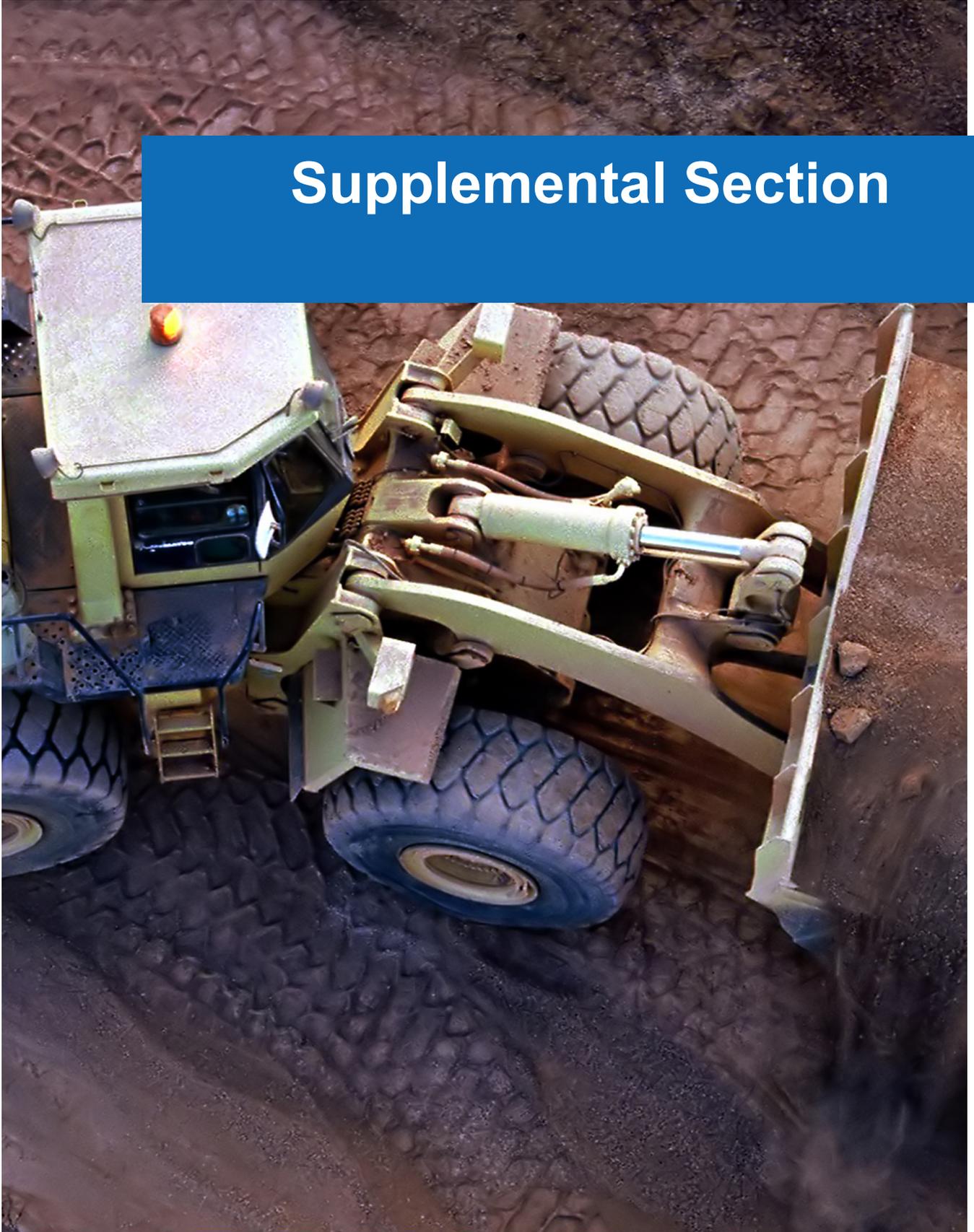
