

United States Government Notes to the Financial Statements for the Years Ended September 30, 2001 and September 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

This *Financial Report* includes the financial status and activities of the executive branch and most of the legislative branch, and the expenses of the judicial branch of the Government. This includes corporations that are part of the Government. The Appendix contains a list of significant Government entities included in these financial statements, as well as a partial list of entities excluded. The financial reporting period ends September 30 and is the same used for the annual budget.

Material intragovernmental transactions were eliminated in consolidation, except as described in Note 16—Unreconciled Transactions Affecting the Change in Net Position.

B. Basis of Accounting and Revenue Recognition

This *Financial Report* is based on Generally Accepted Accounting Principles (GAAP). These principles typically recognize:

- Expenses when incurred.
- Non-exchange (unearned) revenues on a modified cash basis of accounting. Non-exchange revenues arise primarily from the exercise of the Government's power to tax and levy duties, fines and penalties. Remittances of non-exchange revenue are recognized when received. Related receivables are recognized when measurable and legally collectible. Refunds and other offsets are recognized when measurable and legally payable and are netted against non-exchange revenue.
- Exchange (earned) revenues when earned. Exchange (earned) revenues arise when a Government entity provides goods and services to the public for a price. Earned revenue represents revenue earned from user charges, such as admission fees to Federal parks and insurance premiums that are recognized when the Government provides the goods or services.

This basis of accounting differs from that used for budgetary reporting, which is primarily on a cash basis according to accepted budget concepts and policies. (See "Reconciliations of Net Operating Revenue/(Cost) to the Budget Surplus (Unaudited)" page 50.)

This Financial Report presents comparative fiscal 2000 data. Some balances previously reported for fiscal 2000 are restated. The ending net position for fiscal 2000 was restated from (\$5,937.1) billion to (\$5,945.4) billion. This change was the net of certain restatements of agencies' fiscal 2000 financial statements.

In fiscal 2001, two new financial statements were added: Reconciliations of Net Operating Revenue/(Cost) to the Budget Surplus (Unaudited) and Dispositions of the Budget Surplus (Unaudited). Both statements are unaudited for fiscal 2001.

New for fiscal 2001 is the implementation of SFFAS No. 10 (Accounting for Internal Use Software). Under the provisions of this statement, internal use software is classified as "general property, plant and equipment" as defined in SFFAS No. 6 (Accounting for Property, Plant and Equipment). This standard requires the capitalization of the cost of internal use software whether it is commercial (off-the-shelf), contractor-developed, or developed internally. The standard also provides guidance regarding the types of cost elements to capitalize, the timing thresholds, amortization periods, and other help.

C. Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after fiscal 1991 are reported based on the present value of the net cashflows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during a year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before fiscal 1992 are valued under two different methodologies within the Government: the allowance-for-loss method and the present-value method. Under the allowance-for-loss method, the outstanding principal of direct loans is reduced by an allowance for uncollectible amounts; the liability for loan guarantees is the amount the agency estimates would more likely than not require future cash outflow to pay default claims.

Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cashflows. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.

D. Accounts and Taxes Receivable

“Accounts Receivable” represents claims to cash or other assets from entities outside the Government that arise from the sale of goods or services, duties, fines, certain license fees, recoveries, or other provisions of the law.

The category of “Taxes Receivable” consists primarily of uncollected tax assessments, penalties, and interest when taxpayers have agreed the amounts are owed, or a court has determined the assessments are owed. The Balance Sheets do not include unpaid assessments when neither taxpayers nor a court have agreed that the amounts are owed (compliance assessments) or the Government does not expect further collections due to factors such as the taxpayer’s death, bankruptcy, or insolvency (writeoffs). Taxes receivable are reported net of an allowance for the estimated portion deemed to be uncollectible.

E. Inventories and Related Property

“Inventories” within the Government are valued using historical cost, net realizable value, and latest acquisition cost (see Note 6—Inventories and Related Property). Historical cost methods include first-in-first-out, weighted average, and moving average. Estimated repair costs reduce the value of inventory held for repair. Excess, obsolete, and unserviceable inventories are valued at estimated net realizable values. When latest acquisition cost is used to value inventory held for sale, it is adjusted for holding gains and losses in order to approximate historical cost.

