

# **U.S. Department of the Interior Bureau of Reclamation Notes to the Financial Statements for the Years Ended September 30, 2003, and 2002**

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## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. REPORTING ENTITY**

The U.S. Bureau of Reclamation (Reclamation) was created June 17, 1902, by the Reclamation Act (32 Statute [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. Reclamation's core mission is the delivery of water and power to customers, while incorporating other demands for water resources, water conservation, new technology, interagency collaboration and coordination, and improvements in management accountability. Reclamation is one of nine operating bureaus within the U.S. Department of the Interior.

### **B. BASIS OF ACCOUNTING AND PRESENTATION**

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, budgetary resources, and reconciliation of net cost of operations to budgetary obligations of Reclamation as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements have been prepared from Reclamation's books and records in accordance with the Office of Management and Budget's (OMB) Bulletin 01-09, "Form and Content of Agency Financial Statements" dated September 25, 2001. Furthermore, the financial statements have been prepared in accordance with Reclamation's accounting policies that are summarized in this note.

The books are kept, and these financial statements have been prepared, in accordance with accounting principles generally accepted in the United States of America (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. Transactions are recorded on an accrual accounting 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. The accounts are maintained in accordance with the Department of Treasury's (Treasury) U.S. Standard General Ledger. Certain prior year balances have been reclassified to conform to current year financial statement presentation.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so. Intragovernmental assets and liabilities arise from transactions with other Federal agencies.

The Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Financing are presented on a consolidated basis. Accordingly, all intrabureau transactions and balances have been eliminated. These transactions primarily pertain to intrabureau use of Reclamation's Working Capital Fund (WCF), which provides support services and equipment for Reclamation programs and activities, as well as for other Federal agencies.

## **C. BUDGETS AND BUDGETARY ACCOUNTING**

Reclamation receives the majority of its required funding to support its programs through appropriations authorized by the Congress. Additional fiscal year (FY) 2003 and 2002 budgetary resources have been provided by permanent authority, contributed funds, revolving funds, operation and maintenance (O&M) reimbursements from water and power users, and transfers from other agencies. These financial statements include all funds and accounts under the control of Reclamation, except for allocation transfers from other Federal agency appropriations. An allocation transfer is the amount of budget authority transferred from one agency, bureau, or account that is set aside in a transfer appropriation account to carry out the purposes of the parent appropriation or fund. These allocations are transferred to Reclamation under specific legislative authority and are not included in the Combined Statement of Budgetary Resources. OMB Bulletin No. 01-09 requires that the Statement of Budgetary Resources be consistent with the Budget of the United States Government (President's Budget). Allocation transfer budget authority and related activity is reported by the parent appropriation in the President's Budget.

Reclamation is responsible for administering or posting transactions to 40 separate Treasury symbols. 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: Treasury's General Fund, the Reclamation Fund, and contributed funds.

The Reclamation Fund is a restricted, unavailable receipt fund into which a substantial portion of Reclamation's revenues (mostly repayment of capital investment costs, associated interest, and O&M reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmission) are deposited. No expenditures are made directly from the Reclamation Fund;

however, funds are transferred from the Reclamation Fund into Reclamation's appropriated expenditure funds or to other Federal agencies pursuant to congressional appropriation acts.

The funds transferred from the Reclamation Fund to the other Federal agencies are primarily for the purpose of funding O&M and capital investment activities at Western Area Power Administration (Western), a component entity of the Department of Energy. Western recovers the capital investments, associated interest, and O&M costs through future power rates, and subsequently deposits amounts recovered into the Reclamation Fund.

These transfers, and subsequent recoveries, are recorded in the Reclamation Fund as transfers in/out without reimbursement on the Consolidated Statement of Changes in Net Position in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, "Accounting for Revenue and Other Financing Sources," and using current Treasury Standard General Ledger guidance. Transfers to Reclamation and other Federal agencies are recorded at the time appropriations are made. Cost recoveries are recorded upon receipt in the Reclamation Fund as transfers in.

During FY 2003, OMB began a project to review the accounting and reporting of the forgoing transactions and plans to submit its findings and recommendations to the Accounting and Auditing Policy Committee (AAPC) of the FASAB for interpretation and guidance in FY 2004. The conclusions of the AAPC may require a change in accounting and reporting for these transactions.

For budgetary allocation and financial reporting purposes, Reclamation's activities are divided into seven major program segments. Five of these program segments are under the umbrella of Water and Related Resources (i.e., Water and Energy Management and Development, Facilities Operations, Facilities Maintenance and Rehabilitation, Fish and Wildlife Management and Development, and Land Management and Development). The Water and Energy Management and Development segment 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 Facilities Operations segment includes operation of Reclamation projects. The Facilities Maintenance and Rehabilitation segment ensures the reliability and operational readiness of Reclamation's storage reservoirs, distribution systems, powerplants, recreation facilities, and other federally funded investments. The Fish and Wildlife Management and Development segment includes activities as required by Reclamation project law or other laws or regulations for conservation, enhancement, and restoration of fish and wildlife populations and their habitats. The Land Management and Development segment involves work related to land resource administration, recreation management, and legal compliance. The last two program segments are Policy and Administration and Centralized Program Support. The Policy and Administration segment consists of the development of Reclamation policy and direction of daily operations. The Centralized Program Support segment consists primarily of the WCF along with other incidental activities; the WCF provides centralized support and services for other segments within Reclamation. For further information on the WCF, refer to the Required Supplemental Information section of this report.

## **D. FUND BALANCE WITH TREASURY**

All Reclamation 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. Also included in this balance are the Reclamation Fund and other unavailable (restricted) receipt funds.

## **E. ACCOUNTS RECEIVABLE**

Accounts receivable consist of net amounts owed to Reclamation by other Federal agencies (intragovernmental) and the public. Accounts receivable are stated net of an allowance for uncollectible accounts. The allowance is determined by reviewing accounts receivable aging reports to identify receivables that are considered uncollectible based on various factors, including age, past experience, present market and economic conditions, and characteristics of debtors.

## **F. LOANS RECEIVABLE**

Reclamation operates loan programs that 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 (Public Law [P.L.] 84-984), the Distribution System Loans Act (P.L. 84-130), and the Rehabilitation and Betterment Act (P.L. 81-335). The loan programs are classified into two major categories. The first category is Credit Reform loans, which consists of 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 second category is Other Loans, which pertains to those loans made prior to the requirements of Credit Reform and consist primarily of drought relief and repayment loans. The Other Loans receivable balances shown represent amounts due to Reclamation, net of an allowance for estimated uncollectible loan balances. The allowance is determined by management for loan balances where collectibility is considered to be uncertain based on various factors, including age, past experience, present market and economic conditions, value of collateral to loan balance, and characteristics of debtors.

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.

### **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.

## **G. OTHER ASSETS**

Other assets consist primarily of the net costs for power rights. Net power rights represent the original cost less the accumulated amortization 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. Amortization is calculated by using the straight-line method over the contract life of the agreement.

## **H. GENERAL PROPERTY, PLANT, AND EQUIPMENT**

General property, plant, and equipment (PP&E) consists of that property which is used in Reclamation's operations. General PP&E includes the following categories: structures and facilities, land, construction in progress – general, construction in abeyance, equipment, vehicles and aircraft, buildings, and internal use software.

Structures and facilities, comprised primarily of Reclamation's investment in its multipurpose water facilities, are recorded at acquisition cost, net of accumulated depreciation. Costs include direct labor and materials, payments to contractors, and indirect charges for engineering, supervision, and overhead. The costs for power and municipal and industrial (M&I) water facilities also include capitalized interest during construction (IDC), charged according to authorizing legislation.

In general, structures and facilities are depreciated based on the composite service life of each project, using the straight-line method of depreciation. The composite service life is based on the weighted-average estimated useful life of a project's components. Project composite service lives range from 25 to 100 years. Structures and facilities that are included on the National Register of Historic Places are considered multiuse heritage assets. Reclamation's multiuse heritage assets are included in the PP&E balances and are further discussed in the Supplemental Section under Stewardship Assets.

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's and taxpayers' 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. The net loss on disposition of assets is recorded when the transfer is completed.

The land balance is comprised of the acquisition cost of land and permanent land rights, water rights, as well as the costs of relocating the property of other parties and clearing the

land in preparation for its intended use. 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, discussed in the Supplemental Section under Stewardship Assets.

