Uncollected Receivables and Orders from Federal Sources	(53,870)	(9,946)	(9,493)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	388,102	22,092	18,762
Obligations Incurred	1,135,907	352,072	147,164
Less: Gross Outlays	(962,567)	(349,269)	(151,616)
Less: Recoveries of Prior Year Unpaid Obligations	(27,091)	(2,609)	(509)
Change in Uncollected Receivables and Orders from Federal Sources	11,076	(109)	944
Total Unpaid Obligated Balance, Net, End of Fiscal Year	\$ 545,427	\$ 22,177	\$ 14,745
OBLIGATED BALANCE, NET, END OF FISCAL YEAR - BY COMPONENT			
Obligated Balance, Net, End of Fiscal Year:			
Unpaid Obligations	588,221	32,232	23,294
Less: Uncollected Receivables and Orders from Federal Sources	(42,794)	(10,055)	(8,549)
Total Unpaid Obligated Balance, Net, End of Fiscal Year	\$ 545,427	\$ 22,177	\$ 14,745
NET OUTLAYS			
Gross Outlays	\$ 962,567	\$ 349,269	\$ 151,616
Less: Offsetting Collections	(249,382)	(349,502)	(189,644)
Less: Distributed Offsetting Receipts	(368)	-	-
Net Outlays (Receipts)	\$ 712,817	\$ (233)	\$ (38,028)

Upper Colorado River Basin Development Fund	Colorado River Dam Fund	Central Valley Project Restoration Fund	Reclamation Trust Fund	Policy and Administration	California Bay-Delta Ecosystem Restoration Fund	Other Budgetary Accounts	Total Budgetary Accounts
\$ 18,267	\$ 15,394	\$ 110	\$ 42,445	\$ 2,052	\$ 15,789	\$ 964	\$ 666,008
2,962	306	3,450	81	878	1,259	26	39,171
-	71,448	52,219	41,124	57,917	37,000	2,687	1,154,951
84,374	-	-	-	-	-	4,157	865,383
458	-	-	-	-	-	-	(4,692)
(8,930)	-	-	-	-	-	-	2,746
-	-	-	-	-	-	-	(6,761)
75,902	71,448	52,219	41,124	57,917	37,000	6,844	2,011,627
62,274	-	-	-	-	(500)	9,900	(7,480)
-	-	(83)	-	(579)	-	-	(7,679)
(4,098)	(1,575)	-	-	-	(370)	(4,003)	(16,766)
\$ 155,307	\$ 85,573	\$ 55,696	\$ 83,650	\$ 60,268	\$ 53,178	\$ 13,731	\$ 2,684,881
\$ -	\$ 66,455	\$ 55,616	\$ 32,848	\$ 58,127	\$ 39,049	\$ 12,608	\$ 1,164,041
132,256	-	-	-	-	-	-	868,061
132,256	66,455	55,616	32,848	58,127	39,049	12,608	2,032,102
23,051	16,626	80	-	2,141	14,129	951	599,265
-	2,492	-	50,802	-	-	172	53,514
23,051	19,118	80	50,802	2,141	14,129	1,123	652,779
\$ 155,307	\$ 85,573	\$ 55,696	\$ 83,650	\$ 60,268	\$ 53,178	\$ 13,731	\$ 2,684,881
\$ 137,229	\$ 5,879	\$ 63,639	\$ 5,929	\$ 9,640	\$ 25,551	\$ 30,641	\$ 780,773
(163)	-	-	-	-	-	-	(73,472)
137,066	5,879	63,639	5,929	9,640	25,551	30,641	707,301
132,256	66,455	55,616	32,848	58,127	39,049	12,608	2,032,102
(135,578)	(65,356)	(46,005)	(7,897)	(58,255)	(14,674)	(18,135)	(1,809,352)
(2,962)	(306)	(3,450)	(81)	(878)	(1,259)	(26)	(39,171)
(458)	-	-	-	-	-	-	11,453
\$ 130,324	\$ 6,672	\$ 69,800	\$ 30,799	\$ 8,634	\$ 48,667	\$ 25,088	\$ 902,333
130,945	6,672	69,800	30,799	8,634	48,667	25,088	964,352
(621)	-	-	-	-	-	-	(62,019)
\$ 130,324	\$ 6,672	\$ 69,800	\$ 30,799	\$ 8,634	\$ 48,667	\$ 25,088	\$ 902,333
\$ 135,578	\$ 65,356	\$ 46,005	\$ 7,897	\$ 58,255	\$ 14,674	\$ 18,135	\$ 1,809,352
(75,444)	-	-	-	-	-	(4,157)	(868,129)
-	(71,448)	(54,872)	(41,124)	-	-	(2,090,053)	(2,257,865)
\$ 60,134	\$ (6,092)	\$ (8,867)	\$ (33,227)	\$ 58,255	\$ 14,674	\$ (2,076,075)	\$ (1,316,642)