The related property portion of the Inventory and Related Property line includes Operating Materials and Supplies, Stockpile Materials, Commodities, Seized and Monetary Instruments, and Forfeited Property. Operating Materials and Supplies are valued at historical cost, latest acquisition cost, and standard price using the consumption method of accounting. Operating Materials and Supplies that are valued at latest acquisition cost and standard pricing are not adjusted for holding gains and losses.

F. Property, Plant and Equipment

“Property, Plant and Equipment” used in Government operations are carried at cost. Depreciation and amortization expense applies to property, plant and equipment reported on the Balance Sheets except for land, unlimited duration land rights, and construction in progress. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. Refer to the Stewardship Information section for assets excluded in this section.

G. Federal Employee and Veteran Benefits Payable

Federal employee and veteran benefits payable are recorded during the time employee services are rendered. The related liabilities for defined benefit pension plans and post-retirement health benefits are recorded at estimated present value of future benefits, less the estimated present value of future normal cost contributions.

Normal cost is the portion of the actuarial present value of projected benefits allocated as an expense for employee services rendered in the current year. Actuarial gains and losses (and prior and past service cost, if any) are recognized immediately in the year they occur, without amortization. Due to the effect of Public Law No. 106-398 (National Defense Authorization Act), TRICARE benefits are extended to veterans, and the present value of the future liability is an expense in the current year.

H. Environmental and Disposal Liabilities

“Environmental and Disposal Liabilities” are recorded at the estimated current cost of removing, containing and/or disposing of hazardous waste and environmental contamination, assuming the use of current technology. Hazardous waste is a solid, liquid, or gaseous waste that, because of its quantity or concentration, presents a potential hazard to human health or the environment. Remediation consists of removal, decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure cost, treatment, and/or safe containment. Where technology does not exist to clean up hazardous waste, only the estimable portion of the liability, typically safe containment, is recorded.

I. Deferred Maintenance

“Deferred Maintenance” is maintenance that was not performed when it should have been or scheduled maintenance that was delayed or postponed. Maintenance is the act of keeping fixed assets in acceptable condition, including preventative maintenance, normal repairs, and other activities needed to preserve the assets, so they continue to provide acceptable services and achieve their expected life. Maintenance excludes activities aimed at expanding the capacity of assets or otherwise upgrading them to serve needs different from those originally intended. Deferred maintenance information is disclosed in the Supplemental Information to the Financial Statements.

Deferred maintenance expenses are not accrued in the Statements of Net Cost or recognized as liabilities on the Balance Sheets.

J. Commitments and Contingencies

In the normal course of business, the Government has a number of unfulfilled commitments that will require the use of its financial resources. Note 18—Commitments and Contingencies describes the components of the Government’s actual commitments that need to be disclosed because of their nature and/or their amount. They include “Long-term Leases,” “Undelivered Orders,” and “Other Commitments.”

Liabilities for contingencies are recognized on the Balance Sheets when both:

- A past transaction or event has occurred.
- A future outflow or other sacrifice of resources is probable and measurable.

The estimated contingent liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, then that amount is recognized. If no amount within the range is a better estimate than any other amount, then the minimum amount in the range is recognized.

Contingent liabilities that do not meet the above criteria for recognition, but for which there is at least a reasonable possibility that a loss has been incurred, are disclosed in Note 18.

K. Social Insurance

A liability for social insurance programs (Social Security, Medicare, railroad retirement, black lung and unemployment) is recognized for any unpaid amounts due as of the reporting date. No liability is recognized for future benefit payments not yet due. For further information, see the Stewardship Information section on Stewardship Responsibilities and Note 19—Dedicated Collections.

L. Related Party Transactions

Federal Reserve Banks (FRBs), which are not part of the reporting entity, serve as the Government's depository and fiscal agent. They process Federal payments and deposits to the Department of the Treasury's (Treasury's) account and service Treasury securities. FRBs owned \$558 billion and \$527 billion of Treasury securities held by the public as of September 30, 2001 and 2000, respectively. FRB earnings that exceed statutory amounts of surplus established for FRBs are paid to the Government and are recognized as non-exchange revenue. Those earnings totaled \$26.1 billion and \$32.3 billion for the years ended September 30, 2001, and September 30, 2000, respectively. The primary source of these earnings is from interest earned on Treasury securities held by the FRBs.