Construction in progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. Project costs are transferred from construction in progress to structures and facilities when a project or feature of a project is deemed to be substantially complete, is providing benefits and services for the intended purpose, and is generating project purpose revenue, where applicable. Until these three criteria are met, accumulated costs are retained in construction in progress.

Investigations and development costs represent expended funds appropriated by the Congress for such activities as general engineering studies and surveys that are directly related to project construction. Reclamation capitalizes investigation and development costs that are incurred after the decision is made to pursue construction or after construction authorization. These capitalized costs are included in construction in progress – general. Reclamation’s accounting treatment for investigation and development costs not related to project construction, incurred prior to the decision to pursue construction, or incurred before construction authorization results in these costs being expensed as incurred.

During the construction phase, Reclamation computes imputed financing costs referred to as IDC. IDC is the assessment of a percentage rate stated in the statutory regulation which authorized the construction project for the Government borrowings to fund the project. These costs are reflected in construction in progress – general. Once the project is completed and operational, the construction costs are transferred to structures and facilities, and interest on investment (IOI) is computed and assessed. IOI applies to the unamortized balance of costs allocated to power, M&I water, reimbursable recreation, reimbursable fish and wildlife, and other interest-bearing reimbursable functions. The appropriate percentage rate for IOI is also stated in the statutory regulation which authorized the construction project. These imputed financing costs are reflected in expenses.

In past years, Reclamation began the planning of, and construction on, various features included in 10 projects located in Arizona, California, Colorado, North and South Dakota, and Washington, for which activities have either been placed in abeyance or intended benefits have never been provided. These capitalized costs are included in construction in abeyance. 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 assets ready for potential completion.

Equipment is recorded at acquisition cost less depreciation which accumulates over its estimated useful life using the straight-line method. The estimated useful lives for calculating depreciation on equipment range from 5 to 20 years. The capitalization threshold is

\$15 thousand per item. All costs under the threshold are expensed as incurred. When equipment is transferred within Reclamation from one project to another, the transfer is made at the net book value of the property.

Buildings consist of houses, garages, and shops owned by Reclamation and used in power, irrigation, M&I, or multipurpose operations and are not included in structures and facilities of a specific project. Buildings are valued at acquisition cost and are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives for calculating depreciation on buildings range from 10 to 50 years.

The capitalization threshold for software is \$100 thousand. Capitalized software includes commercial off-the-shelf (COTS) purchases, contractor-developed software, or internally developed software. The capitalized costs for COTS software include the amount paid to the vendor for the software. The capitalized costs for contractor-developed software include the amount paid to a contractor to design, program, install, and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. These capitalized costs are limited to those incurred after: (1) management authorizes and commits to a computer software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function with an estimated life of 2 years or more; and (2) the completion of conceptual formulation, design, and testing of possible software project alternatives (the preliminary design stage). The average estimated useful life for calculating amortization of software is 3.7 years.

## **I. LIABILITIES**

Liabilities represent the amount of monies or other resources that are likely to be paid by Reclamation as the result of a transaction or event that has already occurred. However, no liability can be paid by Reclamation unless budgetary resources are made available through an appropriation or other funding source. These statements also include liabilities for which an appropriation has not been enacted and, thus, are presented as liabilities not covered by budgetary resources, for there is no certainty that an appropriation will be enacted.

Reclamation has accrued environmental liabilities where losses are determined to be probable and the amounts can be estimated. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is probable only when the Government is legally responsible by having created the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination. When the Government is not legally liable, but chooses to accept financial responsibility, the event is considered to be “Government-acknowledged.” Government-acknowledged events are events that are of financial consequence to the Federal Government because it chooses to respond to the event. When the Government accepts financial responsibility for cleanup, has an appropriation, and has begun incurring cleanup costs, then any unpaid amounts for work performed are included in accounts payable.

Contingent liabilities are recorded in the accounting records when an event leading to the occurrence of a liability is probable and a reasonable estimate of the potential liability is available. Contingent liabilities involving legal claims and assertions may be paid by

Treasury's Judgment Fund. Dependent upon the nature of the claims, certain payments made by Treasury's Judgment Fund may be subject to repayment by Reclamation.

## **J. ACCRUED LEAVE**

Annual leave is accrued as earned, and sick leave is recorded when used. Annual and sick leave are funded as used through a surcharge assessment added to direct labor costs. An unfunded liability is recognized for earned but unused annual leave and will be paid from future appropriations when the leave is used in appropriated and available receipt funds.

## **K. 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 (OPM). In accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," Reclamation recorded the FY 2003 and 2002 estimated cost of pension and other future retirement benefits and the associated imputed financing sources which are paid by OPM on its behalf. Reclamation funds are not used to pay the cost of these benefits but are a Reclamation operating expense that is reflected as part of the cost of doing business. The estimated cost of pension and other retirement benefits computation rates are provided by OPM actuaries to the employer agencies.

The Department of Labor (DOL) administers the Workers' Compensation Program on behalf of the Federal Government, and all payments to Workers' Compensation Program beneficiaries are made by DOL. Reclamation has two types of liabilities related to workers' compensation. First, Reclamation records a liability to DOL for the amount of actual payments made by DOL but not yet reimbursed by Reclamation. Reclamation reimburses DOL for these payments as funds are appropriated for this purpose. There is generally a 2- to 3-year time period between payment by DOL and receipt of appropriations by Reclamation. Second, Reclamation records a liability for the estimated actuarial liability for future payments of 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. DOL determines this component on an annual basis which considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. Posting of this unfunded liability is in accordance with SFFAS No. 4, "Managerial Cost Accounting: Concepts and Standards for the Federal Government."



## **L. REVENUES AND FINANCING SOURCES**

### **Exchange Revenues**

Exchange revenues earned by Reclamation are classified according to their appropriate responsibility segments and are presented on the Consolidated Statement of Net Cost, in order to match these revenues with their associated costs. Primary examples of exchange revenues are those received from water and power sales, as well as revenue from services provided on a reimbursable basis to governmental and public entities. Exchange revenues are recognized at the time goods or services are provided.

In the case of certain water sales, customers advance funds to Reclamation for their share of the O&M costs pertaining to the facility delivering the water. Generally, a cost allocation process is used to allocate these O&M costs to water customers and recognize the related revenue.

### **Non-Exchange Revenues and Other Financing Sources**

Non-exchange revenues are presented as financing sources on the Consolidated Statement of Changes in Net Position. Non-exchange revenues are inflows of resources, both monetary and non-monetary, that the Government demands by its sovereign power or receives by donation or transfer.

Royalties and other revenue transfers are considered financing sources to Reclamation and are presented on the Consolidated Statement of Changes in Net Position. These financing sources are accretions to the Reclamation Fund, received due to legislative requirement and for which no matching costs were incurred by Reclamation.

Appropriations used is the current reporting period (quarterly or yearly) reduction of unexpended appropriations (component of net position), which is recognized as a financing source when goods and services are received and budgetary expenditures are recorded. Appropriations used consists of activities which are funded by Treasury's General Fund and excludes those funded by other sources such as the Reclamation Fund, revolving, permanent, or special receipt funds.

Imputed financing sources are a type of non-exchange revenue recognized when operating costs of Reclamation are incurred by funds appropriated to other Federal agencies. For example, by law, certain costs of retirement programs are paid by OPM, and certain legal judgments against Reclamation are paid from the Judgment Fund maintained by Treasury.

When costs that are identifiable to Reclamation and directly attributable to Reclamation's operations are paid by other agencies, Reclamation recognizes these amounts as operating expenses of Reclamation. Generally, Reclamation is not obligated to repay these costs. Because some of these costs, namely IDC, are capitalized, the total imputed cost, included in the Consolidated Statement of Net Cost and the Consolidated Statement of Financing, will not equal the total imputed financing source as shown on the Consolidated Statement of Changes in Net Position.

### **Revenue from Recovery of Reimbursable Capital Costs**

To repay a portion of the Federal investment allocated to the construction of reimbursable irrigation and M&I water facilities, Reclamation enters into long-term repayment contracts and water service contracts with non-Federal (public) water users who receive benefits from these facilities in exchange for annual payments. Also, power marketing agencies enter into agreements with power users, on Reclamation's behalf, to recover capital investment costs allocated to power. 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. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control can be non-reimbursable. The typical repayment contract term is up to 40 years but may extend to 50 years or more if authorized by the Congress.