2006 Bureau of Reclamation

**U.S. Department of the Interior
Bureau of Reclamation
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2005**

(In Thousands)	Water and Related Resources	Working Capital Fund	Lower Colorado River Basin Development Fund
BUDGETARY RESOURCES			
Unobligated Balance, Beginning of Fiscal Year	\$ 268,836	\$ 28,231	\$ 210,729
Recoveries of Prior Year Unpaid Obligations	22,558	1,616	1,001
Budget Authority:			
Appropriations	864,637	-	-
Spending Authority from Offsetting Collections:			
Earned:			
Collected	195,253	345,124	154,440
Change in Receivables from Federal Sources	(1,945)	(64)	2,105
Change in Unfilled Customer Orders:			
Advance Received	7,578	(140)	855
Without Advance from Federal Sources	6,279	-	-
Subtotal	1,071,802	344,920	157,400
Nonexpenditure Transfers, Net	(83,480)	-	27,052
Temporarily Not Available Pursuant to Public Law	(5,534)	-	-
Permanently Not Available	(1,342)	-	(1,033)
Total Budgetary Resources	\$ 1,272,840	\$ 374,767	\$ 395,149
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred (Note 14):			
Direct	\$ 797,128	\$ -	\$ -
Reimbursable	199,559	346,885	128,197
Total Obligations incurred	996,687	346,885	128,197
Unobligated Balance Available:			
Apportioned	276,110	27,882	266,952
Exempt from Apportionment	43	-	-
Total Unobligated Balance Available	276,153	27,882	266,952
Total Status of Budgetary Resources	\$ 1,272,840	\$ 374,767	\$ 395,149
OBLIGATED BALANCE			
Obligated Balance, Net, Beginning of Fiscal Year:			
Unpaid Obligations	\$ 415,791	\$ 31,237	\$ 29,440
Less: Uncollected Receivables and Orders from Federal Sources	(49,536)	(10,011)	(7,388)
Total Unpaid Obligated Balances, Net	366,255	21,226	22,052
Obligations Incurred, Net	996,687	346,885	128,197
Less: Gross Outlays	(947,949)	(344,466)	(128,382)
Less: Recoveries of Prior Year Unpaid Obligations	(22,558)	(1,616)	(1,001)
Change in Uncollected Receivables and Orders from Federal Sources	(4,334)	64	(2,105)
Total Unpaid Obligated Balance, Net, End of Fiscal Year	\$ 388,101	\$ 22,093	\$ 18,761
OBLIGATED BALANCE, NET, END OF FISCAL YEAR - BY COMPONENT			
Obligated Balance, Net, End of Fiscal Year:			
Unpaid Obligations	441,971	32,039	28,254
Less: Uncollected Receivables and Orders from Federal Sources	(53,870)	(9,946)	(9,493)
Total Unpaid Obligated Balance, Net, End of Fiscal Year	\$ 388,101	\$ 22,093	\$ 18,761
NET OUTLAYS			
Gross Outlays	\$ 947,949	\$ 344,466	\$ 128,382
Less: Offsetting Collections	(202,831)	(344,984)	(155,295)
Less: Distributed Offsetting Receipts	(354)	-	-
Net Outlays (Receipts)	\$ 744,764	\$ (518)	\$ (26,913)