FRBs issue Federal Reserve notes, the circulating currency of the United States. Specific assets owned by FRBs, typically Treasury securities, collateralize these notes. Federal Reserve notes are backed by the full faith and credit of the Government.

The Government does not guarantee payment of the liabilities of Government-sponsored enterprises such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, which are privately owned. These enterprises also are excluded from the reporting entity.

Note 2. Cash and Other Monetary Assets

Cash and Other Monetary Assets as of September 30

(In billions of dollars)	2001	2000
Operating cash	44.2	52.7
Other cash	14.2	3.6
Total cash.....	58.4	56.3
International monetary assets	38.1	35.2
Gold	10.9	10.9
Domestic monetary assets	0.6	2.5
Total cash and other monetary assets.....	<u>108.0</u>	<u>104.9</u>

Cash

Total cash consists of:

- Operating cash of the Government representing balances from tax collections, custom duties, other revenues, Federal receipts, and other various receipts, which are held in the Federal Reserve Banks, foreign and domestic financial institutions, and in the U.S. Treasury tax and loan accounts.

- Other cash representing the balances of petty cash and other funds held in agencies' books, plus time deposits in financial institutions, and are net of checks outstanding.

The Government maintains formal arrangements with numerous banks to maintain time deposits known as "compensating balances." These balances, which are included in other cash, totaled \$13.4 billion and \$6.0 billion as of September 30, 2001, and 2000, respectively, compensate the banks for services provided to the Government, such as maintaining zero-balance accounts for the collection of public monies. Operating cash of the Government is either insured (for balances less than \$100,000) by the Federal Deposit Insurance Corporation, or collateralized by securities pledged by the depository institutions and held by the FRBs.

International Monetary Assets

"International monetary assets" include the U.S. reserve position in the International Monetary Fund (IMF), U.S. holdings of Special Drawing Rights (SDRs), official reserves of foreign currency, and gold.

The U.S. reserve position in the IMF reflects the reserve asset portion of the financial subscription that the United States has paid in as part of its participation in the IMF. The IMF promotes international monetary cooperation and a stable payments system to facilitate growth in the world economy. Its primary activities are surveillance of member economies, financial assistance as appropriate, and technical assistance.

Only a portion of the required payment to the IMF is made in the form of reserve assets; the remainder is payable in the form of a letter of credit from the United States to the IMF.

The balance available under the letter of credit totaled \$29.3 billion and \$34.4 billion for the years ended September 30, 2001, and September 30, 2000, respectively. The U.S. reserve position in the IMF has a U.S. dollar equivalent of \$18.4 billion and \$13.7 billion for the years ended September 30, 2001, and September 30, 2000, respectively.

SDRs are interest-bearing assets obtained through either IMF allocations, transactions with IMF member countries, interest earnings on SDR holdings, or U.S. reserve position in the IMF. SDR holdings are an asset of Treasury's Exchange Stabilization Fund (ESF), which held SDRs totaling \$10.9 billion and \$10.3 billion equivalent for the years ended September 30, 2001, and September 30, 2000, respectively.

The IMF allocates SDRs to its members in proportion to each member's quota in the IMF. The SDR Act of 1968 authorized the Secretary of the Treasury to issue SDR Certificates (SDRCs) to the Federal Reserve in exchange for dollars. The amount of SDRCs outstanding cannot exceed the dollar value of SDR holdings. The Secretary of the Treasury determines when Treasury will issue or redeem SDRCs. SDRCs outstanding totaled \$2.2 billion and \$3.2 billion for the years ended September 30, 2001, and September 30, 2000, respectively, and are included in Note 14—Other Liabilities.

As of September 30, 2001 and 2000, "Other Liabilities" included \$6.3 billion and \$6.4 billion respectively, interest-bearing liability, to the IMF on the ESF balance sheet for SDR allocations. The SDR allocation item represents the cumulative total of SDRs distributed by the IMF to the United States in allocations that occurred in 1970, 1972, 1979, 1980 and 1981.