Unmatured repayment contracts are not reflected on the Consolidated Balance Sheet. When the annual amount becomes due each year, a current accounts receivable and a current period exchange revenue are recorded. The amounts owed to Reclamation under unmatured repayment contracts were \$2.6 billion as of September 30, 2003 and 2002.

Under water service contracts and power sales, reimbursable capital costs are recovered through water and power ratesetting processes. Such rates include capital cost factors, among other components, for recovering the reimbursable capital cost over the applicable future payment period. For sales of water and power, a receivable and corresponding exchange revenue is recognized when the water or power has been delivered and billed to the customer, unless the Congress authorizes early prepayment for these services.

### **M. USE OF ESTIMATES**

The preparation of financial statements requires management of Reclamation to make a number of estimates and assumptions relating to the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of general PP&E; valuation allowances for receivables; environmental and legal liabilities; obligations related to contracts in progress; and obligations related to employee benefits. Actual results could differ from those estimates.

## **NOTE 2. ASSET ANALYSIS**

Assets of Reclamation include entity, restricted (component of entity assets), and non-entity assets. Entity assets are those currently available for use by Reclamation. Restricted assets consist of the Reclamation Fund and other unavailable receipt accounts. Restricted assets cannot be used until appropriated by the Congress. Non-entity assets are not available to finance Reclamation's operations. These items consist of various receivables due from the

public that, when collected, are deposited into Treasury's General Fund. Reclamation's assets as of September 30, 2003 and 2002, are summarized in the tables below.

**Asset Analysis  
As of September 30, 2003  
(In Thousands)**

	Entity	Restricted	Non-Entity	Total
<b>ASSETS</b>				
<b>Intragovernmental Assets:</b>				
Fund Balance with Treasury	\$ 1,247,956	\$ 3,471,752	\$ –	\$ 4,719,708
Accounts and Interest Receivable, Net	19,586	195,212	–	214,798
Advances and Prepayments	1,759	–	–	1,759
<b>Total Intragovernmental Assets</b>	<b>1,269,301</b>	<b>3,666,964</b>	<b>–</b>	<b>4,936,265</b>
Cash	107	–	–	107
Accounts and Interest Receivable, Net	12,142	2,484	6	14,632
Loans and Interest Receivable, Net	106,775	37,648	22,198	166,621
General Property, Plant, and Equipment, Net	13,055,281	–	–	13,055,281
Other				
Advances and Prepayments	11,666	–	–	11,666
Other Assets, Net	179,001	–	–	179,001
<b>Total Assets</b>	<b>\$ 14,634,273</b>	<b>\$ 3,707,096</b>	<b>\$ 22,204</b>	<b>\$ 18,363,573</b>

**Asset Analysis  
As of September 30, 2002  
(In Thousands)**

	Entity	Restricted	Non-Entity	Total
<b>ASSETS</b>				
<b>Intragovernmental Assets:</b>				
Fund Balance with Treasury	\$ 1,191,986	\$ 3,115,853	\$ –	\$ 4,307,839
Accounts and Interest Receivable, Net	21,154	307,969	–	329,123
Advances and Prepayments	19,307	–	–	19,307
<b>Total Intragovernmental Assets</b>	<b>1,232,447</b>	<b>3,423,822</b>	<b>–</b>	<b>4,656,269</b>
Cash	124	–	–	124
Accounts and Interest Receivable, Net	13,619	9,889	–	23,508
Loans and Interest Receivable, Net	87,686	39,499	23,445	150,630
General Property, Plant and Equipment, Net	12,977,850	–	–	12,977,850
Other				
Advances and Prepayments	13,663	–	–	13,663
Other Assets, Net	190,240	–	–	190,240
<b>Total Assets</b>	<b>\$ 14,515,629</b>	<b>\$ 3,473,210</b>	<b>\$ 23,445</b>	<b>\$ 18,012,284</b>

## NOTE 3. FUND BALANCE WITH TREASURY

Reclamation's Fund Balance with Treasury and the Status of Fund Balance with Treasury as of September 30, 2003 and 2002, are shown in the following table.

<b>Fund Balance with Treasury As of September 30, 2003 and 2002 (In Thousands)</b>		
	<b>2003</b>	<b>2002</b>
<b>Fund Balance with Treasury</b>		
General Funds	\$ 700,372	\$ 708,056
Special Funds	3,569,324	3,211,311
Revolving Funds	371,613	310,635
Trust Funds	48,045	60,561
Other Fund Types	30,354	17,276
Total Fund Balance with Treasury	\$ 4,719,708	\$ 4,307,839
<b>Status of Fund Balance with Treasury</b>		
Unobligated:		
Available	\$ 572,131	\$ 529,711
Unavailable	3,502,943	3,133,764
Obligated Balance Not Yet Disbursed	644,634	644,364
Total Status of Fund Balance with Treasury	\$ 4,719,708	\$ 4,307,839

Obligated and unobligated balances reported for the Status of Fund Balance with Treasury do not agree with the obligated and unobligated balances reported on the Combined Statement of Budgetary Resources because the Fund Balance with Treasury amounts include items for which budgetary resources are not recorded, such as the fund balance in unavailable receipt accounts, allocation transfer accounts, and deposit and clearing accounts. The unavailable receipt accounts category includes the Reclamation Fund, which had a balance of \$3.5 billion and \$3.1 billion, as of September 30, 2003 and 2002, respectively.

As discussed in Note 1.C., funds are transferred from the Reclamation Fund to the Western Area Power Administration (Western) to fund power project O&M and capital investment activities. These funds transferred from the Reclamation Fund to Western, and subsequent recoveries from Western back into the Reclamation Fund, are reported as transfers in/out without reimbursement on the Consolidated Statement of Changes in Net Position. The FY 2003 and 2002 transfers in/out related to Western are shown in the table on the following page.

The net (unrecovered) transfers between the Reclamation Fund and Western prior to FY 2002 approximate \$2 billion.

**Transfers To/From Western Area Power Administration  
As of September 30, 2003 and 2002  
(In Thousands)**

Year	Transfers In	Transfers Out	Net Transfers In (Out)
2003	\$ 191,669	\$ 157,574	\$ 34,095
2002	\$ 162,027	\$ 166,553	\$ (4,526)

## NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

Intragovernmental and public accounts receivable are recorded net of the allowance for doubtful (uncollectible) accounts. The following tables show the status of accounts receivable as of September 30, 2003 and 2002.

**Accounts and Interest Receivable, Net, Due from Federal Entities  
As of September 30, 2003 and 2002  
(In Thousands)**

	2003	2002
<b>Accounts Receivable – Federal</b>		
Billed Accounts Receivable – Federal, Current	\$ 1,489	\$ 15,811
Unbilled Accounts Receivable – Federal	213,309	313,312
<b>Total Accounts Receivable – Federal, Net of Allowance</b>	<b>\$ 214,798</b>	<b>\$ 329,123</b>
<b>Change in Allowance for Doubtful Accounts – Federal</b>		
Allowance for Doubtful Accounts, Beginning	\$ –	\$ 776
Deletions	–	(776)
<b>Allowance for Doubtful Accounts – Federal</b>	<b>\$ –</b>	<b>\$ –</b>

Unbilled Accounts Receivable – Federal consists primarily of accrued minerals lease revenue which has not yet been transferred to Reclamation by the Minerals Management Service.

**Accounts and Interest Receivable, Net, Due from the Public**  
**As of September 30, 2003 and 2002**  
(In Thousands)

	2003	2002
<b>Accounts Receivable – Public</b>		
Current	\$ 11,237	\$ 10,197
1 – 180 Days Past Due	1,429	1,397
181 – 365 Days Past Due	5,964	4,433
Over 1 Year Past Due	2,433	2,639
Total Billed Accounts Receivable – Public	21,063	18,666
Unbilled Accounts Receivable – Public	2,321	7,581
Total Accounts Receivable – Public	23,384	26,247
Allowance for Doubtful Accounts – Public	(8,752)	(2,739)
<b>Total Accounts Receivable – Public, Net of Allowance</b>	<b>\$ 14,632</b>	<b>\$ 23,508</b>
<b>Change in Allowance for Doubtful Accounts – Public</b>		
Allowance for Doubtful Accounts, Beginning	\$ 2,739	\$ 14,671
Additions	10,084	2,801
Deletions	(4,071)	(14,733)
<b>Allowance for Doubtful Accounts – Public</b>	<b>\$ 8,752</b>	<b>\$ 2,739</b>

## NOTE 5. LOANS AND INTEREST RECEIVABLE, NET

Entity and non-entity loan balances are combined and presented together here and in the consolidated financial statements. Non-entity loans are disclosed in Note 2, Asset Analysis. The following tables show the status of the loans receivable and associated interest receivable as of September 30, 2003 and 2002.