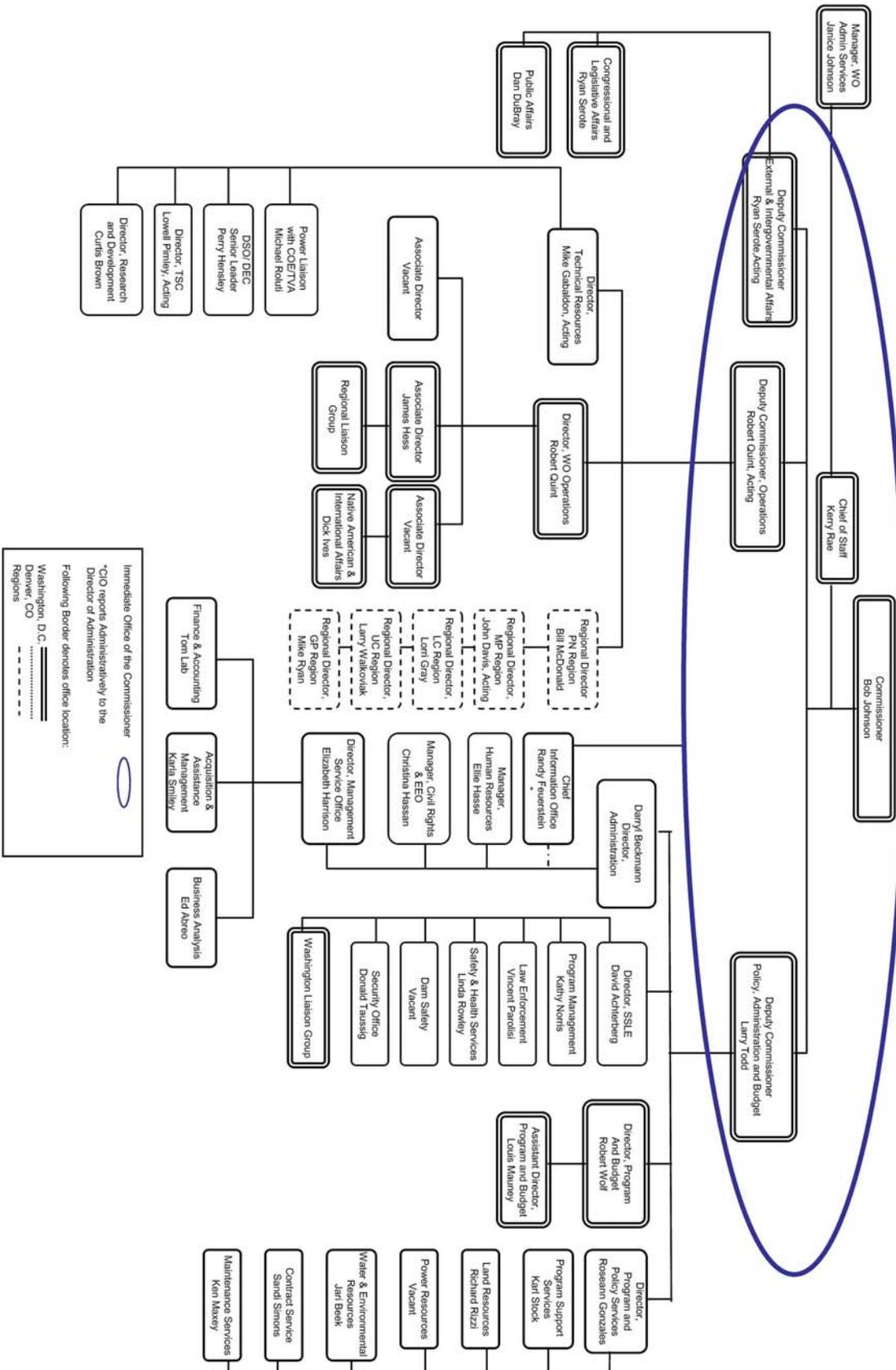


