

Unaudited Financial Statements

The accompanying Statement of Financial Position of the Department of the Interior as of September 30, 1994 and September 30, 1993, and the related statements of Net Cost of Operations, Statement of Custodial Activity, and Statement of Changes in Net Position have not been audited. No opinion is expressed on these statements.

The financial statements were prepared from the financial statements produced by each of the bureaus and offices of the Department, a total of 12 sets of statements. The financial information at the bureau level was subjected to audit by the Department's Inspector General. The fiscal year 1994 bureau audits resulted in 6 unqualified opinions, meaning those statements were determined by the Inspector General to be fairly stated in all material respects; 3 qualified opinions, where the statements were determined to be fairly stated except for certain specific areas such as property, plant and equipment; and 3 disclaimers of opinion, where the Inspector General was not able to express an opinion as to the financial information presented in the statements. The bureaus receiving disclaimers of opinion were, in general, the Department's largest and most complex bureaus both operationally and financially.

The Department of the Interior

U.S. Department of the Interior
Statement of Financial Position (unaudited)

as of September 30, 1994 and 1993
(dollars in thousands)

	1994	1993
ASSETS		
Current Assets		
Fund Balance with Treasury (Note 2)	\$ 4,873,092	\$ 4,552,483
Accounts Receivable:		
Public, Net of Allowance for Doubtful Accounts (Note 3)	315,936	386,719
Due from Federal Agencies	191,444	283,310
Inventory (Note 4)	112,610	89,674
Operating Materials and Supplies	22,024	27,989
Imprest Fund Cash and Other Current Assets	12,853	23,797
Total Current Assets	5,527,959	5,363,972
Property, Plant and Equipment, net of depreciation (Note 5)		
Buildings, Structures and Facilities	25,800,894	25,414,672
Equipment, Vehicles and Aircraft	1,177,790	1,189,214
Roads, Bridges and Trails	836,856	836,351
Other Property, Plant and Equipment	659,495	712,006
Total Property, Plant and Equipment	28,475,035	28,152,243
Land (Note 6)		
Other Assets		
Non-Current and Unmatured Receivables (Note 7)	3,168,895	1,498,538
Investments:		
Treasury Securities (Note 8)	1,285,232	1,188,028
Public Securities	25,343	20,503
Stockpile Materials - Helium (Note 4)	370,361	376,455
Power Rights (Note 9)	301,375	308,952
Loans Receivable, Net of Allowance for Doubtful Accounts (Note 10)	257,880	232,989
Receivable from Contracting Authority	231,101	173,726
Unmatured Timber Sales Contracts and Other (Note 11)	103,378	122,772
Total Other Assets	5,743,565	3,921,963
Assets Held on Behalf of Treasury		
Royalty Management:		
Escrow Investments (Note 8)	1,314,064	1,271,766
Fund Balance with Treasury	373,098	365,200
Accounts Receivable	300,888	424,006
Non-Royalty Management:		
Fund Balance with Treasury	165,557	166,020
Funds Transferable to Treasury and Other	98,309	23,549
Total Assets Held on Behalf of Treasury	2,251,916	2,250,541
TOTAL ASSETS	\$ 41,998,475	\$ 39,688,719
INDIAN TRUST FUNDS		
Non-Treasury Investments (Note 8)	\$ 1,934,833	\$ 1,879,445
Treasury Securities	388,697	260,033
TOTAL INDIAN TRUST FUND ASSETS	\$ 2,323,530	\$ 2,139,478

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

U.S. Department of the Interior
Statement of Financial Position (unaudited)

as of September 30, 1994 and 1993
(dollars in thousands)

