U.S. Department of the Interior
Notes to Principal Financial Statements
as of September 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department of the Interior (Interior or the Department) is a cabinet-level agency of the executive branch of the federal government. Created in 1849 by Congress as the Nation's principal conservation agency, Interior has responsibility for most of the Nation's publicly-owned lands and natural resources. Interior's mission is (a) to encourage and provide for the appropriate management, preservation, and operation of the Nation's public lands and natural resources for use and enjoyment both now and in the future; (b) to carry out related scientific research and investigations in support of these objectives; (c) to develop and use resources in an environmentally sound manner and provide equitable return on these resources to the American taxpayer; and (d) to carry out the trust responsibilities of the federal government with respect to American Indians and Alaska Natives.

The accompanying financial statements include all federal funds under Interior's control, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund). The financial statements do not, however, include trust funds, trust related deposit funds, or other related accounts which are administered, accounted for and maintained by Interior's Office of Trust Funds Management on behalf of Native American tribes and individuals. Interior issues financial statements for Indian Trust Funds under separate cover. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as public borrowing or tax revenue, which may in part be attributable to Interior.

B. Organization and Structure of Interior

On September 30, 2000, the Department was comprised of the following eight operating bureaus and offices (Bureaus) and Departmental Offices:

- National Park Service
- U.S. Fish and Wildlife Service
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service
- U.S. Geological Survey
- Bureau of Indian Affairs
- Departmental Offices

An overview of the operating performance of the Department and its components is presented in the Management Discussion and Analysis portion of this report. In addition, more detailed information about the bureaus and offices may be found in the individual audited financial reports prepared by the bureaus and offices.

The U.S. Bureau of Mines (USBM) was closed in 1996. Although it no longer exists, certain transactions and data related to USBM programs and activities are reflected in the Department's 2000 financial statements and notes.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, custodial activities, changes in net position, and budgetary resources of the U.S. Department of the Interior as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB) and Interior's accounting policies which are summarized in this note. These financial statements present proprietary and budgetary information while other financial reports also prepared by the Department pursuant to OMB directives are used to monitor and control the Department's use of budgetary resources.

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.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds.

D. Fund Balance with Treasury, Cash, and Other Monetary Assets

Interior maintains all cash accounts with the U.S. Treasury (Treasury) except for imprest fund accounts. The account, Fund Balance with Treasury, primarily represents appropriated, revolving, and trust funds available to pay current liabilities and finance authorized purchases. Cash disbursements are processed by Treasury, and Interior's records are reconciled with those of Treasury on a regular basis. Note 2 provides additional information concerning Fund Balance with Treasury.

E. Investments

Interior invests funds in federal government securities on behalf of various Interior programs and for amounts held in certain escrow accounts. In addition, the Bureau of Indian Affairs is authorized by law to invest irrigation and power receipts in federal and non-federal securities. Investments in non-federal securities consist of certificates of deposit from insured institutions. Note 3 provides additional information concerning investments.

F. Accounts Receivable

Accounts Receivable consists of amounts owed to Interior by other federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. 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 4 provides additional information concerning accounts receivable.

G. Inventory

Interior's inventory is primarily composed of maps for sale, helium for sale, and helium stockpile inventory. See Note 6 for information concerning inventory valuation and accounting methods.

H. Property, Plant, and Equipment

General Purpose Property, Plant, and Equipment

General purpose property, plant, and equipment consists of buildings, structures, and facilities used for general operations, power, irrigation, fish, and wildlife enhancement, and recreation; land acquired for general operating purposes; equipment, aircraft, and vehicles; and construction-in-progress. The capitalization and depreciation policies for property, plant and equipment are determined individually by Interior bureaus. In general, buildings and structures are capitalized at acquisition cost and depreciated using the straight-line amortization method over a useful life of from 20 to 50 years with the exception of dams and certain related property which are depreciated over useful lives of up to 100 years. Equipment is capitalized at acquisition cost and is depreciated using the straight-line amortization method over the useful lives of the property, generally ranging from five to 20 years. Capitalization thresholds are determined by the individual bureaus and generally range from $50,000 to $500,000 for real property and from $5,000 to $15,000 for equipment.

Stewardship Assets

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," established various categories of stewardship assets, including stewardship land and heritage assets.

The vast majority of public lands presently under the management of the Department were acquired by the federal government as public domain land during the first century of the Nation's existence and are considered to be stewardship land. A portion of these lands has been set aside as national parks, wildlife refuges and wilderness areas, while the remainder are managed for multiple use. Heritage assets are assets with historical, cultural or natural significance. The Department is responsible for maintaining a vast array of heritage assets, including national monuments, historic structures, archeological artifacts, and museum collections.

While the stewardship assets managed by the Department are priceless and irreplaceable, no financial value can be placed on them. Thus, in accordance with federal accounting standards, Interior assigns no financial value to the stewardship land or heritage assets it administers, and the property, plant, and equipment capitalized and reported on the Statement of Financial Position excludes these assets.

The stewardship assets section of this report provides additional information concerning stewardship land and heritage assets.

I. Loans and Long-Term Receivables

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated after the effective date of the Credit Reform Act, October 1, 1990, the amount of the federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. For loans obligated prior to October 1, 1990, principal, interest and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances and other direct knowledge relating to specific loans. Note 5 provides additional information concerning loans receivable.

J. Receivable from Appropriations

These amounts represent the funds obligated by the Department of Transportation for the use of the Bureau of Indian Affairs in its road construction program.

K. Investigations and Development

Investigations and development comprise reimbursable and nonreimbursable investigation and development costs incurred by the Bureau of Reclamation and related entities for water management projects that are not yet under construction. These costs are accumulated until the project is either authorized for construction or the decision is made not to undertake the project. When a project is authorized, the costs are moved to the construction in progress account, and upon project completion, to a completed asset account. Costs related to projects which will not be undertaken are written off.

L. Liabilities and Estimated Future Liability

Liabilities represent the amount of monies or other resources that are likely to be paid by Interior as the result of a transaction or event that has already occurred. The financial statements should be read with the realization that the Department of the Interior is a component of a sovereign entity, that no liability can be paid by the Department absent an appropriation of funds by Congress, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources, or unfunded liabilities, and there is no legal certainty that the appropriations will be enacted.

Estimated future liabilities are contingent liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. In accordance with federal accounting guidance, the liability for future cleanup of environmental hazards is "probable" only when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to cleanup the contamination. Thus, expected future payments for the cleanup of environmental hazards caused by others are not recognized as liabilities by Interior. Rather, these payments arise out of Interior's sovereign responsibility to protect the health and safety of the public, and are recognized in the accounting records as remediation work performed. See Note 14 for additional information regarding estimated future liability.

M. Personnel Compensation and Benefits

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees, rather than from amounts which had been appropriated to Interior as of the date of the financial statements. The amount accrued is based upon current pay of the employees.

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. At any point in time, the Department will have two types of liabilities related to workers' compensation. First, the Department will have a known, unfunded payable to DOL for the amount of actual payments made by DOL but not yet reimbursed by the Department. The Department reimburses DOL for these payments as funds are appropriated for this purpose, and, there is generally a two to three year time period between payment by DOL and receipt of appropriations by the Department. Second, the Department has an estimated, unfunded liability for future payments to existing beneficiaries as a result of past events. This estimated liability is computed by DOL using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. These actuarially computed projected annual benefit payments are discounted to present value using the Office of Management and Budget's economic assumptions for ten-year Treasury notes and bonds. This unfunded liability is recognized in accordance with SFFAS No. 4, "Managerial Cost Accounting".