**Loans Receivable, Net**  
**As of September 30, 2003**  
(In Thousands)

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Direct Loans Obligated Prior to FY 1992:					
Small Reclamation Projects Act	\$ 42,842	\$ 933	\$ (8,188)	\$ –	\$ 35,587
Distribution System Loans Act	4,246	–	–	–	4,246
Rehabilitation and Betterment Act	19,483	–	–	–	19,483
Drought Relief	560	–	(30)	–	530
Total Direct Loans Obligated Prior to FY 1992	67,131	933	(8,218)	–	59,846
Direct Loans Obligated After FY 1991:					
Small Reclamation Projects Act	121,134	–	–	(14,359)	106,775
Total Direct Loans	<b>\$ 188,265</b>	<b>\$ 933</b>	<b>\$ (8,218)</b>	<b>\$ (14,359)</b>	<b>\$ 166,621</b>

**Loans Receivable, Net  
As of September 30, 2002  
(In Thousands)**

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Direct Loans Obligated Prior to FY 1992:					
Small Reclamation Projects Act	\$ 45,241	\$ 933	\$ (8,188)	\$ –	\$ 37,986
Distribution System Loans Act	4,462	–	–	–	4,462
Rehabilitation and Betterment Act	19,830	–	–	–	19,830
Drought Relief	696	–	(30)	–	666
Total Direct Loans Obligated Prior to FY 1992	70,229	933	(8,218)	–	62,944
Direct Loans Obligated After FY 1991:					
Small Reclamation Projects Act	121,920	–	–	(34,234)	87,686
Total Direct Loans	\$ 192,149	\$ 933	\$ (8,218)	\$ (34,234)	\$ 150,630

**Total Amount of Direct Loans Disbursed (Post-1991)  
As of September 30, 2003 and 2002  
(In Thousands)**

Direct Loan Programs	2003	2002
Small Reclamation Projects Act	\$ 800	\$ 6,288

**Schedule for Reconciling Subsidy Cost Allowance Balances  
(Post-1991 Direct Loans)  
As of September 30, 2003 and 2002  
(In Thousands)**

	2003	2002
Beginning Balance of the Subsidy Cost Allowance	\$ 34,234	\$ 36,934
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component – Interest Rate Differential Costs	438	2,493
Adjustments: Subsidy Allowance Amortization	(6,445)	(5,193)
Ending Balance of the Subsidy Cost Allowance Before Re-estimates	28,227	34,234
Add or (Subtract) Subsidy Re-estimates by Component: Technical/Default Re-estimate	(13,868)	–
Ending Balance of the Subsidy Cost Allowance	\$ 14,359	\$ 34,234

All Credit Reform loans are categorized under the Small Reclamation Projects Act Loan Program. Reclamation had seven Credit Reform loans outstanding for FY 2003 and 2002, totaling \$121 million and \$122 million, respectively. Related administrative expenses for FY 2003 and 2002 were \$119 thousand and \$309 thousand, respectively. The budget subsidy rate for FY 2002 was 26.92 percent, which was entirely comprised of the interest differential rate. For FY 2003, there were no additional loan appropriations; therefore, there is no budget subsidy rate. The subsidy expense reported in the current year also includes modifications and re-estimates. In FY 2003, a technical re-estimate of FY 1992–2002 cohorts resulted in a net downward re-estimate of the subsidy allowance. The technical re-estimate adjusted for differences between the original projection of cash flows that were expected based on actual experience.

## NOTE 6. OTHER ASSETS, NET

Total Other Assets, Net, consists primarily of the costs for power rights. The gross power rights as of September 30, 2003 and 2002 are \$338.7 million, with accumulated amortization of \$187.3 million and \$176.5 million, respectively.

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

Reclamation's general PP&E categories, with corresponding accumulated depreciation, as of September 30, 2003 and 2002, are shown in the following tables.

**General Property, Plant, and Equipment, Net**  
**As of September 30, 2003**  
**(In Thousands)**

Categories	Acquisition Cost	Accumulated Depreciation	Net Book Value
<b>General PP&amp;E:</b>			
Structures and Facilities	\$ 17,273,539	\$ (7,596,381)	\$ 9,677,158
Land	1,876,627	–	1,876,627
Construction in Progress:			
Construction in Progress – General	859,395	–	859,395
Construction in Abeyance	556,878	–	556,878
Equipment, Vehicles, and Aircraft	104,591	(63,235)	41,356
Buildings	58,949	(24,361)	34,588
Internal Use Software:			
In Use	24,087	(20,667)	3,420
In Development	5,859	–	5,859
<b>Total General PP&amp;E</b>	<b>\$ 20,759,925</b>	<b>\$ (7,704,644)</b>	<b>\$ 13,055,281</b>



**General Property, Plant, and Equipment, Net**  
**As of September 30, 2002**  
(In Thousands)

Categories	Acquisition Cost	Accumulated Depreciation	Net Book Value
<b>General PP&amp;E:</b>			
Structures and Facilities	\$ 17,261,335	\$ (7,491,606)	\$ 9,769,729
Land	1,866,478	–	1,866,478
Construction in Progress:			
Construction in Progress – General	698,719	–	698,719
Construction in Abeyance	561,042	–	561,042
Equipment, Vehicles, and Aircraft	100,887	(59,537)	41,350
Buildings	54,148	(22,831)	31,317
Internal Use Software:			
In Use	22,275	(18,779)	3,496
In Development	5,719	–	5,719
<b>Total General PP&amp;E</b>	<b>\$ 20,570,603</b>	<b>\$ (7,592,753)</b>	<b>\$ 12,977,850</b>

## A. CONSTRUCTION IN PROGRESS – GENERAL

Construction in progress – general includes capitalized costs of assets being constructed for other Federal entities. Amounts of \$118.4 million and \$111.0 million as of September 30, 2003 and 2002, respectively, represent capitalized construction costs associated with the Navajo Indian Irrigation Project (NIIP). This project was authorized by P.L. 87-483 (June 13, 1962), and construction began in 1964. Project facilities are being constructed in 11 blocks of approximately 10,000 acres each. As of September 30, 2003, the project is estimated to be 70 percent complete with eight blocks under irrigation. Completion may require an additional 15 to 20 years of construction and development. Under this law, the Congress appropriated funding for the project to the Bureau of Indian Affairs (BIA), which transferred funding to Reclamation for construction and cost accounting of the facilities. Subsequently, Reclamation and BIA entered into a formal memorandum of agreement that provides for the transfer of the book value costs of the project facilities to BIA upon completion. As such, upon substantial completion of construction of designated segments of project facilities, agreed upon by both bureaus, the book value costs of the completed facilities will be transferred to BIA by formal document. Reclamation transferred to BIA \$707 thousand in residual costs in FY 2003 and \$17.5 million in capitalized costs associated with completed segments of the project in FY 2002.

Construction in progress – general also includes investigations and development costs of \$70 million and \$96 million as of September 30, 2003 and 2002, respectively.

During FY 2003 and 2002, \$10.8 million and \$11.6 million, respectively, of IDC were capitalized. 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 both FY 2003 and 2002 ranged from 2.5 percent to 12.375 percent.

## **B. CONSTRUCTION IN ABEYANCE**

The investment in projects held in abeyance through FY 2003 ranges from \$59.1 thousand to \$285.4 million per project; through FY 2002, ranges from \$59.1 thousand and \$277.6 million per project; and covers a period from 1965 to the present. Continued planning or construction on these assets has been held in abeyance for various reasons, including such concerns as the execution of cost-share agreements with non-Federal entities, and environmental, economic, and international treaty issues. The Congress and local interests continue to pursue acceptable alternatives for the completion of those projects in which there has been a substantial investment. For some of these projects, bills have either been recently introduced to, 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 construction in abeyance provides the most meaningful and accurate status of their disposition. 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.

### **Transfer of Facilities**

The tables on the following pages present the status of transfer of facilities for FY 2003 and 2002.