Gold

"Gold" is valued at the statutory price of \$42.2222 per fine troy ounce. The number of fine troy ounces was 258,713,310 and 258,713,310, as of September 30, 2001, and 2000 respectively. The market value of gold on the London Fixing as of the reporting date was \$293.10 and \$273.65 per fine troy ounce for the years ended September 30, 2001, and September 30, 2000, respectively. Gold totaling \$10.9 billion for each year ended September 30, 2001, and September 30, 2000, was pledged as collateral for gold certificates issued and authorized to the FRBs by the Secretary of the Treasury. Treasury may redeem the gold certificates at any time. See Note 14—Other Liabilities.

Domestic Monetary Assets

"Domestic Monetary Assets" consist of liquid assets, other than cash, that are based on the U.S. dollar, including coins, silver bullion, and other coinage metals.

Note 3. Accounts Receivable

The category of "Accounts Receivable," that includes related interest receivable, represents claims to cash or other assets from entities outside the Government. An allowance for estimated losses due to uncollectible amounts is established when it is more likely than not the receivables will not be totally collected. The allowance method varies among the agencies in the Government. Methods include statistical sampling of receivables, specific identification and intensive analysis of each case, aging methodologies, and percentage of total receivables based on historical collection. Accounts receivable are net of an allowance for uncollectible accounts: The amounts are \$17.2 billion and \$15.8 billion for the years ended September 30, 2001, and September 30, 2000, respectively.

Accounts Receivable as of September 30

(In billions of dollars)	2001	2000
Agency:		
Department of Defense	4.6	4.7
Department of Energy	4.6	4.4
Social Security Administration	4.4	4.7
Department of Health and Human Services	4.2	4.0
Department of Education	2.6	2.3
Department of Agriculture	2.3	1.8
Export-Import Bank of the United States	1.8	-
Department of Interior	1.6	1.1
Department of Veterans Affairs	1.3	1.0
Federal Communications Commission	0.8	0.1
Department of Housing and Urban Development	0.8	1.0
Tennessee Valley Authority	0.7	0.7
Department of Labor	0.6	0.5
Environmental Protection Agency	0.5	0.7
Department of the Treasury	0.5	0.7
All other departments	2.9	4.6
Total accounts receivable.....	<u>34.2</u>	<u>32.3</u>

Note 4. Loans Receivable and Loan Guarantee Liabilities

The Government uses two methods, direct loans and loan guarantee programs, to accomplish the same goals. These goals are to promote the Nation's welfare by making direct loans and guaranteeing non-Federal loans to segments of the population not served adequately by non-Federal institutions. For those unable to afford credit at the market rate, Federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For those to whom non-Federal financial institutions are reluctant to grant credit because of the high risk involved, Federal credit programs guarantee the payment of these non-Federal loans and absorb the cost of defaults.

The long-term cost of loans and guarantees outstanding for loans obligated or guarantees committed after fiscal 1991 is the subsidy cost allowance for direct loans outstanding and the liability for loan guarantees outstanding as of

the end of this fiscal year. The long-term cost for loans obligated or guarantees committed before fiscal 1992 is the allowance for uncollectible amounts (or present value allowance) for direct loans outstanding and the liability for loan guarantees outstanding. The long-term cost is based on all direct loans and guaranteed loans disbursed in this fiscal year and previous years that are outstanding as of the end of this fiscal year. It includes the subsidy cost of these loans and guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortizations, and writeoffs.