Unemployment compensation insurance is paid by the Department to the Office of Personnel Management annually. Sick leave and other types of leave are expensed when used and no future liability is recognized for these amounts.

Interior employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. Most Interior 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. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, Interior contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute 10 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from Interior.

The Office of Personnel Management is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees governmentwide, including Interior employees.

N. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been made available by congressional appropriation. Thus, the existence of all financing sources is dependent upon congressional appropriation.

Appropriations: The vast majority of Interior's operating funds are appropriated by Congress to the Department from the general receipts of the Treasury. These funds are made available to the Department for a specified time period, usually one fiscal year, multiple fiscal years, or indefinitely, depending upon the intended use of the funds. For example, funds for general operations are generally made available for one fiscal year; funds for long term projects such as major construction will be available to the Department for the expected life of the project; and funds used to establish revolving fund operations are generally available indefinitely (i.e., no year funds). The Statement of Budgetary Resources presents information about the resources appropriated to the Department. This information is consistent with information presented in the budget of the United States government.

Exchange and Non-Exchange Revenue: In accordance with federal government accounting guidance, Interior classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park entrance fees; map sales; reimbursements for services performed for other federal agencies and the public; reimbursements for the cost of constructing and maintaining irrigation and water facilities; and other sales of goods and services. These revenues are presented on Interior's Statement of Net Cost of Operations and serve to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenues derive from the government's sovereign right to demand payment, including fines for violation of environmental laws, and Abandoned Mine Land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of Interior's operations and are reported on the Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by federal agencies are processed through the Department of the Treasury central accounting system. Regardless of whether they derive from exchange or non-exchange transactions, all receipts that are not earmarked by congressional appropriation for immediate departmental use are deposited in the general or special funds of the Treasury. Amounts not retained for use by the Department are reported as transfers to other government agencies on Interior's Statement of Changes in Net Position.

In certain cases, the prices charged by Interior are set by law or regulation, which for program and other reasons, may not represent full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing Sources: In certain instances, operating costs of the Department are paid out of funds appropriated to other federal agencies. For example, by law certain costs of retirement programs are paid by the Office of Personnel Management and certain legal judgements against Interior are paid from the Judgment Fund maintained by Treasury. When costs that are identifiable to Interior and directly attributable to Interior's operations are paid by other agencies, the Department recognizes these amounts as operating expenses of Interior. In addition, Interior recognizes an imputed financing source on the Statement of Changes in Net Position to indicate the funding of Department operations by other federal agencies.

Custodial Revenue: Interior's Minerals Revenue Management, administered by the Minerals Management Service, collects royalties, rents, bonuses, and other receipts from federal and Indian oil, gas, and mineral leases, and distributes the proceeds to the 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 and are not considered to be revenue of Interior or of the Minerals Management Service.

Aquatic Resources Trust Fund: The Department derives benefits from the Aquatic Resources Trust Fund maintained by the U.S. Treasury, which collects and invests those funds. These funds are used to make grants available to states for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefits from sport fish resources. The Appropriations Act of 1951 authorized amounts equal to revenues credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended. These statements do not reflect the amounts collected and held by Treasury in this fiscal year for reporting in subsequent years.

O. Federal Government Transactions

Interior's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the federal government. These activities include public debt and cash management activities and employee retirement, life insurance and health benefit programs. The financial statements of Interior do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire government. However, expenses have been recognized for expenses incurred by other agencies on behalf of Interior, including settlement of claims and litigation paid by the Department of Treasury's Judgment Fund and the partial funding of employee benefits by the Office of Personnel Management.

All identified intra-departmental transactions have been eliminated from Interior's consolidated financial statements.

P. Income Taxes

As an agency of the federal government, Interior is exempt from all income taxes imposed by any governing body, whether it be a federal, state, commonwealth, local, or foreign government.

NOTE 2. FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all federal agencies. The Fund Balance with Treasury under General represents the right of Interior to draw on Treasury for allowable expenditures. Included as part of General is Fund Balance on Behalf of Others which contains the following: (a) Royalty Collections received by the Minerals Management Service, and held by it as custodian, until disbursed to recipients; (b) certain recreation, entrance, and user fees collected at many of the parks by the National Parks Service that are to be returned to Treasury following the end of each fiscal year and are net of allowances; and (c) collections from various sources for activities related to public land administration processed by the Bureau of Land Management and may be pending further classification or resolution.

Fund Balance with Treasury also includes Restricted Fund Balance that consists of the Land and Water Conservation Fund and the Historic Preservation Fund. However, no fund assets are available for use by Interior until appropriated by Congress.

The Land and Water Conservation Fund and the Historic Preservation Fund are administered by the National Park Service. In addition, the Land and Water Conservation Fund receives a portion of the royalties and lease payments earned by the federal government from oil and gas extracted from federal lands on the Outer Continental Shelf. This fund also receives monies from sales of federal assets by the General Services Administration and other sources.

Fund Balance with Treasury

(dollars in thousands)	2000
General	
Appropriated	$5,291,897
Revolving	503,355
Trust	107,439
Fund Balance Held on Behalf of Others	573,305
Total General	6,475,996
Restricted	
Land and Water Conservation Fund	12,799,224
Historic Preservation Fund	2,152,798
Reclamation Fund	2,319,832
Total Restricted	17,271,854
Total Fund Balance with Treasury	$23,747,850

NOTE 3. INVESTMENTS

A. Investments in Treasury Securities

The Office of Surface Mining, the Minerals Management Service, the Bureau of Land Management, the U.S. Fish and Wildlife Service, the Bureau of Indian Affairs, the National Park Service, and Departmental Offices invest funds in federal government securities on behalf of various Interior programs.

Investments in Treasury Securities

(dollars in thousands)	Par Value	Amortization Method	Unamortized Premium/Discount	Net Book Value
U.S. Treasury Securities				
Office of Surface Mining	$1,847,088	Straight-line	($14,917)	$1,832,171
Minerals Management Service	979,686	Straight-line	(51,152)	928,534
U.S. Fish and Wildlife Service	406,632	Straight-line	(395)	406,237
Departmental Offices	232,126	Straight-line	(325)	231,801
Bureau of Land Management	17,694	Straight-line	(331)	17,363
Bureau of Indian Affairs	2,000	Straight-line	(5)	1,995
National Park Service	65	N/A	-	65
Total U.S. Treasury Securities	$3,485,291		($67,125)	$3,418,166

Office of Surface Mining: Effective October 1, 1991, the Office of Surface Mining was authorized to invest available Abandoned Mine Land (AML) trust funds in nonmarketable federal securities. The Bureau of Public Debt is the sole issuer of authorized nonmarketable federal securities that are available for purchase through Treasury. Surface Mining has authority to invest AML trust funds in Treasury 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.

Investments are entered at the market value with the discount accrued as amortization on premiums or discounts starting in 1999. All discount accruals prior to 1999 have been accrued as interest receivable. A portion of the investment interest earned is transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and their dependents. A total of $109 million was transferred to this fund in 2000.