**Transfer of Facilities  
As of September 30, 2003  
(In Thousands)**

Project Name	Net Book Value Including Land Costs	Land Costs Associated With Transfer
<b>Completed Transfers</b>		
Middle Loup Division, Pick-Sloan Missouri Basin Project, Nebraska	\$ 21,316	\$ 7,457
North Poudre Supply Canal and Diversion Works, Colorado-Big Thompson Project, Larimer County, Colorado	2,121	287
<b>Pending Transfers</b>		
Sugar Pine Dam and Reservoir, Central Valley Project, California <sup>1</sup>	31,520	2,811
Harquahala Valley Irrigation District, Central Arizona Project, Arizona	29,348	2,471
Rye Patch Dam and Reservoir, Humboldt Project, Nevada	7,298	535
Gila Project, Wellton-Mohawk Division, Arizona	2,560	2,560
Sly Park Dam and Reservoir, Central Valley Project, California	1,911	1,563
Minidoka and Teton Basin Projects, Idaho	235	9

<sup>1</sup> Transfer occurred November 7, 2003, with a payment of \$2.8 million received from the transferee. The net loss on the transfer of this facility is recognized in the period of transfer in accordance with SFFAS No. 6, "Accounting for Property, Plant, and Equipment."

**Transfer of Facilities  
As of September 30, 2002  
(In Thousands)**

Project Name	Net Book Value Including Land Costs	Land Costs Associated With Transfer
<b>Completed Transfers</b>		
La Feria Division, Lower Rio Grande Rehabilitation Project, Texas	\$ 1,751	\$ 135
<b>Pending Transfers</b>		
Sugar Pine Dam and Reservoir, Central Valley Project, California	32,217	3,523
Harquahala Valley Irrigation District, Central Arizona Project, Arizona	29,758	2,471
Middle Loup Division, Pick-Sloan Missouri Basin Project, Nebraska	21,316	7,457
Gila Project, Wellton-Mohawk Division, Arizona	2,560	2,560
North Poudre Supply Canal and Diversion Works, Colorado-Big Thompson Project, Larimer County, Colorado	2,121	287
Sly Park Dam and Reservoir, Central Valley Project, California	1,861	1,563

## NOTE 8. LIABILITIES

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which congressional action is needed before budgetary resources can be provided. These liabilities as of September 30, 2003 and 2002, are combined and presented together in the Consolidated Balance Sheet and are detailed in the following tables.

	<b>Liabilities As of September 30, 2003 (In Thousands)</b>				
	<b>Covered by Budgetary Resources</b>		<b>Not Covered by Budgetary Resources</b>		<b>Total</b>
	<b>Current</b>	<b>Non-Current</b>	<b>Current</b>	<b>Non-Current</b>	
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$ 18,617	\$ –	\$ –	\$ –	\$ 18,617
Debt	–	114,826	–	–	114,826
Other					
Accrued Payroll Benefits	5,530	–	5,067	9,046	19,643
Advances and Deferred Revenue	9,363	–	–	–	9,363
Deferred Credits	–	–	34	–	34
Judgment Fund Liability	–	–	–	48,798	48,798
<b>Total Intragovernmental Liabilities</b>	<b>33,510</b>	<b>114,826</b>	<b>5,101</b>	<b>57,844</b>	<b>211,281</b>
<b>Public Liabilities:</b>					
Accounts Payable	220,987	–	–	–	220,987
Federal Employees Compensation Act Liability	–	–	–	93,468	93,468
Environmental Cleanup Costs	–	–	–	5,804	5,804
Other					
Accrued Payroll and Benefits	13,438	–	–	27,390	40,828
Advances and Deferred Revenue	110,114	–	–	–	110,114
Deferred Credits	–	–	–	176,051	176,051
Contingent Liabilities	–	–	–	69,100	69,100
Other Liabilities	–	–	–	22,319	22,319
<b>Total Public Liabilities</b>	<b>344,539</b>	<b>–</b>	<b>–</b>	<b>394,132</b>	<b>738,671</b>
<b>Total Liabilities</b>	<b>\$ 378,049</b>	<b>\$ 114,826</b>	<b>\$ 5,101</b>	<b>\$ 451,976</b>	<b>\$ 949,952</b>

**Liabilities**  
**As of September 30, 2002**  
**(In Thousands)**

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities:					
Accounts Payable	\$ 13,737	\$ –	\$ –	\$ –	\$ 13,737
Debt	–	96,674	–	–	96,674
Other					
Accrued Payroll Benefits	7,598	–	4,662	8,227	20,487
Advances and Deferred Revenue	9,334	–	–	–	9,334
Deferred Credits	–	–	1,616	–	1,616
Judgment Fund Liability	–	–	–	48,797	48,797
<b>Total Intragovernmental Liabilities</b>	<b>30,669</b>	<b>96,674</b>	<b>6,278</b>	<b>57,024</b>	<b>190,645</b>
Public Liabilities:					
Accounts Payable	212,487	–	–	–	212,487
Federal Employees Compensation Act Liability	–	–	–	83,377	83,377
Environmental Cleanup Costs	–	–	–	5,441	5,441
Other					
Accrued Payroll and Benefits	22,321	–	–	26,502	48,823
Advances and Deferred Revenue	88,403	–	–	–	88,403
Deferred Credits	–	–	–	166,691	166,691
Contingent Liabilities	–	–	–	110,415	110,415
Other Liabilities	–	–	–	23,568	23,568
<b>Total Public Liabilities</b>	<b>323,211</b>	<b>–</b>	<b>–</b>	<b>415,994</b>	<b>739,205</b>
<b>Total Liabilities</b>	<b>\$ 353,880</b>	<b>\$ 96,674</b>	<b>\$ 6,278</b>	<b>\$ 473,018</b>	<b>\$ 929,850</b>

Deferred credits consist primarily of deposits received from customers for construction of facilities and future water deliveries.

## NOTE 9. DEBT

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 maturity dates for these loans as of September 30, 2003, range from 2012 to 2047. The weighted average interest rate used to calculate interest owed to Treasury as of September 30, 2003, ranges from 6.01 percent to 6.88 percent. As annual installments are received from loan recipients, any funds in excess

of interest are applied against the outstanding principal owed Treasury. The liabilities shown in the following tables represent amounts borrowed from Treasury to fund Credit Reform loans as of September 30, 2003 and 2002.

<b>Debt</b>				
<b>As of September 30, 2003</b>				
<b>(In Thousands)</b>				
	<b>Beginning Balance</b>	<b>New Borrowing</b>	<b>Repayments</b>	<b>Ending Balance</b>
Intragovernmental Debt:				
Borrowing From Treasury	\$ 96,674	\$ 18,865	\$ (713)	\$ 114,826

<b>Debt</b>				
<b>As of September 30, 2002</b>				
<b>(In Thousands)</b>				
	<b>Beginning Balance</b>	<b>New Borrowing</b>	<b>Repayments</b>	<b>Ending Balance</b>
Intragovernmental Debt:				
Borrowing From Treasury	\$ 85,331	\$ 11,986	\$ (643)	\$ 96,674

## **NOTE 10. ENVIRONMENTAL CLEANUP COSTS AND OTHER CONTINGENT LIABILITIES**

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 COSTS**

Reclamation has Government-related potential environmental cleanup liabilities associated with hazardous waste removal, containment, or disposal. Reclamation's hazardous waste sites include vehicle maintenance facilities and landfills. These sites have various types of contamination, including soil contamination from waste petroleum, heavy metal, and other regulated toxic waste.

Reclamation has recognized and recorded an estimated liability for environmental cleanup of Government-related events of \$5.8 million for four sites as of September 30, 2003, and \$5.4 million for seven sites as of September 30, 2002. In FY 2003, four sites no longer met the criteria for recognizing a liability, and one additional site met the criteria for recognition. Reclamation's cleanup sites fall under the purview of the Resources Conservation and

Recovery Act of 1976, the Clean Air Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, which created the Superfund Program.

In addition to the four sites for which a liability was recognized as of September 30, 2003, there are nine other cleanup sites that did not meet the criteria for recognizing a liability. For five of these sites, the sufficient probability of loss was not present. For the remaining four sites, a probability for liability exists but is not estimable. The total estimated range for Government-related environmental liabilities that do not meet the criteria for recognition is \$911 thousand to \$25.1 million.

## **B. OTHER CONTINGENT LIABILITIES – LEGAL CLAIMS AND ASSERTIONS**

Reclamation is party to a number of lawsuits and other actions where monetary amounts are sought from Reclamation, including construction cost claims, lawsuits over repayment of certain project costs, and water rights claims. As of September 30, 2003, Reclamation is a party to 25 legal cases which have potential to exceed \$300 thousand each should unfavorable outcomes occur. It is the opinion of Reclamation management and legal counsel that a reasonable estimate of a potential liability resulting from probable adverse outcomes on certain cases would be \$69.1 million, which is reflected as a liability in Reclamation's financial records as of September 30, 2003. As of September 30, 2002, Reclamation was a party to 20 legal cases, which had a potential liability resulting from probable adverse outcomes on certain cases of \$110.4 million.