	1994	1993
LIABILITIES AND NET POSITION		
Liabilities		
Liabilities Covered by Budgetary Resources		
Liabilities to the Public:		
Deferred Revenue (Note 12)	\$ 3,328,639	\$ 1,781,331
Accounts Payable to the Public	355,831	254,668
Advances and Deferred Credits (Note 13)	235,669	252,015
Accrued Payroll and Benefits (Note 14)	138,955	99,444
Other Liabilities to the Public	36,224	94,410
Total Liabilities to the Public	4,095,318	2,481,868
Liabilities to Federal Agencies:		
Royalty Collections Pending Transfer to Treasury	1,988,050	2,060,972
Notes Payable to Treasury (Note 15)	1,335,689	1,271,517
Uncollected Receipts Transferable to Treasury	104,702	149,252
Undistributed Collections	86,913	127,521
Miscellaneous Receipts Due Treasury	84,387	0
Accounts Payable	45,941	65,615
Deferred Revenue and Other	84,135	144,970
Total Liabilities to Federal Agencies	3,729,817	3,819,847
Total Liabilities Covered by Budgetary Resources	7,825,135	6,301,715
Liabilities Not Covered by Budgetary Resources		
Liabilities External to the Federal Government:		
Accrued Unfunded Annual Leave	234,317	231,044
Lease Liabilities and Other External Liabilities	86,917	64,146
Liabilities to Federal Agencies	0	7,642
Total Liabilities Not Covered by Budgetary Resources	321,234	302,832
Contingent Liabilities (Note 17)		
Total Liabilities	8,146,369	6,604,547
Net Position		
Unexpended Appropriations	4,691,109	4,528,154
Invested Capital	28,214,607	27,791,199
Cumulative Results of Operations	209,809	24,047
Other	736,581	740,772
Total Net Position	33,852,106	33,084,172
TOTAL LIABILITIES AND NET POSITION	\$ 41,998,475	\$ 39,688,719
INDIAN TRUST FUNDS		
Payable to Indian Tribes	\$ 1,867,230	\$ 1,687,511
Payable to Individuals	455,712	451,307
Other Liabilities	588	660
TOTAL INDIAN TRUST FUND LIABILITIES	\$ 2,323,530	\$ 2,139,478

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

U.S. Department of the Interior
Statement of Changes in Net Position (unaudited)

for the years ended September 30, 1994 and 1993
(dollars in thousands)

	1994	1993
Change in Net Position		
Change in Cumulative Results of Operations		
Net Cost of Operations	\$ (6,690,755)	\$ (5,609,619)
Financing Sources:		
Appropriations Expended	7,387,541	7,022,099
Royalty Collections	4,338,894	4,045,525
Transfers-out	(5,293,271)	(5,113,790)
Net Results of Operations	(257,591)	344,215
Prior Period Adjustments	443,353	(5,141,642)
Net Change in Cumulative Results of Operations	185,762	(4,797,427)
Changes in Other Net Position Accounts		
Increase in Invested Capital	423,408	818,529
Increase in Unexpended Appropriations	162,955	460,869
Other Decreases	(4,191)	(9,079)
Net Change in Other Net Position Accounts	582,172	1,270,319
Change in Net Position	767,934	(3,527,108)
Net Position - Beginning of Year	33,084,172	36,611,280
Net Position - End of Year	\$ 33,852,106	\$ 33,084,172

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

U.S. Department of the Interior
Statement of Custodial Activity (unaudited)

for the years ended September 30, 1994 and 1993
(dollars in thousands)

	1994	1993
Collections on Behalf of the Federal Government		
Mineral Lease Collections		
Rents and Royalties	\$ 3,867,021	\$ 3,894,454
Offshore Lease Sales	374,539	100,921
Other	40,260	678
Total Mineral Lease Collections	4,281,820	3,996,053
Earnings on Escrow Investments		
Interest	34,766	41,175
Amortized Discount	22,307	8,297
Total Earnings on Escrow Investments	57,073	49,472
Total Collections on Behalf of the Federal Government	\$ 4,338,893	\$ 4,045,525
Disposition of Collections		
Transferred to Others		
Department of Treasury	\$ 2,137,321	\$ 1,912,008
National Park Service	1,046,990	1,050,000
States	605,835	543,129
Bureau of Reclamation	410,751	366,593
Indian Tribes and Agencies	39,283	51,443
Other Federal Agencies	17,554	21,298
Other Transfers	22,669	7,456
Total Transferred to Others	4,280,403	3,951,927
Collections Pending Transfer	58,490	93,598
Total Disposition of Collections	\$ 4,338,893	\$ 4,045,525

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

U.S. Department of the Interior
Statement of Changes in Net Position (unaudited)

for the years ended September 30, 1994 and 1993
(dollars in thousands)

	1994	1993
Change in Net Position		
Change in Cumulative Results of Operations		
Net Cost of Operations	\$ (6,690,755)	\$ (5,609,619)
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The accompanying notes are an integral part of these financial statements.

U.S. Department of the Interior
Notes to Principal Financial Statements
as of September 30, 1994 and 1993

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Department of the Interior (DOI) is a Cabinet agency of the executive branch of the federal government. Created in 1849 by Congress as the Nation's principal conservation agency, the Department has responsibility for most of our nationally owned public lands and natural resources. This includes fostering the wisest use of land and water resources, protecting fish and wildlife, and preserving the environmental and cultural values of national parks and historic places. The Department also assesses mineral resources and works to assure that their development is in the best interest of all the people. Additionally, the Department has a major responsibility for American Indian reservation communities and for people who live in the Island Territories under United States administration.