U.S. Fish and Wildlife Service: The U.S. Treasury collects, invests, and maintains on behalf of the Fish and Wildlife Service (FWS) the Aquatic Resources Trust Fund, which includes FWS's Sport Fish Restoration Account. Amounts equal to revenues credited during the year may be used in subsequent fiscal years for specified purposes. The FWS investment amount does not include 2000 collections held by Treasury for reporting in subsequent years.

Investments in Treasury securities are reported at amortized cost. Amortization is recorded using the straight-line method.

Departmental Offices: Effective 1994, the Office of the Secretary (part of Departmental Offices) was delegated responsibility for investing funds contributed to the Utah Reclamation Mitigation and Conservation Account. These amounts are invested in Treasury securities which are not traded on any securities exchange, but mirror the prices of marketable securities. No interest is accrued prior to maturity. There may be some change in value due to minor changes in the market interest rate.

Commencing with 1999, Departmental Offices assumed financial responsibility, including investment activities, for the Natural Resources Damage Assessment and Restoration Fund (NRDAR). The reporting responsibility for the Indian Trust Funds, including investments in Treasury and public securities, transferred to Departmental Offices also in 1999 in accordance with OMB and FASAB guidance.

Bureau of Indian Affairs: The Bureau of Indian Affairs (BIA) invests irrigation and power receipts in U.S. Treasury and public securities until the funds are required for project operations. Federal investments are purchased under the U.S. Treasury Overnighter Program and in Treasury Bills and Notes. Treasury Bill and Note investments are recorded at par value. Discounts and premiums are recorded. Amortization is recorded using the straight-line method at the date of maturity. BIA's investments in public securities are discussed more fully below.

National Park Service: 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.

When previously issued Treasury bills are purchased by the Department, the unamortized discount is calculated by Treasury at the time of the purchase.

Minerals Management Service: Pursuant to the Outer Continental Shelf (OCS) Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes on federal securities. During 2000, a long-standing boundary dispute with the State of Alaska dating back to 1979 was resolved by the U.S. Supreme Court issuing a Final Decree in this litigation. The principal portion of the Alaska investment was $433 million and the earned interest is $1,356 million. The funds, which had been continually reinvested throughout the period of litigation, were disbursed during 2000.

The U.S. Supreme Court issued its decision in the case in June 1997, ruling in favor of the United States on all but two questions. The federal government was granted all but approximately $5.5 million of $1.8 billion in monies escrowed from leasing these disputed lands during the period of litigation, which contributed to a $1.7 billion change in untransferred collections in 2000.

In accordance with the Court's ruling, the State of Alaska received approximately $5.5 million. Half of the remaining principal, $220.8 million, was deposited into the Treasury account for rents and bonuses and half of the interest, approximately $675.8 million, was deposited into a Treasury interest account. The other half of the principal and interest was deposited to the Environmental Improvement and Restoration Fund (EIRF) during 2000. Also deposited to the EIRF will be interest earned from investments of the EIRF principal. Congress has permanently appropriated 20% of the interest earned by the EIRF to the Department of Commerce for use in the following year. The remaining 80% will remain in the fund to earn interest and may be appropriated by Congress to certain other agencies, as provided by the law.

B. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in Treasury and public securities. Investments in public securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes, and bonds. Mortgage instruments are issued by the Federal National Mortgage Association (Fannie Mae) and similar government-sponsored enterprises and government corporations. Bonds and bank notes are issued by Federal Home Loan Banks, the Federal Judiciary, and the Federal Farm Credit Banks. Investments in public securities reflect investments held by the BIA's Power and Irrigation program as of September 30, 2000, and are recorded at cost.

As stated above, Departmental Offices now have the reporting responsibility for the Indian Trust Funds, including investments in public securities as of 1999.

Investments in Public Securities

(dollars in thousands)	Par Value	Amortization Method	Unamortized Premium/Discount	Net Book Value
Public Securities				
Departmental Offices	$128,465	Straight-line	($621)	$127,844
Bureau of Indian Affairs	27,795	Straight-line	-	27,795
Total Public Securities	$156,260		($621)	$155,639

NOTE 4. ACCOUNTS RECEIVABLE

A. Due From the Public, Net of Allowance for Doubtful Accounts: Accounts receivable due to Interior from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by Interior are diverse and include the sales of water and hydroelectric power by the Bureau of Reclamation, and water testing and other scientific studies conducted for state and local governments by the U.S. Geological Survey. Fines and penalties are imposed by the Office of Surface Mining, the Minerals Management Service, the Fish and Wildlife Service, and other bureaus in the enforcement of various environmental laws and regulations. In general, receivables arising from the sales of products and services are paid more promptly and with fewer uncollectible accounts than those arising from fines and penalties.

Accounts Receivable Due From the Public

			Past Due Accounts			Allowance	
(dollars in thousands)	Unbilled	Current	1-180 days	181-365 days	Over 1 yr	for Doubtful Accounts	2000
Minerals Management Service	$353	$744,402	$16,122	$5,793	$191,592	($297,288)	$660,974
Bureau of Reclamation	265,678	6,248	4,043	460	13,300	(384)	289,345
U.S. Geological Survey	49,941	13,620	7,555	1,204	4,395	(5,718)	70,997
Indian Affairs	3,970	3,291	9,657	2,162	14,474	(14,451)	19,103
Bureau of Land Management	6,950	4,279	1,436	272	3,502	(3,791)	12,648
National Park Service	688	6,753	616	246	1,677	(844)	9,136
U.S. Fish and Wildlife Service	0	4,166	16	62	503	(340)	4,407
Office of Surface Mining	0	747	1,102	364	3,444	(3,165)	2,492
Departmental Office & Other	3	3,041	2,115	4	74	(2)	5,235
Total Accounts Receivable - Public	$327,583	$786,547	$42,662	$10,567	$232,961	($325,983)	$1,074,337

B. Due from Federal Agencies: Accounts Receivable Due from Federal Agencies arise from the sale of products and services to other federal agencies, including the sale of maps, the conduct of environmental and scientific services, and the provision of administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the federal government resulting in a lower cost of federal programs and services. All receivables from other federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts may be used occasionally to recognize billing disputes. Unbilled receivables reflect work performed to date on long term agreements, which will be billed in the future at the completion of the project or at agreed upon milestones.

Accounts Receivable Due From Federal Agencies

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts	2000
U.S. Fish and Wildlife Service	$433,077	$ -	$433,077
U.S. Geological Survey	80,802	-	80,802
Minerals Management Service	24,543	-	24,543
Bureau of Reclamation	23,315	-	23,315
National Park Service	13,717	-	13,717
Bureau of Land Management	13,600	-	13,600
Indian Affairs	13,061	-	13,061
Office of Surface Mining	10	-	10
Departmental Offices and Other	47,195	(488)	46,707
Intra-Departmental Eliminations	(100,724)	-	(100,724)
Total Accounts Receivable - Federal	$548,595	($488)	$548,107

NOTE 5. LOANS AND LONG-TERM RECEIVABLES

Direct loans and loan guarantees made during and after 1992 are accounted for in accordance with the requirements of the Credit Reform Act of 1990 and are referred to as credit reform loans. Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The Act provides that the present value of the subsidy costs associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

Prior to the Credit Reform Act, funding for loans was provided by congressional appropriation from the general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans or estimated losses.