Upper Colorado River Basin Development Fund	Colorado River Dam Fund	Central Valley Project Restoration Fund	Reclamation Trust Fund	Policy and Administration	California Bay-Delta Ecosystem Restoration Fund	Other Budgetary Accounts	Total Budgetary Accounts
\$ 22,102	\$ 11,479	\$ 456	\$ 39,444	\$ 1,135	\$ 18,784	\$ 1,045	\$ 602,241
1,244	280	3,726	197	296	3,063	-	33,981
-	69,380	54,695	12,913	58,153	-	20,977	1,080,755
86,161	-	-	-	-	-	-	780,978
(92)	-	-	-	-	-	-	4
159,608	-	-	-	-	-	-	167,901
-	-	-	-	-	-	-	6,279
245,677	69,380	54,695	12,913	58,153	-	20,977	2,035,917
54,437	-	-	-	-	-	3,991	2,000
-	-	(67)	-	(465)	-	-	(6,066)
(173,925)	(1,498)	-	-	-	-	-	(177,798)
\$ 149,535	\$ 79,641	\$ 58,810	\$ 52,554	\$ 59,119	\$ 21,847	\$ 26,013	\$ 2,490,275
\$ -	\$ 64,247	\$ 58,700	\$ 10,109	\$ 57,067	\$ 6,058	\$ 25,049	\$ 1,018,358
131,268	-	-	-	-	-	-	805,909
131,268	64,247	58,700	10,109	57,067	6,058	25,049	1,824,267
18,267	12,938	110	-	2,052	15,789	964	621,064
-	2,456	-	42,445	-	-	-	44,944
18,267	15,394	110	42,445	2,052	15,789	964	666,008
\$ 149,535	\$ 79,641	\$ 58,810	\$ 52,554	\$ 59,119	\$ 21,847	\$ 26,013	\$ 2,490,275
\$ 137,059	\$ 4,029	\$ 49,093	\$ 3,982	\$ 8,960	\$ 31,759	\$ 30,782	\$ 742,132
(254)	-	-	-	-	-	-	(67,189)
136,805	4,029	49,093	3,982	8,960	31,759	30,782	674,943
131,268	64,247	58,700	10,109	57,067	6,058	25,049	1,824,267
(129,855)	(62,118)	(40,428)	(7,964)	(56,091)	(9,202)	(25,190)	(1,751,645)
(1,244)	(280)	(3,726)	(197)	(296)	(3,063)	-	(33,981)
92	-	-	-	-	-	-	(6,283)
\$ 137,066	\$ 5,878	\$ 63,639	\$ 5,930	\$ 9,640	\$ 25,552	\$ 30,641	\$ 707,301
137,229	5,878	63,639	5,930	9,640	25,552	30,641	780,773
(163)	-	-	-	-	-	-	(73,472)
\$ 137,066	\$ 5,878	\$ 63,639	\$ 5,930	\$ 9,640	\$ 25,552	\$ 30,641	\$ 707,301
\$ 129,855	\$ 62,118	\$ 40,428	\$ 7,964	\$ 56,091	\$ 9,202	\$ 25,190	\$ 1,751,645
(245,769)	-	-	-	-	-	-	(948,879)
-	(69,380)	(57,575)	(12,913)	-	-	(1,647,215)	(1,787,437)
\$ (115,914)	\$ (7,262)	\$ (17,147)	\$ (4,949)	\$ 56,091	\$ 9,202	\$ (1,622,025)	\$ (984,671)

Working Capital Fund

Reclamation operates a Working Capital Fund to efficiently finance support services and equipment for Reclamation programs and other Federal and non-Federal agencies. Balance sheet information on the financial position of the WCF as of September 30, 2006, and September 30, 2005, is presented below.