Supplemental Section



Bureau of Reclamation
December 5, 2007



Required Supplementary Information

Combining Statements of Budgetary Resources

The Combined Statement of Budgetary Resources, which is included as a principal financial statement, presents 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, excluding the Non-budgetary Credit Program Financing 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 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 LCRBDF and UCRBF provide for irrigation development and management activities within the Lower and Upper Colorado River Basins, including construction, operation, maintenance, replacements, and emergency expenditures for facilities of the Colorado River Storage Project and participating projects.

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 operation and maintenance 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 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, loan program, and financing funds.

**U.S. Department of the Interior
Bureau of Reclamation
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2007
(In Thousands)**

	Water and Related Resources	Working Capital Fund	Lower Colorado River Basin Development Fund
BUDGETARY RESOURCES			
Unobligated Balance, Beginning of Fiscal Year	\$ 185,402	\$ 28,030	\$ 328,903
Recoveries of Prior Year Unpaid Obligations	15,185	3,801	197
Budget Authority:			
Appropriations	901,310	-	-
Spending Authority from Offsetting Collections:			
Earned:			
Collected	198,671	347,752	174,881
Change in Receivables from Federal Sources	6,084	(1,028)	2,001
Change in Unfilled Customer Orders:			
Advance Received	33,442	(69)	1,152
Without Advance from Federal Sources	27,051	-	-
Subtotal	1,166,558	346,655	178,034
Nonexpenditure Transfers, Net	(92,916)	-	26,999
Temporarily Not Available Pursuant to Public Law	-	-	-
Permanently Not Available	-	-	(780)
Total Budgetary Resources	\$ 1,274,229	\$ 378,486	\$ 533,353
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred (Notes 14 and 15):			
Direct	\$ 828,916	\$ -	\$ -
Reimbursable	236,968	357,940	148,597
Total Obligations Incurred	1,065,884	357,940	148,597
Unobligated Balance Available:			
Apportioned	208,297	20,546	384,756
Exempt from Apportionment	48	-	-
Total Unobligated Balance Available	208,345	20,546	384,756
Total Status of Budgetary Resources	\$ 1,274,229	\$ 378,486	\$ 533,353
OBLIGATED BALANCE			
Obligated Balance, Net, Beginning 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 Balances, Net, Beginning of Fiscal Year	545,427	22,177	14,745
Obligations Incurred	1,065,884	357,940	148,597
Less: Gross Outlays	(1,003,729)	(356,207)	(151,291)
Less: Recoveries of Prior Year Unpaid Obligations	(15,185)	(3,801)	(197)
Change in Uncollected Receivables and Orders from Federal Sources	(33,135)	1,028	(2,001)
Total Unpaid Obligated Balance, Net, End of Fiscal Year	\$ 559,262	\$ 21,137	\$ 9,853
OBLIGATED BALANCE, NET, END OF FISCAL YEAR - BY COMPONENT			
Obligated Balance, Net, End of Fiscal Year:			
Unpaid Obligations	635,191	30,164	20,403
Less: Uncollected Receivables and Orders from Federal Sources	(75,929)	(9,027)	(10,550)
Total Unpaid Obligated Balance, Net, End of Fiscal Year	\$ 559,262	\$ 21,137	\$ 9,853
NET OUTLAYS			
Gross Outlays	\$ 1,003,729	\$ 356,207	\$ 151,291
Less: Offsetting Collections	(232,113)	(347,683)	(176,033)
Less: Distributed Offsetting Receipts	(434)	-	-
Net Outlays (Receipts)	\$ 771,182	\$ 8,524	\$ (24,742)