The Bureau of Reclamation, the Bureau of Indian Affairs, the National Park Service, and Departmental Offices administer loan programs.

The Bureau of Reclamation's loan programs provide federal assistance to organizations wishing to construct or improve water resources development in the western states.

The Bureau of Indian Affairs (BIA) provides direct and guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The BIA loan program includes the Indian Direct Loan Program and Indian Loan Guarantee Program under Credit Reform and a Liquidating Fund for loans made prior to 1992. For more information on the BIA loans, see the Bureau of Indian Affairs annual report.

The National Park Service has a single loan with a balance of $5.3 million due from the Wolf Trap Foundation for the Performing Arts. The monies received for repayment of this loan may be retained until expended by the Secretary of the Interior in consultation with the Foundation for the maintenance of structures, facilities, and equipment of the park.

Through Departmental Offices, a loan was extended to the Virgin Islands, in 1977, from the Federal Financing Bank, Department of Treasury. Therefore, this loan is considered a pre-credit reform loan. The loan receivable from the Virgin Islands has an offsetting liability to the Federal Financing Bank. It has a final payment due date of January 2, 2007.

Unmatured receivables and other loans include $2,821 million due at future dates to the Bureau of Reclamation from reimbursable irrigation and Municipal and Industrial water facilities. To repay a portion of the federal investment allocated to these beneficiaries of large water and irrigation projects, BOR has entered into repayment contracts with non-federal (public) water users which convey the rights to use these facilities in exchange for annual payments. The reimbursable costs of multiple-purpose water projects are recovered from project beneficiaries. A portion of these reimbursable costs will be returned to Treasury, as they are collected.

Unmatured receivables represent the uncovered balance of this federal investment. The associated repayment is recognized as revenue, including interest if applicable, when the annual amount becomes due each year. At this time, the annual amount due is reclassified from unmatured receivables to (current) account receivable. Until revenue is recognized for these unmatured receivables, they are recorded in the offsetting liability account, Deferred Revenue.

Loans and Long-Term Receivables

(dollars in thousands)	2000
Direct and Guaranteed Loans	
Credit Reform Loans	$197,339
Allowance for Subsidy	(122,667)
Total Credit Reform, Net	74,672
Liquidating Loans	66,051
Allowance for Doubtful Accounts	(42,368)
Total Liquidating Loans, Net	23,683
Unmatured Receivables and Other Loans	2,950,401
Loan Interest Receivable	37,477
Total Loans and Long-Term Receivables	$3,086,233

NOTE 6. INVENTORY

The U.S. Geological Survey (USGS) publishes maps and map products for sale to the public and other federal agencies, which are stored primarily in the USGS Rocky Mountain Mapping Center in Denver, Colorado. The inventory is valued at historical cost.

The USGS's hydrologic equipment inventory located at the Hydrologic Instrumentation Facility can only be sold to federal agencies. A physical year-end inventory was taken and an adjusting entry was made based on the results.

The Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatizing of Interior's Federal Helium Refining Program. Under this law, Interior ceased the production, refining, and marketing of refined helium as of April 1, 1998. Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The helium stockpile inventory is stored underground in a partially depleted natural gas reservoir. The cost to purchase the stockpile helium was $ 12.058 per million cubic feet. The volume of helium is accounted for on a perpetual inventory basis. Each year the amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory.

Interior may also enter into agreements with private parties for the recovery and disposal of helium on federal lands and may grant leasehold rights to any such helium. The Bureau of Land Management believes that 95 percent of the stockpile is recoverable; however, the amount of helium that will eventually be recovered depends on the future price of helium and the ability to control the mixing of natural gas and the stockpiled helium. The sale of stockpile crude helium will commence no later than January 1, 2005, and will continue until January 1, 2015, at which time the helium reserves should be reduced to 600 million cubic feet.

Inventory

(dollars in thousands)	2000
Helium	$361,281
Published Maps Held for Sale	
And Hydrologic Equipment	15,588
Other Inventory	1,125
Operating Materials	158
Total Inventory	$ 378,152

NOTE 7. OTHER ASSETS

Other Assets consist primarily of the Bureau of Reclamation Power Rights of approximately $183 million. Of the remainder, approximately $7 million is related to activity with other federal agencies.

NOTE 8. PROPERTY, PLANT, AND EQUIPMENT

General Property, Plant and Equipment, which is presented in the following table, consists of that property which is used in operations and, with some exceptions, consumed over time. Stewardship property, described in Note 9 and in the Stewardship Assets section of the report, consists of public domain land and heritage assets, such as national monuments and historic sites, which are expected to be maintained by Interior in perpetuity for the benefit of current and future generations.

Construction In Progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. Each individual bureau sets its own policy for using the construction in progress account; however, in general, the assets are transferred out of Construction in Progress when the entire project is completed, regardless of the status of individual sub-phases of the project.

Accumulated depreciation for 2000 related to buildings, structures, and facilities; vehicles, equipment, and aircraft; and other plant and equipment totals $9,602 million, $753 million, and $21 million, respectively. Buildings, structures, and facilities include approximately $1,968 million of land.

Construction in Progress includes construction in abeyance in the amount of $652 million, of which, the Bureau of Reclamation (BOR) reports approximately $640 million. In past years, the BOR began the planning of and construction on various features included in six projects located in California, Colorado, and South and North Dakota, on which such activities have either been suspended or intended benefits never provided. Until congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of weather and time, and to keep the asset ready for potential completion. Departmental Offices reports approximately $12 million for work on the Uintah and Upalco Units under the Central Utah Project Completion Act (CUPCA).

The investment in these projects through 2000 ranges from $59 thousand to $303.6 million per project, including investigations costs, and covers a period from 1965 to present. Continued planning or construction on these assets has been held in abeyance for various reasons. Congress and local interests continue to pursue acceptable alternatives for the completion of these projects in which there has been a substantial investment.

Property, Plant, and Equipment

(dollars in thousands)	Buildings, Structures, and Facilities Gross	Construction in Progress	Equipment, Vehicles, and Aircraft Gross	Other Plant and Equipment Gross	Accumulated Depreciation	2000
Bureau of Reclamation	$19,247,255	$1,218,074	$94,054	$30,773	($7,439,761)	$13,150,395
Bureau of Indian Affairs	2,434,896	115,651	183,531	-	(1,459,765)	1,274,313
National Park Service	824,972	148,412	356,752	721	(532,913)	797,944
U.S. Fish and Wildlife Service	1,013,371	82,829	185,935	-	(505,227)	776,908
Bureau of Land Management	205,302	31,493	219,920	8,449	(218,394)	246,770
U.S. Geological Survey	120,518	-	215,330	-	(189,045)	146,803
Minerals Management Service	-	-	19,854	-	(8,444)	11,410
Office of Surface Mining	-	-	6,073	-	(3,182)	2,891
Departmental Offices and Other	42,143	222,102	45,091	7,137	(18,857)	297,616
Net Property, Plant and Equipment	$23,888,457	$1,818,561	$1,326,540	$47,080	($10,375,588)	$16,705,050

NOTE 9. STEWARDSHIP ASSETS

Stewardship Assets consist of land and other assets that have been entrusted to the Department to maintain in perpetuity for the benefit of future generations. No financial value is or can be placed on these assets.