In fulfilling its mission, the Department administers a variety of funds. These funds are categorized as follows:

- ▶ General Funds - These consist of (1) receipt accounts used to account for collections not dedicated to specific purposes and (2) expenditure accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.
- ▶ Special Funds - These consist of separate receipt and expenditure accounts established to account for receipts of the government that are ear-marked by law for a specific purpose but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts.
- ▶ Revolving Funds - These are combined receipt and expenditure accounts established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress.
- ▶ Trust Funds - These are established to account for receipts that are held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute.
- ▶ Deposit Funds - These are expenditure accounts established to account for receipts awaiting proper classification or receipts held in escrow until ownership is established when proper distribution can be made.

Notes to Principal Financial Statements

The accompanying principal financial statements include the accounts of all funds under DOI control. The principal statements do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as borrowing, which may in part be attributable to DOI.

B. Basis of Presentation

These consolidated financial statements have been prepared to report the financial position, the net cost of operations, the custodial activities, and the changes in net position of the Department as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from the books and records of the Department in accordance with guidance issued by the Federal Accounting Standards Advisory Board and the Office of Management and Budget (see Basis of Accounting Note).

C. Basis of Accounting

Transactions are recorded on both an accrual and budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. All identified FY 1994 inter-bureau transactions have been eliminated.

The principal financial statements are prepared in accordance with the following hierarchy of accounting principles and standards:

- ▶ the accounting principles, standards, and requirements approved by FASAB;
- ▶ form and content requirements for financial statements included in OMB Bulletin No. 94-01 (Form and Content of Agency Financial Statements); and
- ▶ the accounting principles and standards contained in Departmental and bureau accounting policy, procedures manuals, and/or related guidance so long as they are prevalent practices.

D. Revenues and Financing Sources

Financing sources are provided through Congressional appropriations on an annual, multi-year, and no-year basis and may be used, within statutory limits, for operating and capital expenditures and for grant payments to States and universities. Additional funds are obtained through reimbursements for services performed for other Federal agencies and the public, Abandoned Mine Land fees, Land Management Program receipts, Fish and Wildlife Program receipts, and miscellaneous receipts derived from other Departmental programs.

Notes to Principal Financial Statements

The Department's Royalty Management Program, administered by the Minerals Management Service, collects bonuses, rents, royalties, and other receipts from Federal and Indian Leases, and distributes all proceeds to the U.S. Treasury, other Federal Agencies, States, Indian Tribes, and Indian Allottees, in accordance with legislated allocation formulas. The amounts collected and transferred are disclosed in the Statement of Custodial Activities.

E. Funds with the U.S. Treasury and Cash

The Department maintains all cash accounts with the U.S. Treasury, except for imprest fund accounts. Cash receipts and disbursements are processed by Treasury. Funds with Treasury represent primarily appropriated, revolving, and trust funds available to pay current liabilities and finance authorized purchase commitments.

F. Centralized Federal Financing Activities

The Department's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the entire Federal Government. These activities include public debt and employee retirement, life insurance and health benefit programs. DOI's financial statements, however, do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

G. Property, Plant and Equipment

Property, plant and equipment are valued primarily at historical cost. The Bureau of Reclamation (BOR) is responsible for managing approximately \$19.4 billion or 68% of the Department's property, plant and equipment. Costs associated with Reclamation multipurpose plant are allocated to the various purposes (ie., power, irrigation, municipal and industrial water, fish and wildlife enhancement, recreation, flood control) through a cost allocation process. Cost associated with power, irrigation, and municipal and industrial water are reimbursable. Cost associated with some purposes, such as fish and wildlife enhancement, recreation, and flood control, are essentially nonreimbursable.

The National Park Service (NPS) manages approximately \$3.7 billion (13%) of DOI's property, plant and equipment. Currently, NPS does not depreciate its property, plant and equipment. Depreciation policy for the Park Service will be promulgated following the reconciliation of ledger accounts for property, plant and equipment and the issuance of applicable accounting standards by FASAB.