Working Capital Fund Balance Sheet As of September 30, 2006, and 2005

(In Thousands)	2006	2005
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury	\$ 50,207	\$ 49,974
Accounts Receivable	10,050	9,919
Loans and Interest Receivable	2,749	1,900
Other:		
Advances and Prepayments	8	126
Total Intragovernmental Assets	<u>63,014</u>	<u>61,919</u>
Accounts and Interest Receivable, Net	23	91
General Property, Plant and Equipment, Net	40,492	34,823
Other:		
Advances and Prepayments	226	217
Total Assets	<u>\$ 103,755</u>	<u>\$ 97,050</u>
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	\$ 6,306	\$ 4,712
Debt	2,749	1,900
Other:		
Accrued Employee Benefits	4,432	7,185
Advances, Deferred Revenue, and Deposit Funds	1,663	1,709
Total Other Liabilities	<u>6,095</u>	<u>8,894</u>
Total Intragovernmental Liabilities	<u>15,150</u>	<u>15,506</u>
Accounts Payable	5,182	5,172
Other:		
Accrued Payroll and Benefits	16,170	17,707
Advances, Deferred Revenue, and Deposit Funds	240	667
Other	145	140
Total Other Liabilities	<u>16,555</u>	<u>18,514</u>
Total Liabilities	<u>36,887</u>	<u>39,192</u>
NET POSITION		
Cumulative Results of Operations	<u>66,867</u>	<u>57,858</u>
Total Net Position	<u>66,867</u>	<u>57,858</u>
Total Liabilities and Net Position	<u>\$ 103,755</u>	<u>\$ 97,050</u>

Although the WCF is operated as a single entity, it is divided into 23 activities and numerous subactivities 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 WCF customers.

The WCF is an intragovernmental revolving fund and recovers the full cost of doing business. The types of services provided by the WCF fall into three broad categories: (1) Engineering and Technical Services, (2) Administrative Services, and (3) Information Technology (IT) Services. The WCF Statements of Net Cost as of September 30, 2006, and September 30, 2005, are presented below. The presentation by major category of services is intended to provide information on the relative composition of the WCF.

**Supplemental Statement of Net Cost
Working Capital Fund
For the Year Ended September 30, 2006**

(In Thousands)	Engineering and Technical Services	Admini- strative Services	Information Technology Services	Total
Costs	\$ 104,377	\$ 221,325	\$ 16,986	\$ 342,688
Earned Revenues	(106,548)	(225,128)	(17,350)	(349,026)
Net Cost	\$ (2,171)	\$ (3,803)	\$ (364)	\$ (6,338)

**Supplemental Statement of Net Cost
Working Capital Fund
For the Year Ended September 30, 2005**

(In Thousands)	Engineering and Technical Services	Admini- strative Services	Information Technology Services	Total
Costs	\$ 103,323	\$ 223,499	\$ 18,534	\$ 345,356
Earned Revenues	(104,173)	(223,139)	(16,548)	(343,860)
Net Cost	(850)	\$ 360	\$ 1,986	\$ 1,496

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

Administrative services include accounting and finance support, overhead allocation distribution, and leave cost distribution. The Information Technology Services category includes software development and operations and maintenance on Reclamation information technology resources.

Deferred Maintenance

Reclamation owns a water resources management infrastructure with a combined total value of over \$21 billion (not adjusted for depreciation), as of September 30, 2006. This infrastructure consists 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. The O&M of some of these assets is performed by Reclamation using annual or permanent appropriations or other funding sources available to it. The O&M of the remaining assets, consisting of approximately one-half 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.

Reclamation employs a commercial, off-the-shelf maintenance management system on many of its larger, more complex facilities and performs condition assessment (site reviews) and other field inspections to estimate the condition of, and determine the need for any maintenance related to, its assets. Under these various review programs, essentially most of Reclamation's major assets, whether operated and maintained by Reclamation or its contractors, are assessed triennially. The monitoring and tracking of maintenance-related deficiencies and/or recommendations of water and power related infrastructure are generally conducted on an annual basis and are reported in the dam safety or power resources information system.

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, in some cases, from emergencies or unforeseen critical maintenance requirements. 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.