As a Nation, the United States 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 businesses and corporations. Other lands were set aside as national parks, forests, wildlife refuges, and military installations.

For additional discussion of stewardship land, see the stewardship assets section of this report.

NOTE 10. ASSETS ANALYSIS

Assets of the Department of the Interior include entity assets, restricted assets, and nonentity assets. Entity assets are those currently available for use by the Department. Restricted assets can not be used until appropriated by Congress. Nonentity assets are currently held by Interior but will be forwarded to Treasury or other agencies at a future date. These assets are not available for use by the Department.

Interior's assets are summarized into the following categories:

Interior Assets

(dollars in thousands)	Entity	Restricted	Non-Entity	Total
Fund Balance with Treasury and Cash	$5,945,321	$17,271,854	$573,306	$23,790,481
Investments				
Treasury Securities	2,489,632	905,329	23,205	3,418,166
Public Securities	155,639	-	-	155,639
Accounts Receivable, Net				
Public, Net of Allowance for Doubtful Accounts	138,428	272,729	663,180	1,074,337
Due from Federal Agencies	533,750	14,354	3	548,107
Loans and Other Receivables	348,372	1,185,186	1,595,319	3,128,877
Property, Plant and Equipment, Net	16,705,049	-	-	16,705,049
Inventory	378,152	-	-	378,152
Other Assets				
Receivable from Appropriations	334,442	-	-	334,442
Investigations and Development	160,288	-	-	160,288
Other Assets	249,821	-	32,612	282,433
Total Assets	$27,438,894	$19,649,452	$2,887,625	$49,975,971

NOTE 11. DEFERRED REVENUE

Unearned revenue is recorded as deferred revenue until earned. The majority of the deferred revenue represents the cost of construction of capital assets reimbursable to the Bureau of Reclamation in the future, through water repayment contracts with water and other facility users. The repayments are recognized as revenue, including interest, if applicable, when the annual amounts become due each year (see also Note 5, Loans and Long-Term Receivables).

NOTE 12. LOANS DUE TO TREASURY

Interior's debt to Treasury consists of (1) the helium production fund; and (2) borrowings to finance the credit reform loan programs established under the Indian Financing Act of 1964.

Loans Due to Treasury

(dollars in thousands)	2000
Helium Fund	$1,329,204
Credit Reform Borrowings	143,996
Interest Payable	338
Total Loans Due to Treasury	$1,473,538

A. Helium Fund - Bureau of Land Management

The Helium Fund was established in the late 1950s and early 1960s to ensure that the federal government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start up capital was loaned to the helium program, with the expectation that the capital would be repaid with the proceeds of sales to other federal government users of helium. However, subsequent changes in the market price of helium and the need of government users for the commodity made the repayment of the capital, and subsequent accrued interest, impractical. Given the intra-governmental nature of the loan, unless the loan is forgiven, the funds for repayment to Treasury must come from the U.S. Treasury, either in the form of appropriations to the helium fund to repay the loan or in the form of appropriations to other government users of helium to pay the higher prices necessary to permit loan repayment.

Net Worth Debt reported in the following table reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund. It also includes any monies expended thereafter by Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. Additional borrowing from Treasury represents funds borrowed for the acquisition and construction of helium plants and facilities and other related purposes including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed. However, as funding has not been received to repay the amounts due, the amounts could not be repaid.

Interest on borrowing is compound interest on the debts described above, 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 was determined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

Loan Due to Treasury from the Helium Fund

(dollars in thousands)	2000
Principal:	
Net Worth Debt	$37,343
Additional Borrowing from Treasury	251,650
Total Principal	288,993
Interest:	
Beginning Balance	1,050,211
Repayments	(10,000)
Ending Balance	1,040,211
Total Loan Due to Treasury - Helium Fund	$1,329,204

B. Loan Due Treasury under Credit Reform

The Bureau of Indian Affairs, the Bureau of Reclamation, and Departmental Offices (Office of Insular Affairs) have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs. These amounts are repaid to Treasury as loan repayments and are received from customers (see also Note 5, Loans and Long-Term Receivables).

NOTE 13. CUSTODIAL LIABILITY AND INTRA-DEPARTMENTAL ACTIVITY

Interior collects, on behalf of the federal government, amounts from offshore lease sales, mineral rents and royalties and miscellaneous collections resulting from money received in error from mineral industry payors. By law, custodial revenues are transferred to the U.S. Treasury, National Park Service Conservation Funds, states, Bureau of Reclamation, Indian tribes and agencies, the Minerals Management Service Offshore Program, and other federal agencies. In 2000, this amounted to $8.5 billion. The Statement of Custodial Activity summarizes the collections on behalf of the federal government.

Due to the nature of Interior's operations and the appropriations language authorizing the collection and use of certain receipts, there are several instances where various revenues earned or collected by Interior are first reported as Revenue or Custodial Collections and Transfers Out. They are later appropriated to the Department for us and then are recognized as Appropriated Capital Used on the Statement of Changes in Net Position. For example:

- Custodial Revenues collected by the Minerals Management Service consist primarily of oil and gas revenues and are distributed to numerous federal agencies as detailed on the Statement of Custodial Activity. These distributions include $1,049 million to the Land and Water Conservation Fund managed by the National Park Service, $897 million to Environmental Improvement and Restoration Fund managed by the Minerals Management Service, $543 million to the Bureau of Reclamation's Reclamation Fund and $297 million to other Interior bureaus. These amounts are included in "Distribution of Custodial Revenue" on the Statement of Changes in Net Position offset primarily by "Conservation Fund Revenues and Inflows" and "Reclamation Fund Revenue and Other Revenue" on the same statement.

- Monies deposited in the Conservation Funds accumulate and continue to earn interest and may be transferred by congressional appropriation to the Federal agencies. In 2000, Conservation Fund Transfers include transfers to the Department of Agriculture of $160 million and to Interior Bureaus of $390 million. Transfers within Interior were made primarily to the Everglades Restoration Fund and to the National Park Service. These amounts are included in "Distributions from Conservation Funds" on the Statement of Changes in Net Position.

A. Royalty-In-Kind

Under the terms of standard federal oil and gas leases, the government is entitled to a share (royalty) of production removed or sold from the lease. Historically, the government has received its share-in-value, i.e., as a percentage of the sales proceeds received by the mineral lessee.

Since 1998, Minerals Management Service has initiated several Royalty-in-Kind (RIK) pilot projects to determine if RIK is in the country's best interest, and if so, under what circumstances. In some cases, taking RIK will increase the certainty of accurate royalty payments and reduce administrative costs for both industry and the government.

The Royalty-in-Kind pilot projects include the following:

(a) An onshore pilot for crude oil from federal leases in the Powder River and Big Horn Basins of Wyoming, in conjunction with the State of Wyoming, which recently moved from a pilot to an operational project.

(b) A pilot for natural gas from federal leases in the Texas 8(g) zone of the Gulf of Mexico in a partnership with the Texas General Land Office to explore ways to cost-effectively market Federal RIK gas from the 8(g) zone and State natural gas production to additional purchasers. Some 8(g) gas is also being delivered to the General Services Administration (GSA) for sale to federal facilities.