The Bureau of Indian Affairs (BIA) accounts for approximately \$3.2 billion (11%) of the Department's property, plant and equipment. Effective June 14, 1993, BIA capitalized equipment if the initial acquisition cost was \$5,000 or more and the useful life was more than one year. Prior to that date, equipment was capitalized when the acquisition cost was \$300 or more and the

Notes to Principal Financial Statements

useful life was more than one year. Current BIA accounting policy does not provide for depreciation of property, plant and subsequent. BIA plans to adopt applicable accounting standards issued by FASAB.

In general, bureau policies are that equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold is \$5,000.

Note 5 provides additional information concerning DOI's property, plant and equipment.

H. Land

The Department assigns no value to the public land it administers since recording such lands at cost provides little meaningful information. In certain instances, public domain and other lands were acquired without recorded cost. FASAB's Exposure Draft for Recommended Accounting Standards for Property, Plant, and Equipment recommends that historical cost not be provided for stewardship land. Instead, FASAB's Exposure Draft recommends that acreage and usage of public lands be provided. Note 6 provides additional information concerning land.

I. Accounts Receivable

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances. Note 3 provides additional information concerning accounts receivable.

J. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources and there is no certainty that the appropriations will be enacted.

K. Investments

The Department invests funds in U.S. government securities and public securities on behalf of Indian Trust Funds and other Interior accounts. Note 7 provides additional information concerning DOI investments.

L. Personnel Compensation and Benefits

Earned annual leave is included in personnel compensation and benefits. Sick and other types

Notes to Principal Financial Statements

of leave are expensed when used but are not accrued when earned. Annual leave is funded from current appropriations when used. An unfunded liability is recognized for earned but unused annual leave. As unused annual leave is used in the future, financing will be obtained from appropriations current at the time.

M. Retirement Plans

DOI employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The Department makes matching contributions to CSRS, but does not report CSRS assets, accumulated plan benefits, or unfunded liabilities, if any applicable to its employees. This information is reported by the Office of Personnel Management.

FERS became effective on January 1, 1987, pursuant to Public Law 99-335. Most DOI employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

N. Income Taxes

As an agency of the U.S. government, DOI is exempt from all income taxes imposed by any governing body, whether it be a Federal, State, Commonwealth of the United States, local or foreign government.

O. Principal Financial Statements

The principal financial statements of the Department of Interior are:

- Statement of Financial Position
- Statement of Net Cost of Operations
- Statement of Custodial Activity
- Statement of Changes in Net Position

P. Comparative Data

Comparative data for the prior year have been presented in order to provide an understanding of changes in financial position and operations of DOI. Entries to eliminate the effects of FY 1994 inter-bureau transactions are based on estimates. FY 1993 data do not reflect the elimination of inter-bureau transactions.

Q. Prototype Nature of Report

This prototype document addresses the consolidated annual financial report requirement

Notes to Principal Financial Statements

contained in Section 405, Title IV, of "The Government Management and Reform Act of 1994" (the Act). Section 405 of the Act states that "Not later than March 1 of 1997 and each year thereafter, the head of each executive agency ... shall prepare and submit to the Director of the Office of Management and Budget an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency."

Note 2. Fund Balance with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by the U.S. Department of the Treasury. The Fund Balance with Treasury under Current Assets represents the right of Departmental entities to draw on the U.S. Treasury for allowable operating expenditures. As of September 30, 1994, this balance was distributed as follows:

	<u>Fund Balance with Treasury</u> <u>Current Assets</u> <u>(in thousands)</u>
Fish and Wildlife Service	\$1,285,479
National Park Service	1,107,357
Bureau of Indian Affairs	998,931
Bureau of Reclamation	504,490
Bureau of Land Management	339,288
Office of Territorial and International Affairs	266,917
Bureau of Mines	95,141
Minerals Management Service	71,882
Office of Surface Mining	64,186
National Biological Service	56,645
U.S. Geological Survey	46,612
Office of Secretary	<u>36,164</u>
TOTAL	<u>\$4,873,092</u>

The Fund Balance with Treasury under Assets Held on Behalf of Treasury represents restricted amounts that are held by the Department but are not available for use in internal operations.