The table below identifies Reclamation's estimate of deferred maintenance as of September 30, 2006, on those facilities (reserved works) operated and maintained by it. The reserved works' facilities, currently in operation and maintenance status, include general

**FY 2006 Deferred Maintenance Estimates
(In Thousands)**

	Item(s) Covered	Condition Category	Estimated Range of Deferred Maintenance for 2006							
			Note (1)	Note (2)	General PP&E		Stewardship PP&E		Total	
					Low	High	Low	High	Low	High
Roads Bridges and Trails	D	G, F, P	\$ 26	\$ 2,234	-	\$ 88	\$ 26	\$ 2,322		
Irrigation, Dams, and Other Water Structures	D	G, F, P	\$ 249	\$ 30,485	\$ 2,159	\$ 8,920	\$ 2,408	\$ 39,405		
Other Structures (e.g., Recreation Sites, Hatcheries, etc.)	D	G, F, P	\$ 79	\$ 2,376	\$ 2	\$ 77	\$ 81	\$ 2,453		
Total			\$ 354	\$ 35,095	\$ 2,161	\$ 9,085	\$ 2,515	\$ 44,180		

Note (1) Category:

A - Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety.

B - Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources.

C - Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission.

D - Compliance and other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility: compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; protection of natural or cultural resources to a bureau's ability to carry out its assigned mission.

Note (2) Condition Assessment:

Good (G) - Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life expectancy. Scheduled maintenance should be sufficient to maintain the current condition.

Fair (F) - Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.

Poor (P) - Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases that includes condemned or failed facilities. Based on periodic condition assessments, and indicator of condition is the percent of facilities and items of equipment in each of the good, fair, or poor categories.

(non-heritage) and stewardship (heritage assets) that are components of Reclamation projects.¹ Furthermore, the precision attributable to these estimates for the assets involved is based on current, available data.

Reclamation continues to refine its estimates by improving the documentation procedures and systems for tracking condition assessments and for reporting the scheduling and deferral of maintenance work. Reclamation uses budget estimates, the Dam Safety/Power Resources Information System, Accessibility and Data Management System, and Maintenance Management System (MAXIMO) as sources for potential deferred maintenance. It is expected that variations in reporting deferred maintenance can take place from year to year because of the type and kind of maintenance work that takes place on Reclamation facilities.

¹ The deferred maintenance of heritage assets that are part of active project features is reported under this section, not under the Heritage Assets section of "Stewardship Assets." Heritage assets that may have been a part of an active project, but no longer serve that purpose, are reported under the Heritage Assets section of "Stewardship Assets."

Federal Stewardship Assets

Stewardship Lands

For the fiscal yearend 2006 reporting period, according to the U.S. Department of the Interior’s (Interior’s) June 9, 2006, Required Supplementary Information call letter and the *Statement of Federal Financial Accounting Standards* (SFFAS) No. 29, Reclamation is now reporting those Stewardship Lands included within the boundaries of Federal Reclamation water and related projects in terms of the number of “projects” as opposed to the number of “acres” (see the following table). This is a change from prior years when the “units” reported were in acres. With this change, the reader will find that rarely there will be “additions” or “withdrawals” as these actions would represent: (a) new water projects being authorized and funded by the Congress, (b) revocations by the Bureau of Land Management or USDA Forest Service of all Stewardship Lands in a particular project, or (c) projects that have successfully completed the process of title transfers to a non-Federal entity. All three of these actions occur infrequently.

Stewardship Lands – Yearend FY 2006

Primary Land Management Category	2006 Beginning Balance (units)	Additions (units)	Withdrawals (units)	2006 Ending Balance	Condition	
					Acceptable	Needs Intervention
Reclamation - Federal Water and Related Projects ¹	146	0	² 1	145	³ 145	0
Total	146	0	1	145	145	0

¹ Units represent those projects which contain Stewardship Land. In Reclamation, Stewardship Land is land that was withdrawn from the public domain at no cost to the projects. This criterion is in accordance with SFFAS No. 29.

² All of the Stewardship Lands from the Upper Snake River, Lynn Crandall project, were disposed in August 2006 in Reclamation’s land inventory system due to a completed withdrawal revocation by the Bureau of Land Management.

³ Reclamation’s Stewardship Land is categorized as being in “acceptable condition” as this land meets the requirements of effectively supporting the Federal Reclamation water and related projects for which the land was withdrawn. There are, however, three hazardous waste sites on three separate water projects that are located on project withdrawn lands (Stewardship Lands) and are identified at Environmental Disposal Liabilities (EDL) sites. These sites are also listed on the U.S. Department of the Interior’s EDL system. These EDL sites are receiving intervention either to prepare or sustain the lands for their intended purpose.