(c) A pilot for natural gas from federal properties in the Gulf of Mexico, initiated in 1999, is larger and more comprehensive than the previous two pilot projects. In addition to selling the gas competitively to the public, a portion of the gas is also transferred to GSA for sale to Federal agencies.

(d) A fourth pilot project was initiated in 2000 to address the feasibility of taking royalty crude oil from federal properties in the Gulf of Mexico. This offshore oil pilot makes the federal royalty crude available, under public competitive sales, to a broad range of qualified bidders, without limitation to those eligible under the Small Refiner RIK Program.

In 2000, the Department collected $560 million in the form of petroleum, which was transferred to the government's Strategic Petroleum Reserve managed by the U.S. Department of Energy.

The experiences gained from these pilot projects will help determine the extent to which RIK can fit into the Department's long-range plans.

NOTE 14. ESTIMATED FUTURE LIABILITY

The Department has responsibility to clean up its sites with environmental contamination, and it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the federal government. Interior has accrued liabilities where losses are determined to be probable and the amounts can be estimated. Other significant contingencies exist where a loss is reasonably possible, or where a loss is probable but an estimate cannot be determined. In some cases, once losses are certain, payments may be from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior for departmental operations.

A. Environmental Hazards

The Department is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination resulted. The major federal laws covering environmental contamination as related to Interior are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). Responsible parties, including federal agencies, are required to clean up releases of hazardous substances.

Interior has federal oversight responsibility for the Nation's national parks, wildlife refuges, and public domain lands, which comprise approximately one-fifth of the Nation's land mass. In this role, Interior is faced with many hazardous waste cleanup situations. The hazards include, among others, chemical hazards such as drums of toxic chemicals and soil and water contaminated by chemicals, and physical hazards such as open mine shafts.

Interior has an active program to find and monitor its hazardous sites, secure the affected areas, and begin remediation in priority areas. However, the vast expanse of Interior lands prevents an acre by acre review, so the exact total number of sites and a firm statement of cleanup costs are not determinable. Once a site has been identified, it may take several years to perform an evaluation of the site and determine the potential cost of remediation.

Interior has recognized an estimated liability of $269 million for sites where the Department either caused contamination or is otherwise related to it in such a way that it may be legally liable for cleanup of the hazard, and the environmental cleanup liability is probable and reasonably estimable. This estimate includes the expected future cleanup costs, or for those sites where future liability is unknown, the cost of a study necessary to evaluate cleanup requirements. Interior's total contingent liability for environmental cleanup of sites, including those where liability is considered probable and reasonably estimable, may range from $457 million to $830 million.

In addition to the limited number of cases discussed above where Interior may have created or contributed to the hazards, other hazardous conditions exist on public lands for which the Department might fund cleanup. The estimated liability excludes estimates of future mineral site restorations for which Interior will voluntarily undertake remediation without legal responsibility to do so. These costs are not included in contingent liabilities.

B. Indian Trust Funds

The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the federal government for Indian tribes and individuals. There have been long-standing, complicated problems with Indian trust fund management. The Department places a high priority on comprehensive Indian trust reform efforts, including implementation of vital improvements to systems, policies, and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals. Currently, there are claims and potential claims relating to past trust fund management for both tribal accounts and Individual Indian Money (IIM) accounts.

Several years ago, in accordance with congressional directives and the American Indian Trust Fund Management Reform Act of 1994, the Department and the Bureau of Indian Affairs contracted with a national accounting firm to conduct a five-year project to reconcile tribal trust fund account activity over a 20 year period. The report issued by the accounting firm indicated that, while there was no evidence that tribal trust funds had been lost or stolen, the method of recordkeeping was not sufficient to reconstruct all activity or to permit a complete reconciliation of the tribal accounts. Documentation to support the accuracy of some transactions could not be located. Interior presented to Congress a report that outlined proposed legislative settlement options for resolving disputed balances in tribal trust accounts. Work is underway on a legislative settlement for tribal accounts based on consultations with tribes.

In 1996, plaintiffs brought a class action lawsuit against the Interior Secretary, the Assistant Secretary-Indian Affairs, and the Secretary of the Treasury, alleging breach of trust regarding the handling of IIM trust fund accounts. The court bifurcated the case into prospective ("fixing the system") and retrospective ("correcting the accounts") relief. Regarding prospective relief, the court held in a December 1999 decision that the Defendants breached certain statutory trust duties under the Indian Trust Fund Management Reform Act by failing to establish written policies and procedures, which are necessary to render an accurate accounting of the IIM trust, in four areas: collecting from outside sources missing information, retention of IIM-related trust documents, computer and business system architecture, and staffing. The court, which retained jurisdiction for five years, directed the Defendants to establish the necessary written policies and procedures and required that quarterly status reports be filed. The federal government appealed and awaits a decision from the Court of Appeals. Regarding retrospective relief, the court ruled that the plaintiffs were seeking an accounting, not damages. The Department has asked the court to define the scope of duties to render an accounting. A second trial date has not yet been set. On April 3, 2000, the Department began an administrative proceeding to develop a process for evaluating past losses, if any, to individual Indians. Although the plaintiffs assert that potential liability is over twenty billion dollars, the Office of the Solicitor states that neither an evaluation of the probability of an unfavorable outcome nor an accurate estimate of the range of potential loss can currently be made. Moreover, the court has noted that, although the litigation is, itself, not a case that will result in money damages, resolution of this case could support a future claim for money.

No estimate is made at this time regarding any financial liability that may result from settlement from tribal accounts, the IIM class action lawsuit, and any other related claims.

C. Other Contingent Liabilities

There are numerous claims filed against the Department and its bureaus with adjudication pending. As of September 30, 2000, $698 million has been accrued in the financial statements for cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including certain judgments that have been issued against Interior and which have been appealed. These amounts exclude contingent liabilities reported on prior year financial statements regarding cases won on appeal. Cash settlements are expected to be paid out of the Judgement Fund maintained by Treasury rather than from operating resources of Interior. However, in suits brought through the Contract Disputes Act of 1978, the Department is required to reimburse the Judgement Fund from current agency appropriations.

No amounts have been accrued in the financial records for claims where the amount or probability of judgment is uncertain. One bureau is the defendant in certain litigation where the damage award being sought could amount to $1 billion or more; however, the ultimate outcome cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

In addition, other unfunded liabilities in the amount of $98 million are also included in total estimated future liability.

NOTE 15. UNEXPENDED APPROPRIATIONS

Unexpended Appropriations consist of obligated funds, unobligated funds, and unavailable authority. Obligated funds represent amounts designated for payment of goods and services ordered but not received (undelivered orders). The total balance of Undelivered Orders was over $2 billion as of September 30, 2000.