Notes to Principal Financial Statements

Note 3. Accounts Receivable

Accounts receivable due from the Public, net of allowance for doubtful accounts, are provided below:

	<u>Accounts Receivable</u> <u>Due from the Public</u> <u>(in thousands)</u>
Bureau of Reclamation	\$180,887
U.S. Geological Survey	72,710
Bureau of Indian Affairs	30,020
Office of Surface Mining	13,651
National Park Service	10,686
Fish and Wildlife Service	3,418
Bureau of Mines	1,497
Bureau of Land Management	1,408
National Biological Service	1,102
Other	<u>557</u>
Total	<u>\$315,936</u>

Note 4. Inventory and Stockpile Materials - Helium

The Department of the Interior maintained the following inventory as of September 30, 1994:

	<u>DOI Inventory</u> <u>(in thousands)</u>
Published Maps	\$83,676
Helium	7,913
Reclamation Inventory	7,489
Hydraulic Equipment	4,049
National Park Service Inventory	2,885
Resource Management Inventory	2,779
Gas and Storage Rights	1,082
Other Inventory	<u>2,737</u>
Total Inventory	<u>\$112,610</u>

Published maps are warehoused by the U.S. Geological Survey's (USGS) Rocky Mountain Mapping Center (RMMC) in Denver, Colorado. Although the USGS has a policy of conducting annual physical inventories, an asbestos problem at the RMMC site prevented physical inventories from being conducted during FY 1994. This problem, however, has been corrected by USGS.

Funds received from the sale of helium or other products resulting from helium operations are

Notes to Principal Financial Statements

credited to the helium production fund. This fund is available without fiscal year limitation to carry out the provisions of the "Helium Act", including any research relating to helium. Helium Fund amounts that are in excess of amounts deemed necessary by the Secretary to carry out the Helium Act and contracts negotiated thereunder are paid to Treasury and credited against any amounts borrowed from Treasury.

Note 5. Property, Plant and Equipment

Capitalization policy for property, plant and equipment is promulgated by individual DOI bureaus and offices. In general, bureau policies state that equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold is generally \$5,000.

As of September 30, 1994, DOI property, plant and equipment was valued as follows:

DOI Property, Plant and Equipment (in thousands)							
	Equipment Vehicles, and Aircraft	Buildings, Structures, and Facilities	Roads, Bridges, and Trails	General Investigation Costs	ADP Software	Other	Total
Bureau of Reclamation	\$ 80,607	\$18,667,285	-	\$559,684	\$47,278	-	\$19,354,854
National Park Service	368,043	3,361,073	-	-	468	\$14,533	3,744,117
Bureau of Indian Affairs	162,776	2,725,837	\$330,406	-	-	-	3,219,019
Bureau of Land Mgmt	85,291	276,904	506,450	-	1,043	-	869,688
Fish and Wildlife Srvc	112,663	688,503	-	-	-	-	801,166
Geological Survey	297,850	18,739	-	-	18,562	-	335,151
Bureau of Mines	40,057	62,508	-	-	771	141	103,477
Office of the Secretary	23,961	-	-	-	3,322	260	27,543
Minerals Mgmt Srvc	2,830	-	-	-	9,473	651	12,954
Other	3,712	45	-	-	3,303	6	7,066
Total	\$1,177,790	\$25,800,894	\$836,856	\$559,684	\$84,220	\$15,591	\$28,475,035

Notes to Principal Financial Statements

General Investigation Costs capitalized by the Bureau of Reclamation comprise Investigation and Development Costs (\$539,911 thousand) and Nonreimbursable Capital Investigation Cost (\$19,773 thousand). Investigation and development costs are primarily related to units or features of projects that are not planned for construction. Historically, BOR has accumulated costs in this account until the project was authorized for construction at some later date by Congress, which in some instances, was very lengthy. Once authorized, the costs are moved to the construction in progress account, and upon project completion, to a completed asset account.

Note 6. Land

As a Nation, Americans once owned nearly two billion acres of public lands. In the course of national expansion and development, public lands were sold or deeded by the Federal Government to the States and their counties and municipalities, to educational institutions, to private citizens and to industries. Other lands were set aside as national parks, forests, wildlife refuges and military installations. Currently, Federal civil and defense agencies administer about 660 million acres, or about 29% of the total 2.3 billion acres in the United States. Of the 660 million acres under federal control, approximately 442 million acres are administered by the Department of Interior, principally by the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service.

The Bureau of Land Management (BLM) has exclusive jurisdiction for about 41 percent, or 270 million acres, of the federally owned lands. Approximately one-third of this area is in the State of Alaska.

Pursuant to the landmark Federal Land Policy and Management Act of 1975, public lands under the jurisdiction of BLM are managed under the principles of multiple use and sustained yield for the benefit of all Americans. Public lands are leased to private companies providing vast amounts of oil, natural gas, and other valuable minerals. Leases to ranchers allow livestock primarily sheep and cattle, to forage on more than 170 million acres of public lands. Timber products are another valuable commodity produced from public lands. Finally, most of the public lands are available for a wide variety of recreational activities, including camping, hunting, fishing, skiing, and hiking.