Non-Collectible Cultural Heritage Assets

In accordance with Interior’s new reporting instructions for non-collectible heritage assets, only properties that have been Presidentially, congressionally, or departmentally designated are being reported. Reclamation is reporting on two categories: National Historic Landmarks (NHLs) and National Natural Landmarks (NNLs) (see the following table). Reclamation has previously reported on NHLs; this is the first year that Interior is requesting information on NNLs. In accordance with data provided to Reclamation on May 16, 2006, by the National Park Service (NPS), which administers the NNL program, there are three NNLs on Reclamation-owned land: Drumheller Channels, Washington; Grand Coulee, Washington; and Russell Lakes, Colorado. Since the NPS points of contacts for the three properties have been managing entities or other landowners, and not Reclamation, the existence of the NNLs was previously unknown to Reclamation. Reclamation is in the process of obtaining documentation from NPS on its three NNLs and verifying to what extent lands within the NNL boundaries are under its ownership. The beginning count of NNLs as of October 1, 2005, is shown as zero because this is the first year that they are being

reported. Condition information reported on Drumheller Channels and Russell Lakes was obtained from NPS, which is responsible for maintaining NNL Status Reports.

The types of non-collectible heritage assets reported under the category of NHLs include buildings, structures, and archaeological sites. Reclamation is reporting the addition of one NHL since the end of last fiscal year. The Secretary of the Interior officially designated Tule Lake Segregation Center an NHL on February 17, 2006. Reclamation and the State of California both own property within its boundaries.

No non-collectible heritage assets have been acquired through donation or devise during the reporting period.

Non-Collectible Heritage Assets – Yearend FY 2006

Category by Type	2006 Beginning	Additions	Withdrawals	2006 Ending	Condition ¹			
	Balance (Units)			Balance (Units)	Good	Fair	Poor	Unknown
National Historic Landmarks	5	1	-	² 6	2	3	-	1
National Natural Landmarks	-	3	-	³ 3	⁴ 2	-	-	1
Total	5	4	-	9	-	-	-	-

¹ "Good" condition means a site shows no clear evidence of negative disturbance or deterioration by natural forces or human activities. "Fair" means that a site shows clear evidence of negative disturbances or deterioration by natural forces and/or human activities. "Poor" means that a site shows clear evidence of negative disturbance or deterioration by natural forces and/or human activities, and no corrective actions have been taken to protect and preserve the integrity of the site. "Unknown" may mean that, due to the nature of the site, such as underwater, under snow, or under other structures, the condition cannot be determined or that, due to financial constraints, a bureau has been unable to determine condition.

² This number includes three districts and three individual properties. The new addition is Tule Lake Segregation Center, of which Reclamation is partial owner.

³ This is the first year "National Natural Landmarks" is a reporting category; therefore, the starting balance is zero.

⁴ Status reports obtained from NPS for Russell Lakes and Drumheller Channels NNLs identify the site condition of both as "satisfactory" and "no action needed."

Collectible Heritage Assets

Collectible heritage assets, also called museum property, are derived from their designation in 10 categories or disciplines. These are archaeology, art, ethnography, history, documents, botany, zoology, paleontology, geology, and environmental samples. Reclamation collects information on the size, location, and condition of its museum property collections.

Beginning in the third quarter FY 2006 reporting cycle, Reclamation reported collectible heritage assets that have been accessioned as museum property as defined and required by *Departmental Manual 411, 3.4.A*. The following table displays the count and condition of the number of Reclamation collections held in Interior and non-Interior facilities. Each facility contains one Reclamation collection; therefore, the number of collections reported is the same as the number of Interior and non-Interior facilities housing Reclamation collections. The table also documents the additions and withdrawals of Reclamation collections. All fiscal yearend 2006 additions were from authorized archaeological projects or from collections that were moved between facilities.