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

Unexpended Appropriations

		Unobligated		
(dollars in thousands)	Obligated	Available	Unavailable	2000
Bureau of Indian Affairs	$624,687	$476,197	$24,881	$1,125,765
National Park Service	503,195	191,831	19,235	714,261
U.S. Fish and Wildlife Service	247,545	130,208	2,822	380,575
Bureau of Land Management	182,910	104,634	-	287,544
Bureau of Reclamation	132,513	72,181	-	204,694
U.S. Geological Survey	103,310	68,678	17,122	189,110
Office of Surface Mining	23,798	9,944	4,696	38,438
Minerals Management Service	7,739	250	1,317	9,306
Departmental Offices and Other	397,081	202,967	4,015	604,063
Total Unexpended Appropriations	$2,222,778	$1,256,890	$74,088	$3,553,756

NOTE 16. OPERATING EXPENSES

By law, Interior, as an agency of the federal government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in the Department's financial condition and results. However, in certain cases, other federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by the Office of Personnel Management. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Department recognizes identified costs paid for the Department by other agencies as expenses of Interior. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Expenses paid by other agencies on behalf of Interior were $318 million in 2000 and are included in Salaries and Benefits and Other Expenses.

Operating Expenses

(dollars in thousands)	2000
Salaries and Benefits	$4,571,566
Contractual Services	2,953,722
Grant, Subsidies and Contributions	2,344,645
Rent, Communication and Utilities	513,326
Supplies and Materials	418,687
Acquisition of Non-Capitalized Property	279,446
Travel and Transportation	275,699
Acquisition of Stewardship Property	269,437
Cost of Goods Sold	121,470
Acquisition of Heritage Assets	26,618
Printing and Reproduction	27,074
Other Expenses	94,561
Intra-Departmental Eliminations	(428,909)
Total Operating Expenses	$11,467,342

The following tables reflect data provided to the Department of Treasury by Budget Functional Classification Code for inclusion in the Consolidated Financial Statements of the federal government, based on guidance and direction from the Department of Treasury. These BFC codes are established by the Office of Management and Budget and the Department of Treasury for governmentwide reporting purposes and differ from the classifications used for the Department's segment reporting.

Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue [1]	Net Cost
Natural Resources	$9,416,916	($4,476,766)	$4,940,150
Transportation	269,746	0	269,746
Community and Regional Development	2,259,783	(229,898)	2,029,885
Education and Training	81,312	(370)	80,942
General Government	607,248	(25,770)	581,478
Other	545,564	(5,123,756)	(4,578,192)
Total Gross Cost and Earned Revenue by Budget Functional Classification	$13,180,569	($9,856,560)	$3,324,010
Conservation Funds, Custodial Revenues, and Other	(6,818)	6,801,877	(6,795,059)
Intra-Departmental Eliminations	(893,956)	855,151	(38,805)
Department of the Interior's Net Cost of Operations	$12,279,795	($2,199,532)	$10,080,263

[1] Earned Revenue includes $6,241 million of Conservation Fund and Custodial Revenue not presented on the Department's Statement of Net Cost of Operations. To prevent double counting by Treasury, this amount excludes Custodial Revenue transferred to the Conservation Fund and certain other federal agencies.

Intra-Governmental Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue	Net Cost
Natural Resources	$ 1,946,091	$ (1,620,328)	$ 325,763
Transportation	13,545	-	13,545
Community and Regional Development	286,956	(156,649)	130,307
Education and Training	10,992	(215)	10,777
General Government	35,835	(8,792)	27,043
Other	58,436	(218,872)	(160,436)
Total Intra-governmental Gross Cost and Earned Revenue by Budget Functional Classification	$ 2,351,855	$ (2,004,856)	$ 346,999
Conservation Funds, Custodial Revenues, and Other	-	94,054	94,054
Intra-Departmental Eliminations	(893,916)	855,090	(38,826)
Department of the Interior's Net Cost of Operations	$ 1,457,939	$ (1,055,712)	$ 402,227

NOTE 17. RECLAMATION FUND REVENUES

The Bureau of Reclamation's Reclamation Fund is a special receipt fund into which a substantial portion of Reclamation's revenues are deposited, primarily consisting of repayment of capital investment costs, deposits of federal mineral royalties, and hydropower transmission revenue. Under federal accounting guidance, the minerals royalties portion is treated as non-exchange revenue by the BOR. Therefore, this line includes $528.1 million of such revenue for 2000.

NOTE 18. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are used to reflect the retroactive impact of newly adopted accounting standards, policies, and correction of errors in the current period.

Change in accounting standard: The Department of Treasury recently issued guidance that redefined the treatment of unexpended appropriations beginning in 2000. The unexpended appropriations now include only those appropriations associated with resources received from Treasury's General Fund. Appropriations realized and recorded as "budget authority from special receipt revenues" that do not flow through Treasury's General Fund are considered part of Cumulative Results of Operations rather than Unexpended Appropriations. This required a restatement of the beginning balances in Unexpended Appropriations and Cumulative Results of Operations. Net Position balances generated from sources other than appropriations from Treasury's General Fund were reclassified from Unexpended Appropriations to Cumulative Results of Operations. A separate line was created on the Statement of Changes in Net Position to record the change.

Correction of errors: The Bureau of Reclamation recorded prior period adjustments of $749 million. Of this amount, $415.9 million represents previously capitalized Investigation and Development costs that were expensed due to a change in accounting principle and $333.1 million represents a decrease to capitalized asset depreciation and dispositions that should have been expensed upon review of capitalization criteria.

Prior Period Adjustments

(dollars in thousands)	2000
Change in Accounting	$2,158,871
Corrections of Prior Year Data	
Accounting for Construction and related activity at the Bureau of Reclamation	(748,781)
Other Changes and Corrections	43,428
Total Prior Period Adjustments	$1,453,518

NOTE 19. APPROPRIATIONS AVAILABLE FOR INVESTMENT, NOT OBLIGATION

Appropriations Available for Investment, Not Obligation consist of amounts in the Office of Surface Mining's Abandoned Mine Land (AML) Fund totaling $1,507 million and in the Minerals Management Service's Environmental Improvement and Restoration Fund (EIRF) totaling $905 million. The AML and the EIRF amounts are shown under budget authority as Appropriation Available for Investment, Not Obligation because the collections into these funds are available for investment in Treasury Securities. These amounts are not available to fund Department operations without an appropriation from Congress.

The AML Fund was established by law for the deposit of coal reclamation fees levied per ton of coal produced. Congress appropriates amounts out of the AML Fund for the reclamation of lands formerly used for coal production. The EIRF was established in fiscal year 2000. Congress has permanently appropriated 20 percent of the interest earned by the EIRF to the Department of Commerce. The principal and remaining 80 percent of annual interest earned will remain in the Fund to earn interest unless otherwise appropriated by Congress.

NOTE 20. INDIAN TRUST FUNDS

The Department, through the Office of the Special Trustee (OST), maintains approximately 1,400 accounts for tribal and other special trust fund entities (including the Alaska Native Escrow Fund) with combined monetary assets in excess of $2.7 billion. The OST also maintains about 270,000 Individual Indian Monies (IIM) accounts with a fund balance of approximately $400 million.

The balances that have accumulated in the tribal trust funds have generally resulted from land use agreements, royalties on natural resource depletion, tribal enterprises related to trust resources, judgment awards, settlement of Indian claims, and investment income.

The IIM Fund is primarily a deposit fund for individuals who have a beneficial interest in the trust funds. IIM account holders realize receipts primarily from royalties on natural resource depletion, land use agreements, and enterprises having a direct relationship to trust fund resources and investment income.

The Tribal and Other Special Trust Funds contain the following three categories of trust funds as delineated by OMB and the Interior Solicitor:

1. Funds held for Indian tribes and other special trust funds (considered non-federal monies).

2. Funds held for Indian tribes and other special trust funds but pending some official action by the tribes (considered federal monies).