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
\$ 23,051	\$ 19,118	\$ 80	\$ 50,802	\$ 2,141	\$ 14,129	\$ 1,123	\$ 652,779
2,923	168	2,029	17,186	887	4,716	8,129	55,221
-	80,939	52,150	1,680	57,575	36,648	5,468	1,135,770
86,842	-	-	-	-	-	4,610	812,756
(502)	-	-	-	-	-	-	6,555
(7,061)	-	-	-	-	-	-	27,464
-	-	-	-	-	-	-	27,051
79,279	80,939	52,150	1,680	57,575	36,648	10,078	2,009,596
70,467	-	-	-	-	-	-	4,550
-	-	-	-	-	-	-	-
(2,364)	(1,647)	-	-	-	-	(4,782)	(9,573)
\$ 173,356	\$ 98,578	\$ 54,259	\$ 69,668	\$ 60,603	\$ 55,493	\$ 14,548	\$ 2,712,573
\$ -	\$ 78,828	\$ 54,087	\$ 13,615	\$ 59,265	\$ 46,965	\$ 13,657	\$ 1,095,333
144,279	-	-	-	-	-	-	887,784
144,279	78,828	54,087	13,615	59,265	46,965	13,657	1,983,117
29,077	15,614	172	-	1,338	8,528	891	669,219
-	4,136	-	56,053	-	-	-	60,237
29,077	19,750	172	56,053	1,338	8,528	891	729,456
\$ 173,356	\$ 98,578	\$ 54,259	\$ 69,668	\$ 60,603	\$ 55,493	\$ 14,548	\$ 2,712,573
\$ 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
144,279	78,828	54,087	13,615	59,265	46,965	13,657	1,983,117
(148,903)	(72,029)	(55,169)	(23,083)	(57,972)	(27,280)	(20,279)	(1,915,942)
(2,923)	(168)	(2,029)	(17,186)	(887)	(4,716)	(8,129)	(55,221)
502	-	-	-	-	-	-	(33,606)
\$ 123,279	\$ 13,303	\$ 66,689	\$ 4,145	\$ 9,040	\$ 63,636	\$ 10,337	\$ 880,681
123,398	13,303	66,689	4,145	9,040	63,636	10,337	976,306
(119)	-	-	-	-	-	-	(95,625)
\$ 123,279	\$ 13,303	\$ 66,689	\$ 4,145	\$ 9,040	\$ 63,636	\$ 10,337	\$ 880,681
\$ 148,903	\$ 72,029	\$ 55,169	\$ 23,083	\$ 57,972	\$ 27,280	\$ 20,279	\$ 1,915,942
(79,781)	-	-	-	-	-	(4,610)	(840,220)
-	(80,939)	(40,082)	(1,680)	-	-	(1,850,698)	(1,973,833)
\$ 69,122	\$ (8,910)	\$ 15,087	\$ 21,403	\$ 57,972	\$ 27,280	\$ (1,835,029)	\$ (898,111)

**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)

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, 2007, and September 30, 2006, is presented below.

Working Capital Fund Balance Sheet As of September 30, 2007, and 2006 (In Thousands)

	2007	2006
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury	\$ 41,685	\$ 50,207
Accounts Receivable	9,021	10,050
Loans and Interest Receivable	3,097	2,749
Other:		
Advances and Prepayments	2	8
Total Intragovernmental Assets	<u>53,805</u>	<u>63,014</u>
Accounts and Interest Receivable, Net	390	23
General Property, Plant and Equipment, Net	42,565	40,492
Other:		
Advances and Prepayments	226	226
Total Assets	<u>\$ 96,986</u>	<u>\$ 103,755</u>
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	\$ 4,415	\$ 6,306
Debt	3,098	2,749
Other:		
Accrued Employee Benefits	4,351	4,432
Advances, Deferred Revenue, and Deposit Funds	1,627	1,663
Total Other Liabilities	<u>5,978</u>	<u>6,095</u>
Total Intragovernmental Liabilities	<u>13,491</u>	<u>15,150</u>
Accounts Payable	5,316	5,182
Other:		
Accrued Payroll and Benefits	15,838	16,170
Advances, Deferred Revenue, and Deposit Funds	208	240
Other	1	145
Total Other Liabilities	<u>16,047</u>	<u>16,555</u>
Total Liabilities	<u>34,854</u>	<u>36,887</u>
NET POSITION		
Cumulative Results of Operations	<u>62,132</u>	<u>66,867</u>
Total Net Position	<u>62,132</u>	<u>66,867</u>
Total Liabilities and Net Position	<u>\$ 96,986</u>	<u>\$ 103,755</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 Statement of Net Cost as of September 30, 2007, and September 30, 2006, is 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, 2007
(In Thousands)**

	Engineering and Technical Services	Administrative Services	Information Technology Services	Total
Costs	\$ 100,997	\$ 230,598	\$ 17,253	\$ 348,848
Earned Revenues	(97,637)	(229,081)	(17,371)	(344,089)
Net Cost	\$ 3,360	\$ 1,517	\$ (118)	\$ 4,759

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

	Engineering and Technical Services	Administrative 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)

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 water and power resource management infrastructures with a combined gross total cost of over \$21 billion as of September 30, 2007. 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 operation and maintenance of some of these assets are performed by Reclamation using annual or permanent appropriations or other funding sources available to it. The operation and maintenance of the remaining assets, consisting of approximately one-half of the combined total value of all assets, are 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, 2007, on those facilities (reserved works') operated and maintained by it. The reserved works' facilities, currently in operation and maintenance status, include general (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.