Collectible Heritage Assets – Yearend FY 2006

Interior Museum Collections	Beginning Collections	Additions	Withdrawals	Ending Collections	Condition of Facility Housing Collection ¹			
					Good	Fair	Poor	Unknown
Held at Interior Reclamation Facilities	19	2	11	10	8	–	–	2
Held at Non-Interior Reclamation Facilities	80	–	68	12	11	1	–	–
Total	99	2	79	22	19	1	–	2

¹Condition of museum collections is measured as defined by the standards in *Departmental Manual 411* and accepted industry practices. The condition is rated based on a facility's ability to answer affirmatively on a number of questions about its facility and management practices; less than 70 percent (%) = good; between 50% and 70% = fair; and greater than 50% = poor condition.

The large number of withdrawals from the yearend *FY 2005 Performance and Accountability Report* is primarily the result of the strict application of museum property as defined by *Departmental Manual 411* and of updating collection records. Museum property is defined as items or collections formally accessioned into a property management system. Because most of Reclamation's previously reported collections have not been accessioned, they cannot be classified as museum property. Reclamation expects to report significant additions in the number of collections as they are accessioned over the next 2 years. Actual management of these collections will not change.

Other withdrawals occurred because one non-Interior facility no longer holds Reclamation museum property, and two facilities previously reported as non-Reclamation have been removed from that category and are now reported as Interior facilities.

Eighty-six percent of Reclamation's assessed collections are in good condition.

Required Supplemental Stewardship Information

Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the Nation. The Federal Accounting Standard Advisory Board (FASAB) requires reporting for three categories of stewardship investments—Research and Development, Investment in Human Capital, and Investment in Non-Federal Physical Property. Reclamation identified stewardship investments in all three categories.

Research and Development

Reclamation invests in applied research programs to aid in the water and energy management challenges facing the arid West. These programs focus on the improvement of water management, the development of solutions pertaining to flood hydrology, water quality, irrigation return flows, and the delivery of hydropower to the West. The information obtained through these programs provides water management solutions and techniques that yield future benefits to the Nation. Research and Development activities support Reclamation's end outcome goal to deliver water consistent with applicable State and Federal law, in an environmental responsible and cost-efficient manner.

Investment in Research and Development (In Millions)

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
\$19.0	\$18.3	\$19.8	\$25.9	\$32.0	\$115.0

Investment in Human Capital

Reclamation operates six Job Corps Centers, based on an interagency agreement with the Department of Labor for the purpose of educating and training disadvantaged youth. On July 1, 2006, Reclamation acquired another Job Corps Center (Center) (Treasure Lake) from the U.S. Fish and Wildlife Service. As of September 30, 2006, Reclamation expended \$31.6 million in residential education and job training for these youth, including courses in computer technology, painting, woodworking, welding, culinary arts, and social and leadership development.

**Investment in Human Capital
(In Millions)**

Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Job Corps Program	\$28.6	\$29.9	\$30.0	\$29.8	\$31.6	\$149.9

Post-program job placement services are available to Job Corps students. The following table shows the number of Reclamation Center graduates as a percentage of the total Center enrollment and the number of graduates placed into jobs within 1 year of graduation as a percentage of the graduates in the placement pool.

Center	Graduates	Center Enrollment	%	Graduates Placed	Graduate Placement Pool	%
Centennial	255	261	97.70	311	343	90.67
Columbia Basin	190	232	81.90	236	268	88.06
Ft. Simcoe	165	229	72.05	211	238	88.66
Weber Basin	176	212	83.02	153	177	86.44
Collbran	152	203	74.88	176	191	92.15
Treasure Lake	128	156	82.05	110	131	83.97

Investment in Non-Federal Physical Property

Investment in Non-Federal Physical Property are expenses incurred by Reclamation for the purchase, construction, or major renovation of physical property owned by or given to State and local government or insular areas. Costs include major additions, alterations, replacements, the purchase of major equipment, and the purchase or improvement of other physical assets owned by non-Federal entities. Grants for O&M are not considered investment in non-Federal physical property.

The investments listed below provide assistance through a variety of measures, all related to dams and other water structures. For example, Reclamation incurs expenses for specific programs to provide for the construction or improvement of structures and facilities used in State and local irrigation projects and water quality improvement projects. Reclamation-wide programs that improve State and local fish and wildlife habitats through activities such as the construction or betterment of structures or facilities are also included.