There are currently six reasonably possible claims with potential losses ranging from \$224 million to approximately \$248 million, should all these claims result in adverse outcomes. Additionally, there are five more reasonably possible claims for which an estimated loss cannot be determined at this time.

## **NOTE 11. OPERATING LEASES**

Most of Reclamation's facilities are leased through the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. For federally owned property leased through GSA, Reclamation generally does not execute an agreement with GSA, nor is there a formal expiration date. Reclamation, however, is normally required to give a 120- to 180-day notice to vacate, and the amount of these leases remains constant from year to year. These leases are included in the estimated future lease for FY 2004 through FY 2008. For the years ended September 30, 2003 and 2002, the amount of these leases is \$22.9 million and \$21.6 million, respectively. For non-federally owned property leased through GSA, an occupancy agreement is executed; and, again, Reclamation may normally cancel these agreements with a 120-day notice.

In addition to the above leases with GSA, for the years ended September 30, 2003 and 2002, Reclamation had operating lease payments to non-Federal entities which totaled \$2.8 million

and \$1.7 million, respectively. These leases were primarily for office space and office equipment. Reclamation has an option to renew many of its operating leases at terms similar to the initial terms.

The following is a schedule, by year, of future minimum lease payments that have initial or remaining lease terms in excess of 1 year as of September 30, 2003.

<b>Operating Lease Commitments As of September 30, 2003 (In Thousands)</b>				
<b>Fiscal Year</b>	<b>GSA Real Property</b>	<b>Other Real Property</b>	<b>Personal Property</b>	<b>Total</b>
2004	\$ 22,126	\$ 1,490	\$ 87	\$ 23,703
2005	22,624	1,020	46	23,690
2006	22,678	947	35	23,660
2007	22,666	947	32	23,645
2008	23,081	942	–	24,023
Thereafter	241	3,932	–	4,173
Total Future Lease Payments	\$ 113,416	\$ 9,278	\$ 200	\$ 122,894

## **NOTE 12. CONSOLIDATED NET COST BY REPORTING SEGMENTS AND REGIONAL ORGANIZATIONS**

The Consolidated Statements of Net Cost by reporting segments (described in Note 1.C.) and by regional organizations (described in the Supplemental Section) for the years ended September 30, 2003 and 2002, are presented at the end of this section.

## **NOTE 13. COMBINED STATEMENT OF BUDGETARY RESOURCES**

The Combined Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government). The FY 2002 amounts shown have been reconciled to the President's Budget without exception; however, the actual amounts for FY 2003 in the President's Budget have not been published at the time these financial statements were prepared. The President's Budget with the actual FY 2003 amounts is estimated to be released in February 2004 and can be located at the OMB website (<[www.whitehouse.gov/omb](http://www.whitehouse.gov/omb)>).

Offsetting receipts are collections that are credited to general fund, special fund, or trust fund receipt accounts and offset gross outlays. Unlike offsetting collections, which are



credited to expenditure accounts and offset outlays at the account level, offsetting receipts are not authorized to be credited to expenditure accounts and are used to offset outlays at the bureau level. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Offsetting receipts are an integral component of the Combined Statement of Budgetary Resources in order to reconcile this statement to the President's Budget.

Reclamation's borrowing authority is provided under the Credit Reform Act of 1990 (refer to Note 5 for additional information on Credit Reform loans). The repayment terms and provisions of these loans are not more than 40 years from the date when the principal benefits of the projects first become available. The collections on these loans in excess of the interest due Treasury are applied to the outstanding principal owed Treasury.

Reclamation has two major budget accounts that are classified as permanent indefinite appropriations, which are available until expended. The Colorado River Dam Fund – Boulder Canyon Project is an available receipt fund into which various operating revenues of the Hoover Dam are covered, mainly from the sale of power generated at the dam. Reclamation Trust Funds include amounts received from public benefactors that are used to finance restoration and other activities. These permanent indefinite appropriation accounts are classified as exempt from apportionment. All other Reclamation funds, including those not specifically mentioned here, are classified as Category B and are subject to annual apportionment by OMB. Detailed amounts for each of Reclamation's major budget accounts are included in the Combining Statement of Budgetary Resources located in the Supplemental Section of this report. Additionally, all unobligated balances presented are available until expended. The apportionment categories for Reclamation's budgetary accounts and non-budgetary credit reform accounts are presented in the following tables.

**Budget Categories**  
**For the Year Ended September 30, 2003**  
**(In Thousands)**

	Apportioned Category B	Not Subject to Apportionment	Total
Obligations Incurred:			
Direct	\$ 913,953	\$ 73,717	\$ 987,670
Reimbursable	727,206	–	727,206
Total Obligations Incurred	\$ 1,641,159	\$ 73,717	\$ 1,714,876

**Budget Categories**  
**For the Year Ended September 30, 2002**  
**(In Thousands)**

	Apportioned Category B	Not Subject to Apportionment	Total
Obligations Incurred:			
Direct	\$ 958,090	\$ 73,664	\$ 1,031,754
Reimbursable	704,234	–	704,234
Total Obligations Incurred	\$ 1,662,324	\$ 73,664	\$ 1,735,988

## **NOTE 14. CONSOLIDATED STATEMENT OF FINANCING**

Reclamation receives allocation transfers (funding) from other Federal entities. The proprietary accounting activity in these allocation transfer accounts is reported in the Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidated Statement of Changes in Net Position, but not in the Combined Statement of Budgetary Resources. The budgetary activity for these allocation transfer accounts is reported by the transferring entities, per OMB Circular A-11, “Preparation, Submission and Execution of the Budget.” The adjustment shown in the Consolidated Statement of Financing, for Components of Net Cost of Operations Related to Transfer Accounts Where Budgetary Activity Is Reported by Other Federal Entities, represents the reconciliation amount between Reclamation’s net cost of operations and the transferring entity’s obligations incurred amount for these allocation transfer accounts. Reclamation’s major allocation transfer accounts consist of:

- Transfers from the Department of Labor for the operation of five Job Corps Centers in the Western United States to provide comprehensive education and job training for eligible youth.
- Transfers from the Office of the Secretary, Department of the Interior, for natural resource damage assessment and restoration activities.
- Transfers from the Bureau of Indian Affairs, Department of the Interior, to perform construction management activities for the Navajo Indian Irrigation Project.

## **NOTE 15. DEDICATED COLLECTIONS**

### **RECLAMATION TRUST FUNDS**

The Reclamation Trust Funds receive monies from the State of California per P.L. 102-575, Title XXXIV, Central Valley Project Improvement Act, to accomplish the following purposes:

- To protect, restore, and enhance fish, wildlife, and associated habitats in the Central Valley and Trinity River basins of California;
- To address impacts of the Central Valley Project on fish, wildlife and associated habitats;
- To improve the operational flexibility of the Central Valley Project;
- To increase water-related benefits provided by the Central Valley Project to the State of California through expanded use of voluntary water transfers and improved water conservation;

- To contribute to the State of California’s interim and long-term efforts to protect the San Francisco Bay/Sacramento-San Joaquin Delta Estuary; and
- To achieve a reasonable balance among competing demands for use of the Central Valley Project water, including the requirements of fish and wildlife, agricultural, M&I, and power contractors.

Reclamation has established unique cost centers within the accounting system for each of the specified activities under the Act. Once the activity is completed, a report is prepared for the State of California showing the monies collected and the costs incurred. Selected financial information for Reclamation Trust Funds is presented in the following table as of and for the years ended September 30, 2003 and 2002.