**FY 2007 Reclamation Deferred Maintenance Estimates
(In Thousands)**

Type of Deferred Maintenance	Item(s) Covered Note (1)	Condition Category Note (2)	Estimated Range of Deferred Maintenance for 2007						
			General PP&E		Stewardship PP&E		Total		
			Low	High	Low	High	Low	High	
Financial Statement Estimated Deferred Maintenance									
Roads Bridges and Trails	D	G, F	\$ 16	\$ 1,157	\$ -	\$ 38	\$ 16	\$ 1,195	
Irrigation, Dams, and Other Water Structures	D	G, F, P	\$ 144	\$ 31,598	\$ 1,662	\$ 7,287	\$ 1,806	\$ 38,885	
Other Structures (e.g., Recreation Sites, Hatcheries, etc.)	D	G, F	\$ 49	\$ 3,881	\$ -	\$ -	\$ 49	\$ 3,881	
Total			\$ 209	\$ 36,636	\$ 1,662	\$ 7,325	\$ 1,871	\$ 43,961	

Note (1) Category:

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 - Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life

Fair - 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 - 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.

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

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."

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 the reporting of deferred maintenance can take place from year to year because of the type and kind of maintenance work that takes place on Reclamation facilities.

Federal Stewardship Assets

Stewardship Lands

For the yearend fiscal year (FY) 2007 reporting period, and in accordance with the December 20, 2006, Required Supplementary Information call letter (as amended on June 12, 2007), Reclamation is reporting those Stewardship Lands included within the boundaries of Federal Reclamation water and related projects in terms of the number of ‘projects’ (see the table below). The reader will rarely find “additions” or “withdrawals” as these actions would represent new water projects being authorized and funded by Congress, or projects that have successfully completed the process of title transfer to a non-Federal entity. Both of these actions occur very infrequently as the Congress has not authorized a new water project in many years, and the title transfer process also requires congressional authorization and typically takes years to accomplish. Reclamation is reporting the same number of projects at the end of FY 2007 as it did at the end of FY 2006. There were no additions or withdrawals.

Stewardship Lands – Yearend FY 2007

Primary Land Management Category	2007 Beginning Balance (Units)	Additions (Units)	Withdrawals (Units)	2007 Ending Balance	Condition	
					Acceptable	Needs Intervention
Reclamation - Federal Water and Related Projects ¹	145	0	0	145	² 145	0
Total	145	0	0	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 *Statement of Federal Financial Accounting Standards (SFFAS) No. 29*.

² 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 either receiving intervention to prepare or sustain the lands for their intended purpose.

Non-Collectible Cultural Heritage Assets

In accordance with the Department of the Interior's (Interior's) reporting instructions for non-collectible heritage assets, only properties that have been Presidentially, congressionally, or departmentally designated are being reported. Reclamation is, therefore, reporting on two categories: National Historic Landmarks (NHLs) and National Natural Landmarks (NNLs) (see the table below). The types of non-collectible heritage assets reported under the category of NHLs include buildings, structures, districts, and archaeological sites. The beginning count of NNLs as of October 1, 2006, is three (Drumheller Channels, Washington; Grand Coulee, Washington; and Russell Lakes, Colorado), and no changes have occurred since then. Condition information on the three NNLs was obtained from the National Park Service, which administers the NNL program and is responsible for maintaining NNL Status Reports.

Non-Collectible Heritage Assets – Yearend FY 2007

Category by Type	2007 Beginning Balance (Units)	Additions (Units)	Withdrawals (Units)	2007 Ending Balance (Units)	Condition		
					Acceptable	Unacceptable	Unknown
National Historic Landmarks	7	0	0	7	7	0	0
National Natural Landmarks	3	0	0	3	3	0	0
Total	10	0	0	10	10	0	0

No non-collectible heritage assets have been acquired through donation or devise during FY 2007.