**Investment in Non-Federal Physical Property
(In Millions)**

Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Water and Related Resources Management	\$118.9	\$124.4	\$106.6	\$138.1	\$196.5	\$684.5

Title Transfers to State and Local Governments

Assets constructed with Federal funding meet the criteria for non-Federal physical property at the time of transfer under Reclamation's title transfer program. The following tables present the status of transfer facilities for the period ending September 30, 2006, and completed transfers for the preceding 5 years.

Transfer of Facilities (In Thousands)

Project Name	Value Including Land Cost	
Pending Transfers		
Montecito Water Distribution Systems, California		\$135
Carson Lake and Pasture		65
Gila Project, Welton-Mohawk Division, Arizona		2,568
Fallon Rail Freight Loading Facility Property, Newlands Project, Nevada		5
Provo River Project, Utah		3,079
Rye Patch Dam and Reservoir, Humboldt Project, Nevada		6,911
Completed Transfer of Facilities to State and Local Government		
	Year Ending of Transfer	Value Including Land Costs
Carpinteria Water Distribution System, Cachuma Project, California	2006	\$ 35
<i>No Completed Transfers for 2005 as of September 30, 2005</i>		
Harquahala Valley Irrigation District, Central Arizona Project, Arizona	2004	29,348
Minidoka and Teton Basin Projects, Idaho		235
Sugar Pine Dam and Reservoir, Central Valley Project, California		31,520
Sly Park Dam and Research, Central Valley Project, California		1,911
Middle Loup Division, Pick-Sloan Missouri Basin Project, Nebraska	2003	7,457
North Poudre Supply Canal and Diversion Works, Colorado-Big Thompson Project, Larimer County, Colorado		287
La Feria Division, Lower Rio Grande Rehabilitation Project, Texas	2002	1,751
North Poudre Supply Canal and Diversion Works, Colorado-Big Thompson Project, Larimer County, Colorado		2,121

Internal Reviews and Audits of Reclamation Programs

Our goal is to provide accurate, relevant information to managers that withstands audit scrutiny and sets a high standard in financial reporting. To ensure financial accountability, we continue to place increased emphasis on the improvement of policies and practices related to accounting and financial reporting.

During FY 2006, Reclamation implemented revised OMB Circular A-123, *Management’s Responsibility for Internal Control*. Efforts focused on Appendix A – *Fiscal Year 2006 Annual Assurance Statement on Internal Control Over Financial Reporting* and developing and delivering internal control training to directors and managers.

During FY 2006, Reclamation completed one Alternative Internal Control Review (AICR), with no material weaknesses identified, for the Dam Safety Program.

In addition, Reclamation completed the internal control review report with recommendations for the cultural resources review of the Upper Colorado Region which was conducted during FY 2005. In FY 2006, Reclamation conducted a cultural resources review in the Pacific Northwest Region. The final report was issued to the region with recommendations for correction of deficiencies.

In addition, Reclamation completed four Departmental Functional Reviews with no material weaknesses revealed. Functional areas reviewed were:

- Sensitive Automated Information Systems
- Acquisition Management
- Personal Property Management
- Improper Payments

No corrective actions were added as a result of these reviews. In FY 2006, Reclamation also completed 49 corrective actions from previous reviews. As of September 30, 2006, 25 corrective actions remained.

During FY 2006, the Office of Inspector General (OIG) and Government Accountability Office (GAO) audit activity included Reclamation-specific audits, Interior- or Government-wide audits which included Reclamation issues. The OIG completed nine audits, and the GAO completed nine audits. Interior’s FY 2006 Government Performance Results Act (GPRA) Performance Goal for the Management Control and Audit Follow-up Programs (MCAF) was to implement 85 percent of the OIG/GAO recommendations in the MCAF GPRA performance goal. Reclamation exceeded Interior’s goal by implementing 100 percent of the recommendations scheduled for FY 2006. The following table is a summary of the status of audit recommendations.

	FY 2006 Recommendations	Recommendations Implemented/Closed/ Complied in FY 2006	Outstanding Recommendations ¹
OIG	33	33	–
GAO	–	–	1

¹ This outstanding recommendation is from a prior year audit.