**Reclamation Trust Funds Dedicated Collections**  
**As of and for the years ended September 30, 2003 and 2002**  
(In Thousands)

	2003	2002
<b>Assets:</b>		
Fund Balance with Treasury	\$ 47,865	\$ 60,383
Accounts Receivable	134	3
Property, Plant and Equipment	33,528	32,469
<b>Total Assets</b>	<b>\$ 81,527</b>	<b>\$ 92,855</b>
<b>Liabilities:</b>		
Accounts Payable	\$ 764	\$ 7,105
Other Liabilities	47,286	53,460
<b>Total Liabilities</b>	<b>48,050</b>	<b>60,565</b>
<b>Total Net Position</b>	<b>33,477</b>	<b>32,290</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 81,527</b>	<b>\$ 92,855</b>
<b>Changes in Net Position</b>		
Beginning of Fiscal Year	\$ 32,290	\$ 63,511
Transfers In/Out without Reimbursement	(346)	–
Exchange Revenue – Services Provided/Other	9,191	(15,411)
Program Expenses	(7,658)	(15,810)
<b>Net Position, End of Period</b>	<b>\$ 33,477</b>	<b>\$ 32,290</b>

**U.S. Department of the Interior  
Bureau of Reclamation  
Consolidating Statement of Net Cost  
For the Year Ended September 30, 2003**

(In Thousands)	Pacific Northwest Region	Mid-Pacific Region	Lower Colorado Region
<b>Water and Energy Management and Development:</b>			
Segment Expenses for Services Provided to the Public	\$ 37,809	\$ 33,974	\$ 140,398
Segment Exchange Revenues from the Public	(16,132)	(113,560)	(39,100)
Segment Cost of Operations for Services Provided to the Public	21,677	(79,586)	101,298
Segment Expenses for Services Provided to Other Federal Entities	9,007	43,723	3,254
Segment Exchange Revenues from Other Federal Entities	(8,589)	(42,789)	(3,241)
Segment Cost of Operations for Services Provided to Other Federal Entities	418	934	13
<i>Net Segment Cost of Operations</i>	22,095	(78,652)	101,311
<b>Facilities Operations:</b>			
Segment Expenses for Services Provided to the Public	18,152	118,121	(19,132)
Segment Exchange Revenues from the Public	(7,716)	(3,529)	(15,891)
Segment Cost of Operations for Services Provided to the Public	10,436	114,592	(35,023)
Segment Expenses for Services Provided to Other Federal Entities	54,474	154	188,363
Segment Exchange Revenues from Other Federal Entities	(53,285)	(151)	(186,712)
Segment Cost of Operations for Services Provided to Other Federal Entities	1,189	3	1,651
<i>Net Segment Cost of Operations</i>	11,625	114,595	(33,372)
<b>Facilities Maintenance and Rehabilitation:</b>			
Segment Expenses for Services Provided to the Public	(818)	16,414	29,170
Segment Exchange Revenues from the Public	-	(2,803)	(5,847)
Segment Cost of Operations for Services Provided to the Public	(818)	13,611	23,323
Segment Expenses for Services Provided to Other Federal Entities	-	-	2
Segment Exchange Revenues from Other Federal Entities	-	-	(2)
Segment Cost of Operations for Services Provided to Other Federal Entities	-	-	-
<i>Net Segment Cost of Operations</i>	(818)	13,611	23,323
<b>Fish and Wildlife Management and Development:</b>			
Segment Expenses for Services Provided to the Public	13,399	67,408	12,025
Segment Exchange Revenues from the Public	-	(31,215)	(248)
Segment Cost of Operations for Services Provided to the Public	13,399	36,193	11,777
Segment Expenses for Services Provided to Other Federal Entities	-	19,353	-
Segment Exchange Revenues from Other Federal Entities	-	(19,186)	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	167	-
<i>Net Segment Cost of Operations</i>	13,399	36,360	11,777
<b>Land Management and Development:</b>			
Segment Expenses for Services Provided to the Public	7,554	7,842	4,668
Segment Exchange Revenues from the Public	(524)	(1,405)	(123)
Segment Cost of Operations for Services Provided to the Public	7,030	6,437	4,545
Segment Expenses for Services Provided to Other Federal Entities	-	-	-
Segment Exchange Revenues from Other Federal Entities	-	-	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	-	-
<i>Net Segment Cost of Operations</i>	7,030	6,437	4,545
<b>Policy and Administration:</b>			
Segment Expenses for Services Provided to the Public	1,371	1,784	2,622
Segment Exchange Revenues from the Public	-	-	-
Segment Cost of Operations for Services Provided to the Public	1,371	1,784	2,622
Segment Expenses for Services Provided to Other Federal Entities	-	-	-
Segment Exchange Revenues from Other Federal Entities	-	-	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	-	-
<i>Net Segment Cost of Operations</i>	1,371	1,784	2,622
<b>Centralized Program Support:</b>			
Segment Expenses for Services Provided to the Public	8,222	(6,421)	(15,283)
Segment Exchange Revenues from the Public	(6,604)	(1,465)	(3,343)
Segment Cost of Operations for Services Provided to the Public	1,618	(7,886)	(18,626)
Segment Expenses for Services Provided to Other Federal Entities	26,759	54,031	57,470
Segment Exchange Revenues from Other Federal Entities	(26,261)	(54,031)	(55,112)
Segment Cost of Operations for Services Provided to Other Federal Entities	498	-	2,358
<i>Net Segment Cost of Operations</i>	2,116	(7,886)	(16,268)
<b>Total Expenses for Services Provided to the Public</b>	85,689	239,122	154,468
<b>Total Exchange Revenues from the Public</b>	(30,976)	(153,977)	(64,552)
<b>Total Net Cost of Operations for Services Provided to the Public</b>	54,713	85,145	89,916
<b>Total Expenses for Services Provided to Other Federal Entities</b>	90,240	117,261	249,089
<b>Total Exchange Revenues from Other Federal Entities</b>	(88,135)	(116,157)	(245,067)
<b>Total Net Cost of Operations for Services Provided to Other Federal Entities</b>	2,105	1,104	4,022
<b>Total Net Cost of Operations</b>	\$ 56,818	\$ 86,249	\$ 93,938

Upper Colorado Region	Great Plains Region	Commissioner's Office	Combined Total	Elimination of Intrabureau Activity	Consolidated Total
\$ 75,710	\$ 131,945	\$ 27,055	\$ 446,891	\$ -	\$ 446,891
(10,027)	(54,482)	(1,762)	(235,063)	-	(235,063)
65,683	77,463	25,293	211,828	-	211,828
24,932	12,855	29,671	123,442	(11,805)	111,637
(24,744)	(12,808)	(29,648)	(121,819)	11,805	(110,014)
188	47	23	1,623	-	1,623
65,871	77,510	25,316	213,451	-	213,451
115,140	74,806	41,554	348,641	-	348,641
(19,611)	(3,146)	-	(49,893)	-	(49,893)
95,529	71,660	41,554	298,748	-	298,748
15,104	6	-	258,101	(1,902)	256,199
(14,979)	(6)	-	(255,133)	1,902	(253,231)
125	-	-	2,968	-	2,968
95,654	71,660	41,554	301,716	-	301,716
7,893	11,856	25,480	89,995	-	89,995
5,000	(30)	-	(3,680)	-	(3,680)
12,893	11,826	25,480	86,315	-	86,315
9,159	-	-	9,161	-	9,161
(8,901)	-	-	(8,903)	-	(8,903)
258	-	-	258	-	258
13,151	11,826	25,480	86,573	-	86,573
15,299	5,232	3,409	116,772	-	116,772
4,000	-	1	(27,462)	-	(27,462)
19,299	5,232	3,410	89,310	-	89,310
20,961	-	-	40,314	(3,170)	37,144
(20,799)	-	-	(39,985)	3,170	(36,815)
162	-	-	329	-	329
19,461	5,232	3,410	89,639	-	89,639
5,397	6,293	1,040	32,794	-	32,794
2,238	(2,516)	-	(2,330)	-	(2,330)
7,635	3,777	1,040	30,464	-	30,464
571	145	-	716	(143)	573
(546)	(143)	-	(689)	143	(546)
25	2	-	27	-	27
7,660	3,779	1,040	30,491	-	30,491
9,036	6,447	44,666	65,926	-	65,926
-	-	-	-	-	-
9,036	6,447	44,666	65,926	-	65,926
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,036	6,447	44,666	65,926	-	65,926
(38)	(147)	40,419	26,752	-	26,752
(3,498)	(1,882)	(11,340)	(28,132)	-	(28,132)
(3,536)	(2,029)	29,079	(1,380)	-	(1,380)
35,559	34,617	129,255	337,691	(294,157)	43,534
(34,064)	(33,313)	(124,439)	(327,220)	294,157	(33,063)
1,495	1,304	4,816	10,471	-	10,471
(2,041)	(725)	33,895	9,091	-	9,091
228,437	236,432	183,623	1,127,771	-	1,127,771
(21,898)	(62,056)	(13,101)	(346,560)	-	(346,560)
206,539	174,376	170,522	781,211	-	781,211
106,286	47,623	158,926	769,425	(311,177)	458,248
(104,033)	(46,270)	(154,087)	(753,749)	311,177	(442,572)
2,253	1,353	4,839	15,676	-	15,676
\$ 208,792	\$ 175,729	\$ 175,361	\$ 796,887	\$ -	\$ 796,887