The Fish and Wildlife Service administers about 91 million acres, or almost 14% of the federally owned lands. The majority of this land comprises more than 500 national wildlife refuges that provide habitat for migratory birds, endangered species, and other wildlife and wild-life oriented public recreation.

The National Park Service administers about 81 million acres, or approximately 12% of the federally owned lands. The National Park System encompasses 368 park units in 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and the Northern Mariana Islands. During FY 1994, there were approximately 265 million recreational visits and nearly 19 million overnight stays in national park areas.

Notes to Principal Financial Statements

Note 7. Non-Current Receivables

A significant increase during FY 1994 is primarily attributable to the recording of a Lowe Colorado Region Central Arizona Project repayment contract of approximately \$1.6 billion.

Note 8. Investments

Other Assets - Investments

Funds are invested by the Office of Surface Mining (OSM), the Fish and Wildlife Service (FWS), the Bureau of Indian Affairs (BIA), the Office of the Secretary (OS) and the National Park Service (NPS) on behalf of various Department of Interior accounts.

Effective October 1, 1991, Public Law 101-508 authorized the Office of Surface Mining to invest available Abandoned Mine Land (AML) trust funds in non-marketable federal securities. The Bureau of Public Debt is the sole issuer of authorized non-marketable federal securities which are available for purchase through the U.S. Treasury. OSM has authority to invest AML trust funds in bills, notes, bonds, par value special issues, and one-day certificates.

Presently, all earnings from AML investments are reinvested, providing a source of continuous funding to further enhance AML trust fund equity. However, with the enactment of Public Law 102-486 on October 24, 1994, and effective with fiscal year 1996, OSM will be required to transfer annually up to \$70 million in interest earned from the AML trust funds to the United Mine Workers Benefit fund. These AML investment proceeds will then be available to provide health benefits for certain eligible retired coal miners and their dependents.

The U.S. Treasury collects, invests, and maintains on behalf of the Fish and Wildlife Service the Aquatic Resources Trust Fund, of which the Service's Sport Fish Restoration Account is a portion thereof. The Appropriations Act of 1951 authorizes amounts equal to revenues credited during the year to be used in the subsequent fiscal year and recorded as permanent appropriations to remain available until expended. The FWS investment amount does not include FY 1994 collections held by Treasury for reporting in subsequent years.

The Bureau of Indian Affairs is authorized by Public law 98-146 to invest Irrigation and Power receipts in U.S. Government and public securities until the funds are required for project operations. BIA's investment policy is to invest funds that are not needed to cover anticipated outlays and an estimate amount to meet unexpected contingencies.

Effective with fiscal year 1994, the Office of the Secretary was delegated responsibility for investing funds contributed to the Utah Reclamation Mitigation and Conservation Account (URMCA).

Notes to Principal Financial Statements

The National Park Service administers an endowment on behalf of the Lincoln Farm Association. Investment earnings from this endowment are used to provide for maintenance and upkeep of Abraham Lincoln's birthplace.

As of September 30, 1994, the Department's investments in Treasury securities consisted of the following:

(in thousands)	<u>Cost</u>	<u>(Discount)</u>	<u>Net Cost</u>
Treasury Securities:			
Office of Surface Mining	\$1,185,795	(\$10,411)	\$1,175,384
Fish and Wildlife Service	69,062	(235)	68,827
Bureau of Indian Affairs	27,384	-	27,384
Office of the Secretary	13,680	(108)	13,572
National Park Service	<u>65</u>	<u>-</u>	<u>65</u>
Total DOI	<u>\$1,295,986</u>	<u>(\$10,754)</u>	<u>\$1,285,232</u>

Royalty Management - Escrow Investments

Pursuant to Section 7 of the Outer Continental Shelf (OCS) Lands Act, the Minerals Management Service is authorized to invest receipts from OCS leases having boundary disputes in government securities. The current investment amount results from an ongoing boundary dispute with the State of Alaska dating back to 1979. As of September 30, 1994, Royalty Management escrow investments consisted of the following:

(in thousands)	<u>Cost</u>	<u>Premium</u>	<u>Net Cost</u>
Treasury Securities	\$1,291,757	\$22,307	\$1,314,064

Indian Trust Funds

Agreements between the U.S. Government and various Indian tribes are acknowledged in the form of treaties. Ensuing U.S. Government policies and legislation continue to recognize the relationship with Indian tribes by authorizing the Secretary of the Interior (Secretary) to manage Tribal and Individual Indian Monies Trust Funds. The Secretary, in turn, has delegated this management responsibility, including accounting and reporting, to the Assistant Secretary-Indian Affairs. The Office of Trust Funds Management, Bureau of Indian Affairs, performs management of Indian Trust Funds on behalf of the Assistant Secretary - Indian Affairs.