Deferred maintenance information on non-collectible heritage assets is reported separately in the "Required Supplementary Information" section of the report.

Collectible Heritage Assets

Collectible heritage assets, also known as museum property, are divided into 10 categories or disciplines: archaeology, art, botany, documents, environmental samples, ethnography, geology, history, paleontology, and zoology. Reclamation gathers information on the size, condition, and location of its museum property collections according to requirements set forth in 36 Code of Federal Regulations (CFR) part 79 and 411 *Departmental Manual (DM)*.

Reclamation’s policy statement and *Directives and Standards* pertaining to museum property management are undergoing final approval. In addition, Reclamation is in the final stages of developing a data management system for museum property.

Reclamation reports on collectible heritage assets that are formally accessioned as museum property, as defined and required by 411 DM 3.4.A. Information on collectible heritage assets is reported in the table on the following page, and includes the count and condition of Reclamation collections held in Interior and non-Interior facilities. Each facility contains one Reclamation collection as defined by Interior; therefore, the number of collections reported is the same as the number of Interior and non-Interior facilities housing Reclamation collections.

The total number of museum property collections increased during this fiscal year. This was the result of the accession of seven Reclamation-owned collections held in both Interior and non-Interior facilities. The withdrawal represented in the table below was the result of a collection being transferred from an Interior facility to a non-Interior facility already reported as holding Reclamation collections. Specific to the fourth quarter, one non-Interior facility was added, and there were no additional withdrawals.

Overall, Reclamation units (i.e., administrative, regional, area, operations, field, power, facilities, or construction offices that manage museum property) are working with their non-Reclamation partners to update curatorial service agreements. For example, units have entered into, or are negotiating, agreements for the following types of activities: evaluating and resolving accession, catalog, and ownership information/issues; performing annual inventories; and repackaging collections.

Collectible Heritage Assets – Yearend FY 2007

Interior Museum Collections	Beginning Collections	Additions	Withdrawals ²	Ending Collections	Condition of Facility Housing Collection ¹			
					Good	Fair	Poor	Unknown ³
Held at Interior Reclamation Facilities	10	3	1	12	10	0	0	2
Held at Non-Interior Reclamation Facilities	12	4	0	16	15	0	0	1
Total	22	7	1	28	25	0	0	3

¹ Condition of museum collections is measured as defined by the standards in 411 DM 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; greater than 70 percent = good; between 50 and 70 percent = fair; and less than 50 percent = poor condition.

² Withdrawal was due to the transfer of a collection from an Interior facility to a non-Interior facility already reported as holding Reclamation collections.

³ Three facilities have not been assessed due to time constraints and/or funding issues. They are scheduled for assessment within the next 5 years, as prescribed by Reclamation's *Asset Management Plan*.

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 requires reporting for two categories of stewardship investments—Research and Development and Investment in Non-Federal Physical Property. Reclamation identified stewardship investments in both categories. Additionally, prior to FY 2007, Reclamation reported Investments in Human Capital; however, due to revisions in Circular A-136 financial reporting requirements, Reclamation no longer reports on investments made in Human Capital. FY 2002 through 2006 Investments in Human Capital are provided below.

Research and Development

Reclamation invests in applied research programs to aid in the water and energy management challenges facing the arid West. Program 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.

FY 2007 Investment in Research and Development (In Millions)

Category	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Applied Research	\$18.3	\$19.8	\$25.9	\$32.0	\$33.3	\$129.3
Total	\$18.3	\$19.8	\$25.9	\$32.0	\$33.3	\$129.3

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 maintenance and operations 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.

FY 2007 Investment in Non-Federal Physical Property (In Millions)

Category	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Dams and Other Water Structures	\$124.4	\$106.6	\$138.1	\$196.5	\$140.1	\$705.7
Total	\$124.4	\$106.6	\$138.1	\$196.5	\$140.1	\$705.7

Investment in Human Capital

Investment in Human Capital¹ (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
Total	\$28.6	\$29.9	\$30.0	\$29.8	\$31.6	\$149.9

¹ Reclamation no longer reports on Investments made in Human Capital (Job Corps) due to guidance from Interior detailing the 2007 revisions contained in Office of Management and Budget Circular A-136, *Form and Content of Performance and Accountability Report (PAR)*, revised July 2007. Monies received from the Department of Labor for this program are parent/child (Reclamation is the child), and only the parent reports on the funds.