**U.S. Department of the Interior  
Bureau of Reclamation  
Consolidating Statement of Net Cost  
For the Year Ended September 30, 2002**

(In Thousands)	Pacific Northwest Region	Mid-Pacific Region	Lower Colorado Region
<b>Water and Energy Management and Development:</b>			
Segment Expenses for Services Provided to the Public	\$ 38,907	\$ 130,719	\$ 143,573
Segment Exchange Revenues From the Public	(15,276)	(121,855)	(42,522)
Segment Cost of Operations for Services Provided to the Public	23,631	8,864	101,051
Segment Expenses for Services Provided to Other Federal Entities	(14,842)	48,210	3,800
Segment Exchange Revenues From Other Federal Entities	13,469	(47,846)	(3,788)
Segment Cost of Operations for Services Provided to Other Federal Entities	(1,373)	364	12
<i>Net Segment Cost of Operations</i>	22,258	9,228	101,063
<b>Facilities Operations:</b>			
Segment Expenses for Services Provided to the Public	10,085	117,692	(42,152)
Segment Exchange Revenues From the Public	(9,263)	4,295	2,782
Segment Cost of Operations for Services Provided to the Public	822	121,987	(39,370)
Segment Expenses for Services Provided to Other Federal Entities	67,588	-	191,051
Segment Exchange Revenues From Other Federal Entities	(66,876)	-	(189,420)
Segment Cost of Operations for Services Provided to Other Federal Entities	712	-	1,631
<i>Net Segment Cost of Operations</i>	1,534	121,987	(37,739)
<b>Facilities Maintenance and Rehabilitation:</b>			
Segment Expenses for Services Provided to the Public	10,635	14,550	29,514
Segment Exchange Revenues From the Public	-	(8,924)	(4,467)
Segment Cost of Operations for Services Provided to the Public	10,635	5,626	25,047
Segment Expenses for Services Provided to Other Federal Entities	-	-	-
Segment Exchange Revenues From Other Federal Entities	-	-	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	-	-
<i>Net Segment Cost of Operations</i>	10,635	5,626	25,047
<b>Fish and Wildlife Management and Development:</b>			
Segment Expenses for Services Provided to the Public	11,929	114,759	12,567
Segment Exchange Revenues From the Public	1,156	(28,967)	(552)
Segment Cost of Operations for Services Provided to the Public	13,085	85,792	12,015
Segment Expenses for Services Provided to Other Federal Entities	-	22,526	-
Segment Exchange Revenues From Other Federal Entities	-	(22,434)	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	92	-
<i>Net Segment Cost of Operations</i>	13,085	85,884	12,015
<b>Land Management and Development:</b>			
Segment Expenses for Services Provided to the Public	7,618	7,226	3,440
Segment Exchange Revenues From the Public	(38)	(181)	-
Segment Cost of Operations for Services Provided to the Public	7,580	7,045	3,440
Segment Expenses for Services Provided to Other Federal Entities	-	-	-
Segment Exchange Revenues From Other Federal Entities	-	-	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	-	-
<i>Net Segment Cost of Operations</i>	7,580	7,045	3,440
<b>Policy and Administration:</b>			
Segment Expenses for Services Provided to the Public	5,895	7,823	(7,595)
Segment Exchange Revenues From the Public	-	-	-
Segment Cost of Operations for Services Provided to the Public	5,895	7,823	(7,595)
Segment Expenses for Services Provided to Other Federal Entities	-	-	-
Segment Exchange Revenues From Other Federal Entities	-	-	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	-	-
<i>Net Segment Cost of Operations</i>	5,895	7,823	(7,595)
<b>Centralized Program Support:</b>			
Segment Expenses for Services Provided to the Public	10,369	11,918	(26,949)
Segment Exchange Revenues From the Public	(10,547)	(11,460)	(2,601)
Segment Cost of Operations for Services Provided to the Public	(178)	458	(29,550)
Segment Expenses for Services Provided to Other Federal Entities	22,511	35,861	62,018
Segment Exchange Revenues From Other Federal Entities	(22,090)	(35,861)	(59,400)
Segment Cost of Operations for Services Provided to Other Federal Entities	421	-	2,618
<i>Net Segment Cost of Operations</i>	243	458	(26,932)
<b>Total Expenses for Services Provided to the Public</b>	95,438	404,687	112,398
<b>Total Exchange Revenues From the Public</b>	(33,968)	(167,092)	(47,360)
<b>Total Net Cost of Operations for Services Provided to the Public</b>	61,470	237,595	65,038
<b>Total Expenses for Services Provided to Other Federal Entities</b>	75,257	106,597	256,869
<b>Total Exchange Revenues From Other Federal Entities</b>	(75,497)	(106,141)	(252,608)
<b>Total Net Cost of Operations for Services Provided to Other Federal Entities</b>	(240)	456	4,261
<b>Total Net Cost of Operations</b>	\$ 61,230	\$ 238,051	\$ 69,299

	Upper Colorado Region	Great Plains Region	Commissioner's Office	Combined Total	Elimination of Intrabureau Activity	Consolidated Total
\$	100,906	\$ 77,252	\$ 25,086	\$ 516,443	\$ -	\$ 516,443
	(20,874)	(24,310)	(7,086)	(231,923)	-	(231,923)
	80,032	52,942	18,000	284,520	-	284,520
	8,334	35,091	27,545	108,138	-	108,138
	(8,283)	(34,951)	(27,528)	(108,927)	-	(108,927)
	51	140	17	(789)	-	(789)
	80,083	53,082	18,017	283,731	-	283,731
	8,402	76,402	25,496	195,925	-	195,925
	21,785	(6,792)	-	12,807	-	12,807
	30,187	69,610	25,496	208,732	-	208,732
	43,871	(7,886)	-	294,624	-	294,624
	(43,076)	7,726	-	(291,646)	-	(291,646)
	795	(160)	-	2,978	-	2,978
	30,982	69,450	25,496	211,710	-	211,710
	13,386	8,689	19,941	96,715	-	96,715
	(9,091)	(478)	-	(22,960)	-	(22,960)
	4,295	8,211	19,941	73,755	-	73,755
	2	-	-	2	-	2
	(2)	-	-	(2)	-	(2)
	-	-	-	-	-	-
	4,295	8,211	19,941	73,755	-	73,755
	38,302	5,468	3,660	186,685	-	186,685
	(23,110)	-	(1)	(51,474)	-	(51,474)
	15,192	5,468	3,659	135,211	-	135,211
	327	-	-	22,853	-	22,853
	(325)	-	-	(22,759)	-	(22,759)
	2	-	-	94	-	94
	15,194	5,468	3,659	135,305	-	135,305
	10,615	5,595	1,067	35,561	-	35,561
	(570)	(97)	-	(886)	-	(886)
	10,045	5,498	1,067	34,675	-	34,675
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	10,045	5,498	1,067	34,675	-	34,675
	(1,184)	1,227	39,481	45,647	-	45,647
	-	-	-	-	-	-
	(1,184)	1,227	39,481	45,647	-	45,647
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(1,184)	1,227	39,481	45,647	-	45,647
	(6,598)	816	29,370	18,926	-	18,926
	736	3	(313)	(24,182)	-	(24,182)
	(5,862)	819	29,057	(5,256)	-	(5,256)
	39,474	31,948	134,543	326,355	(287,840)	38,515
	(37,869)	(30,806)	(129,938)	(315,964)	287,840	(28,124)
	1,605	1,142	4,605	10,391	-	10,391
	(4,257)	1,961	33,662	5,135	-	5,135
	163,829	175,449	144,101	1,095,902	-	1,095,902
	(31,124)	(31,674)	(7,400)	(318,618)	-	(318,618)
	132,705	143,775	136,701	777,284	-	777,284
	92,008	59,153	162,088	751,972	(287,840)	464,132
	(89,555)	(58,031)	(157,466)	(739,298)	287,840	(451,458)
	2,453	1,122	4,622	12,674	-	12,674
\$	135,158	\$ 144,897	\$ 141,323	\$ 789,958	\$ -	\$ 789,958