3. Funds held for the Department of the Interior that will either revert back to the federal government upon certain conditions, or the corpus of the fund is non-expendable (considered federal monies).

The balances held for the above three categories are reflected as separate components of the fund balance in the Tribal and Other Special Trust Funds financial statements. Categories 2 and 3 are reflected in the Department of Interior's financial statements.

Summaries of the Tribal and Other Special Trust Funds, and Individual Indian Monies Trust Funds financial statements are presented on the next page. The amounts in the summaries do not include trust land managed by the Department. The financial statements supporting these summaries are audited by external independent auditors (with Office of Inspector General oversight) who express qualified opinions due to:

- Unreconcilable differences of approximately $35,000,000 between the total cash balances reflected by the Office of Trust Fund Management (OTFM) for Tribal and Other Special Trust Funds, and Individual Indian Monies and the balances reported by Treasury as of September 30, 2000. These differences have remained constant at approximately $35,000,000 since 1995. Treasury reports reflect balances less than OTFM balances. Issue papers and proposed action plans for these differences have been shared with departmental personnel and are the subject of interdepartmental discussions.

- Inadequacies in various Indian Trust Fund accounting systems and subsystems.

- Inadequate controls, records, and deficiencies in internal controls.

- Disagreement from certain trust fund beneficiaries with regard to their reported balances.

For more information, see Note 14, Estimated Future Liability.

Tribal and Other Special Trust Funds
Combined Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2000
(dollars in thousands)

	2000
ASSETS	
Current Assets	
Cash with U.S. Treasury	$327
Investments	2,735,859
TOTAL ASSETS	$2,736,186
TRUST FUND BALANCES	
Held for Indian Tribes and Other Special Trust Funds	$2,558,638
Held for Indian Tribes and Other Special Trust Funds - Pending Action to be taken by the Tribe	61,896
Held for Department of Interior and considered to be U.S. Government Funds	115,652
TOTAL TRUST FUND BALANCES	$2,736,186

Tribal and Other Special Trust Funds
Combined Statement of Changes in Trust Fund Balances - Cash Basis
for the year ended September 30, 2000
(dollars in thousands)

	2000
Receipts	$495,824
Disbursements	355,391
Receipts in Excess of Disbursements	140,433
Trust Fund Balances - Beginning of Year	2,595,753
Trust Fund Balances - End of Year	$2,736,186

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
as of September 30, 2000
(dollars in thousands)

	2000
ASSETS	
Current Assets	
Cash with U.S. Treasury	$632
Investments	393,790
Accrued Interest Receivable	5,447
TOTAL ASSETS	399,869
TRUST FUND BALANCES, Held for Individual Indians	$399,869

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
for the year ended September 30, 2000
(dollars in thousands)

	2000
Receipts	$245,164
Disbursements	294,575
Receipts in Excess of Disbursements	(49,411)
Trust Fund Balances - Beginning of Year	449,280
Trust Fund Balances - End of Year	$399,869

NOTE 21. SUBSEQUENT EVENT

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

In an unrelated case—Red Lake Band of Chippewa Indians v. United States—the parties reached a settlement after the end of the fiscal year in which the court approved on January 15, 2001. The settlement includes payment of $53.5 million to the Band by the United States from the Judgement Fund.

These expenses will be reflected in the Department's 2001 financial statements.

NOTE 22. WORKING CAPITAL FUNDS

Interior has four working capital funds established by law to finance a continuing cycle of operations, with the receipts from the operations available for use by the funds without further action by Congress. The four working capital funds, which operate as revolving funds, are established in the Bureau of Reclamation, the Office of the Secretary, the Bureau of Land Management, and the U.S. Geological Survey. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Interior bureaus and offices and other federal agencies; however, some services are provided to states and nongovernment entities. Some of the significant services provided to customers consist of central reproduction, telecommunications, aircraft services, supplies, publications, training, computer processing and related activities, engineering and technical services, and certain cross-servicing activities such as payroll, personnel, and financial and accounting services. The services provided by the working capital funds are usually those that may be performed more advantageously on a reimbursable basis. In addition, Interior manages the Interior Franchise Fund that is a part of the Franchise Fund Pilot program authorized by the Government Management Reform Act (GMRA) of 1994.

The IFF's authorizing legislation is scheduled to expire October 1, 2001. This creates an uncertainty about the IFF's ability to continue as a going concern. The ability of the IFF to continue as a going concern is dependent on the renewal of their authorizing legislation. Management is exploring alternatives based on congressional actions to address the Franchise Fund Pilot Program sunset provision in the GMRA or other specific departmental remedies. The financial statements do not include any adjustments that might be necessary if the IFF is unable to continue as a going concern.

The following condensed information about assets, liabilities, and net position of the Interior working capital funds is summarized for the year ended September 30, 2000. The financial information presented includes intra-departmental transactions.

U.S. Department of the Interior
Supplemental Statement of Financial Position
Combined Working Capital Funds
as of September 30, 2000
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
Assets						
Fund Balance with Treasury & Cash	$47,233	$38,245	$57,024	$61,552	$85,336	$289,390
Accounts Receivable	9,261	-	2,901	27,375	16,887	56,424
Property Plant & Equipment	37,295	56,446	4,246	32,701	-	130,688
Other Assets	-	138	(6)	2,039	1,321	3,492
Total Assets	$93,789	$94,829	$64,165	$123,667	$103,544	$479,994
Liabilities and Net Position						
Liabilities to the Public						
Accounts Payable and Other	$7,063	$163	$4,725	$23,258	$22	$35,231
Liabilities to Federal Agencies						
Accounts Payable and Other	11,247	1,730	56,387	15,085	103,488	187,937
Total Liabilities	18,310	1,893	61,112	38,343	103,510	223,168
Net Position						
Cumulative Results of Operations	75,479	92,936	3,053	85,324	34	256,826
Total Net Position	75,479	92,936	3,053	85,324	34	256,826
Total Liabilities and Net Position	$93,789	$94,829	$64,165	$123,667	$103,544	$479,994

U.S. Department of the Interior
Supplemental Statement of Operations
Combined Working Capital Funds
for the year ended September 30, 2000
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
Expenses						
Operating Expenses	$280,551	$8,386	$35,745	$268,376	$121,301	$714,359
Depreciation and Amortization	6,606	9,135	424	2,704	-	18,869
Contingent Expense	-	-	-	1,375	-	1,375
Net Loss (Gain) on Disposition of Assets	198	(400)	-	(38)	-	(240)
Bad Debt Expense	11	-	-	-	488	499
Other Expenses	3	-	1	49	-	53
Total Expenses	$287,369	$17,121	$36,170	$272,466	$121,789	$734,915
Revenues						
Sales of Goods and Services to the Public	$26,346	$62	$0	$1,985	$3,654	$32,047
Sales of Goods and Services to Federal Agencies	255,248	21,585	36,730	270,404	118,249	702,216
Other Revenues	(6)	3,659	-	5,231	-	8,884
Total Revenues	281,588	25,306	36,730	277,620	121,903	743,147
Net Cost of (Profit From) Operations	$5,781	($8,185)	($560)	($5,154)	($114)	($8,232)