Direct Loans and Loan Guarantees as of September 30

	Face Value of Loans Outstanding		Long-term Cost of Loans and Guarantees Outstanding		Net Loans Receivable		Amount Guaranteed by the Government		Subsidy Expense for the Fiscal Year Ended September 30, 2000	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	(In billions of dollars)									
Direct Loan Programs:										
Federal Direct Student Loans	70.5	58.5	(4.3)	(4.4)	74.8	62.9			1.8	(3.9)
Rural Utilities Service	38.8	39.1	3.7	3.0	35.1	36.1			0.5	0.1
Rural Housing Service	28.8	29.2	5.3	7.7	23.5	21.5			1.1	0.2
Federal Family Education Loans..	19.5	20.3	13.9	9.4	5.6	10.9			-	-
Food for Progress credits	10.5	10.8	5.9	6.7	4.6	4.1			-	0.6
Credit program—Direct Loan program	9.6	10.2	4.3	3.8	5.3	6.4			-	-
Housing and Urban Development	8.6	10.1	0.4	(0.9)	8.2	11.0			-	-
Agricultural Credit Insurance Fund	4.3	9.2	1.5	0.7	2.8	8.5			2.2	(0.6)
Direct Loans for Spectrum auction sales	5.6	8.2	(0.4)	(1.4)	6.0	9.6			(5.5)	-
Export Credit Guarantees	7.1	7.3	3.7	4.3	3.4	3.0			-	-
Export-Import Bank Loans	7.6	6.2	(0.1)	1.3	7.7	4.9			0.1	-
Disaster Loan programs	3.6	6.0	(0.1)	0.5	3.7	5.5			1.8	0.3
All other programs.....	29.5	30.0	1.3	6.8	28.2	23.2			(1.4)	1.3
Total	<u>244.0</u>	<u>245.1</u>	<u>35.1</u>	<u>37.5</u>	<u>208.9</u>	<u>207.6</u>			<u>0.6</u>	<u>(2.0)</u>
Guaranteed Loan Programs:										
Federal Family Education Loans..	160.0	139.0	8.4	13.7			157.0	129.3	(0.3)	0.3
Subsidized Federal Housing Administration Loans	107.9	106.4	6.9	8.0			95.9	94.8	-	(0.1)
Export-Import Bank guarantees ...	29.6	28.7	3.2	6.3			29.6	28.7	1.3	2.6
Veterans Housing Benefit program	218.5	216.4	5.3	5.0			71.4	71.8	-	(0.6)
Small Business Loans	46.6	43.7	1.1	1.3			37.5	35.0	(0.1)	(0.3)
Israeli Loan Guarantee program ..	9.2	9.2	0.6	0.6			9.2	9.2	-	-
Urban and Environmental program	2.2	2.3	0.5	0.1			2.2	2.3	-	-
Overseas Private Investment Corporation Credit program	3.4	3.2	0.6	0.4			3.4	3.2	-	-
Rural Housing Service	13.0	11.5	0.4	0.4			11.6	10.4	-	0.2
Health Education Assistance Loans.....	3.2	3.2	0.4	0.3			3.2	3.2	-	-
Export Credit Guarantee programs	4.4	4.5	0.3	0.3			4.3	4.4	-	0.8
Unsubsidized Federal Housing Administration Loans	493.7	483.3	(0.9)	(0.5)			459.5	449.7	-	-
All other programs.....	21.3	25.1	0.9	1.4			18.9	20.3	(0.8)	0.4
Total	<u>1,113.0</u>	<u>1,076.5</u>	<u>27.7</u>	<u>37.3</u>			<u>903.7</u>	<u>862.3</u>	<u>0.1</u>	<u>3.3</u>

“Net Loans Receivable” includes related interest and foreclosed property, and is included in the assets section of the Balance Sheets.

The total subsidy expense is the cost of direct loans and loan guarantees recognized during the fiscal year. It consists of the subsidy expense incurred for direct and guaranteed loans disbursed during the fiscal year, for modifications made during the fiscal year of loans and guarantees outstanding, and for reestimates as of the end of the fiscal year of the cost of loans and guarantees outstanding. This expense is included in the Statements of Net Cost.

Major Loan Programs

The Department of Education has two major education loan programs. The Federal Direct Student Loan program, established in fiscal 1994, offers four types of education loans: Stafford, Unsubsidized Stafford, PLUS for parents, and consolidation loans. Evidence of financial need is required for a student to receive a subsidized Stafford loan. The other three loan programs are available to borrowers at all income levels. These loans usually mature 9 to 13 years after the student is no longer enrolled. They are unsecured. The second loan program, the Federal Family Education Loan program, formerly known as the Guaranteed Student Loan program, was established in fiscal 1965. Like the Federal Direct Student Loan program, it offers four types of loans: Stafford, Unsubsidized Stafford, PLUS for parents, and consolidation loans.