Notes to Principal Financial Statements

Note 9. Power Rights

Power rights represent the unamortized cost of the right or privilege to use the facilities of others or the right to future power generation or power revenues when such rights are not subject to early liquidation. This account is used when assets are not properly classified as Reclamation property and equipment or loans receivable. The power rights associated with BIA's Navajo Project (\$235,304 thousands) represents the most significant portion of this asset account.

Note 10. Loans Receivable

The Credit Reform Act of 1990 (Public Law 101-508) required extensive changes in federal 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 are comprised of two components. The first component is borrowed from the U.S. Treasury with repayment provisions. Since this component is not appropriated, it is not included in the Federal Government's budget. The second component represents the subsidized portion of the loan and is funded by Congressional appropriation. While this component is not subject to repayment, it receives annual appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

Loans are accounted for as receivables after the funds are disbursed. Direct loan obligations and loan guarantee commitments made prior to FY 1992, and the resulting direct loans or loan guarantees, are reported net of an allowance for estimated uncollectible loans or estimated losses. Direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan commitments, are governed by the Credit Reform Act of 1990.

The Bureau of Reclamation and the Bureau of Indian Affairs administer DOI loan programs. BOR's programs provide Federal assistance to organizations wishing to construct or improve water resources development in the West (\$159,850 thousand). BOR currently has forty loans outstanding. Of this total, sixteen loans are delinquent and one has been referred to the Department of Justice for collection.

BIA's loan accounts comprise the Indian Direct Loan Program, Indian Loan Guarantee Program and Liquidating Fund for Loans (\$98,030 thousand). BIA provides direct and guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes.

Notes to Principal Financial Statements

As of September 30, 1994, the Department's loansreceivable balance consisted of the following:

	(in thousands)		
<u>Direct Loans and Guaranteed Loans</u>	<u>Gross Amount</u>	<u>Allowance</u>	<u>Net Amount</u>
Prior to FY 1992	\$113,021	(\$39,064)	\$73,957
After FY 1991	\$193,729	(\$9,806)	\$183,923
Total	\$306,750	(\$48,870)	\$257,880

Note 11. Unmatured Timber Sales Contracts

Unmatured timber sales contracts represent the obligation and the right of contractors to cut specific quantities of timber within a defined time period at a set price. These contracts represent future revenue to the Department which will materialize in future accounting periods as contracts are fulfilled by the cutting of timber. The unmatured balance in this account has decreased over the past several years because new contracts have not been awarded. This is due to measures taken to provide an appropriate level of protection for the Northern Spotted Owl. The protective legislation allows the cutting of timber on existing contracts, but precludes cutting on new contracts.

Note 12. Deferred Revenue

This amount is primarily an advance associated with the Bureau of Reclamation's Boulder Canyon Project. The liability will be repaid, with applicable interest, to the customers through credits included on their future power billings. The estimated repayment period extends to 2017.

Note 13. Advances and Deferred Credits

The Bureau of Reclamation receives advances from non-Federal facility users (\$166,911 thousand) which are to be applied to such charges as construction, operation and maintenance, and future power or water service billings. Approximately \$134,948 thousand represents funds advanced from power customers to BOR for the updating program related to power facilities at the Boulder Canyon Project.

Deferred credits consist primarily of unmatured timber sales contracts (\$54,887 thousand). Unmatured timber sales contracts are described in Note 11.

Note 14. Accrued Payroll and Benefits

A liability has been recognized for wages and benefits earned but not paid as of the close of September 30, 1994. Annual leave earned but not taken is recorded in the general funds as an unfunded expense to be funded by future appropriations.

Notes to Principal Financial Statements

Note 15. Notes Payable to Treasury

The Department's debt comprises amounts due Treasury for (1) the helium production fund and (2) borrowings to finance BIA loan programs established under the Indian Financing Act of 1974.