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, 2007, 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	\$133
Carson Lake and Pasture	64
Gila Project, Welton-Mohawk Division, Arizona	2,319
Provo River Project, Utah	781
Goleta Water Distribution System, California	2,723
Rye Patch Dam and Reservoir, Humboldt Project, Nevada	6,778

Completed Transfer of Facilities to State and Local Government	Year Ending of Transfer	Value Including Land Costs (In Thousands)
Fallon Rail Freight Loading Facility Property, Newlands Project, Nevada	2007	\$ 5
Gila Project, Welton-Mohawk Division, Arizona (Partial)		777
Northern Colorado Water Conservancy District, Colorado		1,122
Carpinteria Water Distribution System	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

Internal Reviews and Audit Follow-up

Reclamation's Internal Reviews and Internal Control Program (ICP) are designed to reinforce the principals of transparency and management accountability and to provide a general framework for high quality management of Government programs and operations. Reclamation's ICP emphasizes an ongoing commitment to integrity and ethical values that addresses customer service and stakeholder demands for Government programs and operations that work better, cost less, and produce quality performance results.

During FY 2006, Reclamation implemented revised Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*. To promote financial accountability, Reclamation continued to place increased emphasis on the improving policies and practices relating to accounting, financial reporting, and program management.

During FY 2007, Reclamation continued to build on our efforts to improve the efficiency, effectiveness, and business practices of our programs and operations by conducting Internal Control Review (ICRs) and Alternative Internal Control Reviews (AICRs). In April 2007, Reclamation's Commissioner issued guidance emphasizing the importance of the ICP for improving the efficiency and effectiveness of program operations, protecting Reclamation resources, and complying with laws and regulations. In FY 2007, Reclamation conducted 105 AICRs and 63 ICRs. These reviews support the Commissioner's Annual Assurance Statement to the Secretary of the Interior. These reviews also identified a number of opportunities for Reclamation to improve the efficiency and effectiveness of our operations. For example:

- Reclamation's Value Engineering studies continue to provide creative problem solving processes resulting in significant annual project cost savings. During FY 2006, the Value Engineering study program identified cost saving totaling \$8 million and cost avoidance totaling \$35 million. Since 1995, Value Engineering studies have saved Reclamation over \$100 million, returning \$44 for every study dollar spent.
- A recent AICR conducted by the Lower Colorado (LC) Region disclosed that the region can increase interest revenues earned on investments annually by about \$3 million. During FY 2007, the LC Region made

cumulative investments totaling \$7.7 billion. On any given day, the LC Region had approximately \$400 million invested. Because investments are performed daily and mature the next business day, the funds invested for one day are reinvested again at maturity. The \$7.7-billion cumulative investment of these funds generated interest on investments totaling \$16.8 million. The LC Region has established and implemented a Corrective Action Plan (CAP) to ensure funds were invested daily to maximize return on investment for the Government.

- Reclamation’s Dam Safety Program is another example of “Best Practices.” Over the years, the Dam Safety Program has identified many critical safety issues that have since been corrected. Correcting these internal control weaknesses through action plans helped Reclamation to ensure the safety of dams.

Regarding audits conducted by the Office of Inspector General (OIG) and Government Accountability Office (GAO) at Reclamation in FY 2007, the OIG issued ten audits, and the GAO issued four audits that were either Reclamation-specific audits or Interior/Government-wide audits which included Reclamation issues. Interior’s FY 2007 Audit Follow-up Government Performance Results Act (GPRA) Performance Goal was to implement 85 percent of the OIG/GAO recommendations in Interior’s Audit Follow-up GPRA performance goal. Reclamation exceeded the Interior’s goal by implementing 94 percent of the recommendations scheduled for implementation by Reclamation in FY 2007. The following table is a summary of the status of audit recommendations.

	FY 2007	Recommendations Implemented/Closed/ Compiled in FY 2007	Outstanding Recommendations¹
OIG	17	16	2
GAO	0	0	1

¹ These outstanding recommendations may be from a prior year audit.