The Department of Agriculture, Rural Utilities Service loans are for the construction and operation of electric generating plants, transmission and distribution lines, telecommunication lines, and related systems. These loans carry an average maturity of greater than 20 years and are usually secured.

The major Federal rural housing programs are funded through the Rural Housing Insurance Fund program account. These programs include:

- Very low- and low-to-moderate-income home ownership loans and guarantees.
- Very low-income housing repair loans.
- Multifamily housing loans and guarantees.
- Domestic farm labor housing loans.
- Housing site loans.
- Credit sales of acquired property.

Loan programs are limited to rural areas that include towns, villages, and other places not part of an urban area. The majority of these loans mature in excess of 25 years and are secured by the property of the borrower.

The Department of Housing and Urban Development, Federal Housing Administration (FHA) provides mortgage insurance encouraging lenders to make credit available to expand home ownership. FHA predominately serves borrowers the conventional market does not serve adequately. This includes first-time home buyers, minorities, lower-income families, and residents of under-served areas.

The Department of Veteran Affairs, Veterans Housing Benefit program provides partial guarantee of residential mortgage loans issued to eligible veterans, reservists and service members by private lenders. This guarantee allows veterans, reservists, and service members to purchase a home without a substantial down payment.

The Export-Import Bank aids in financing and promoting U.S. exports. To accomplish its objectives, the bank's authority and resources are used to:

- Assume commercial and political risk that exporters or private institutions are unwilling or are unable to undertake.
- Overcome maturity and other limitations in private sector financing.
- Assist U.S. exports to meet foreign officially sponsored export credit competition.
- Provide leadership and guidance in export financing to the U.S. exporting and banking communities and to foreign borrowers.

Repayment terms for these loans are usually 1 to 7 years.

The U.S. Agency for International Development (USAID) provides economic assistance to selected countries in support of U.S. efforts to promote stability and security interests in strategic regions of the world.

Other loan programs include the Small Business Administration (SBA) general business loan guarantees and disaster loans; and the Farm Service Agency for farm ownership, emergency, and disaster loans.

Note 5. Taxes Receivable

“Taxes Receivable” are the gross tax receivables net of allowance for doubtful accounts.

Taxes Receivable as of September 30

(In billions of dollars)	2001	2000
Gross taxes receivable	82.2	83.7
Allowance for doubtful accounts	(61.1)	(60.4)
Taxes receivable, net	<u>21.1</u>	<u>23.3</u>

Note 6. Inventories and Related Property

Inventories and Related Property

(In billions of dollars)	All			All		
	Defense	Others	Total	Defense	Others	Total
	2001			2000		
Inventory held for sale, principally to						
Federal agencies	48.4	2.1	50.5	52.9	1.2	54.1
Operating materials and supplies	85.2	7.7	92.9	83.9	6.2	90.1
Stockpile materials	2.4	36.7	39.1	2.4	37.7	40.1
Other related property	-	1.3	1.3	-	0.9	0.9
Total inventories and related property	<u>136.0</u>	<u>47.8</u>	<u>183.8</u>	<u>139.2</u>	<u>46.0</u>	<u>185.2</u>

Inventory is tangible personal property that is (1) held for sale, principally to Federal agencies, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee.

“Inventory held for sale, principally to Federal agencies” is expected to be sold in the normal course of operations and includes the following categories:

- “Inventory held for future sale” is maintained because it is not readily available in the market or because it will not be used in the normal course of operations, but there is more than a remote chance that it will eventually be needed. The Department of Defense (DOD), which accounts for nearly all of the inventory held for sale and future sale in the Government, uses the Latest Acquisition Cost (LAC) method, which is revalued for holding gains and losses—of \$27.1 billion and \$25.3 billion for the years ended September 30, 2001, and September 30, 2000, respectively—in order to approximate historical cost.
- “Inventory held for repair” is damaged inventory that requires repair to make it suitable for sale. Inventory held for repair is reported net of an allowance for estimated repair costs.
- “Excess inventory” is that which exceeds the demand expected in the normal course of operations and which does not meet management’s criteria to be held in reserve for future sale.
- “Obsolete inventory” is that which no longer is needed due to changes in technology, laws, customs, or operations.
- “Unserviceable inventory” is inventory damaged beyond economic repair.
- “Excess, obsolete, and unserviceable inventory” is reported at net realizable value.