Amounts due Treasury from the Helium Fund as of September 30 are:

(in thousands)	1994	1993
Principal: *		
Net Worth Debt 1/	\$ 37,343	\$ 37,343
Additional Borrowing From Treasury 2/	<u>251,650</u>	<u>251,650</u>
Total Principal	<u>288,993</u>	<u>288,993</u>
Interest: 3/		
Beginning Balance	987,694	955,932
Interest Expense	42,873	41,762
Repayments	<u>(10,000)</u>	<u>(10,000)</u>
Ending Balance	<u>1,020,567</u>	<u>987,694</u>
 Total Debt	 1,309,560	 1,276,687
Less: Amount to be paid currently	<u>(10,000)</u>	<u>(10,000)</u>
Debt to Treasury	<u>\$1,299,560</u>	<u>\$1,266,687</u>

* *These amounts were due 25 years from the date the funds were borrowed. These funds were borrowed at different times and are now delinquent.*

1/ *Net Worth is the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund established under section 164 of Chapter 10 of Title 50 of the United States Code, enacted March 3, 1925, (prior to amendments by the Helium Act Amendments of 1960), plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma.*

2/ *Additional borrowing from Treasury are all funds borrowed under Section 167j of Chapter 10 of Title 50 of the U.S. Code which authorized acquisition and construction of helium plants and facilities and other related purposes including the purchase of helium.*

3/ *Interest on borrowing is compound interest on the debts described in 1/ and 2/ above which has not been repaid to Treasury. Interest is calculated annually at rates determined by the Secretary of the Treasury taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate on 1/ above was determined as of September 30, 1960, and the interest on 2/ above shall be determined as of the time of each borrowing.*

Notes to Principal Financial Statements

During FY 1994, the Bureau of Indian Affairs borrowed \$25,011 thousand from the U.S Treasury to finance non-long term costs of operating the loan programs authorized under the Indian Financing Act of 1974 or the Federal Credit Reform Act of 1990.

Note 16. Operating Expenses

Operating expenses by object class are provided below:

	<u>FY 1994 Expenses</u> <u>(in thousands)</u>
Salaries and Benefits	\$3,520,643
Contractual Services	1,767,793
Grants, Subsidies and Contributions	1,765,942
Rental, Communication and Utilities	331,133
Supplies and Materials	226,729
Travel and Transportation	193,036
Non-Capitalized Equipment	108,419
Printing and Reproduction	20,480
Other	<u>212,133</u>
Total	<u>\$8,146,308</u>

Operating expenses by DOI entity are provided below:

	<u>FY 1994 Expenses</u> <u>(in thousands)</u>
Bureau of Indian Affairs (BIA)	\$1,783,093
National Park Service (NPS)	1,497,177
Fish and Wildlife Service (FWS)	1,072,388
Bureau of Land Management (BLM)	998,520
U.S. Geological Survey (USGS)	888,826
Bureau of Reclamation (BOR)	866,505
Office of Territorial and International Affairs (OTIA)	341,405
Office of Surface Mining (OSM)	298,536
Minerals Management Service (MMS)	205,683
Bureau of Mines (BOM)	173,769
National Biological Service (NBS)	151,745
Office of Secretary (OS)	147,130
Inter-Bureau Adjustment	<u>(278,469)</u>
Total	<u>\$8,146,308</u>

Notes to Principal Financial Statements

DOI entity expenses can be broadly classified into the following categories:

Natural Resources	Bureau of Land Management, Bureau of Reclamation, Fish and Wildlife Service, Minerals Management Service, National Park Service, and Office of Surface Mining
Indian Affairs	Bureau of Indian Affairs
Science	Bureau of Mines, U.S. Geological Survey, and National Biological Service
Other	Office of the Secretary and Office of Territorial and International Affairs

Note 17. Contingencies

The Department has certain claims and lawsuits pending against it. The Bureau of Reclamation reports a liability for repayment to Treasury (estimated \$51,930 thousand), subject to congressional appropriation, for claim settlement payments made by Treasury during fiscal years 1990 and 1991 on behalf of Reclamation pursuant to the Contract Disputes Act of 1978. The Bureau of Indian Affairs (BIA) has an ongoing project related to the reconciliation of Indian Trust Fund accounts. Although no claims have been asserted at this time, BIA may have some financial exposure related to the previous management of these funds. The Bureau of Land Management and the Bureau of Mines report very large but inestimable contingent liabilities related to the clean up of hazardous materials on public lands or pursuant to legal action.

In the opinion of management, the cleanup of hazardous materials represents the area of greatest financial exposure confronting the Department at this time.