“Operating materials and supplies” are tangible personal property to be consumed in normal operations and include the following categories:

- “Operating materials and supplies held for future use” are materials retained because they are not readily available in the market or because they will not be used in the normal course of operations, but there is more than a remote chance that they will eventually be needed. DOD, which accounts for most of the reported operating materials and supplies, uses LAC and Standard Price under the purchase and consumption methods of accounting to value operating materials and supplies and does not adjust for holding gains and losses, which does not approximate historical cost.
- “Excess operating materials and supplies” are materials that exceed the demand expected in the normal course of operations, and do not meet management’s criteria to be held in reserve for future use.
- “Obsolete operating materials and supplies” are materials that are no longer needed due to changes in technology, laws, customs, or operations.
- “Unserviceable operating materials and supplies” are materials damaged beyond economical repair. DOD, which accounts for most of the reported excess, obsolete, and unserviceable operating materials and supplies, does not value excess, obsolete, and unserviceable operating materials and supplies at net realizable value.

“Stockpile materials” are strategic and critical materials held for use in national defense, conservation, or national emergencies due to statutory requirements; for example, nuclear materials and oil. The amounts reported include \$2.1 billion and \$1.8 billion of stockpile materials authorized for sale for the years ended September 30, 2001, and September 30, 2000, respectively.

“Other related property” consists of:

- “Commodities” include items of commerce or trade that have an exchange value used to stabilize or support market prices.
- “Seized monetary instruments” is comprised of only monetary instruments that are awaiting judgment to determine ownership. The related liability is included in “Other liabilities.” Other property seized by the Government, such as real property and tangible personal property, is not included as a Government asset. It is accounted for in agency property-management records until the property is forfeited, returned, or otherwise liquidated.
- “Forfeited property” is comprised of monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; property acquired by the Government to satisfy a tax liability; and unclaimed and abandoned merchandise.
- “Other property” not classified above.

Note 7. Property, Plant and Equipment

The category of “Property, Plant and Equipment” consists of tangible assets including land, buildings, structures, automated data processing software, and other assets used to provide goods and services. Certain types of tangible assets, collectively referred to as “Stewardship Assets,” are not reported as property, plant and equipment or elsewhere on the Balance Sheets. This is in conformity with accounting standards that became effective for fiscal 1998. “Stewardship Assets” include “National Defense Assets,” “Heritage Assets,” and “Stewardship Land.” These assets are presented in the Stewardship Information section.

Property, Plant and Equipment as of September 30

	2001			2000		
	Cost	Accumulated Depreciation/Amortization	Net	Cost	Accumulated Depreciation/Amortization	Net
(In billions of dollars)						
Buildings, structures, and facilities.....	292.8	141.6	151.2	287.3	135.6	151.7
Furniture, fixtures, and equipment.....	160.3	89.0	71.3	148.6	80.7	67.9
Construction in progress.....	54.4	N/A	54.4	51.0	N/A	51.0
Land and land improvements.....	32.0	8.8	23.2	30.0	7.2	22.8
Automated data processing software.....	5.7	2.9	2.8	4.1	2.3	1.8
Assets under capital lease.....	1.7	0.6	1.1	1.6	0.5	1.1
Leasehold improvements.....	3.1	1.4	1.7	2.8	1.2	1.6
Other property, plant and equipment.....	1.0	-	1.0	0.6	-	0.6
Total property, plant and equipment.....	<u>551.0</u>	<u>244.3</u>	<u>306.7</u>	<u>526.0</u>	<u>227.5</u>	<u>298.5</u>

Note 8. Other Assets

Other Assets as of September 30

	2001	2000
(In billions of dollars)		
Advances and prepayments.....	21.5	17.1
Securities and investments.....	21.6	19.1
Other.....	20.3	23.5
Total other assets.....	<u>63.4</u>	<u>59.7</u>

Securities and investments are presented at cost, net of unamortized premiums and discounts.

Note 9. Accounts Payable

Accounts Payable as of September 30

(In billions of dollars)	2001	2000
Interest on the Public Debt.....	39.5	44.3
Department of Defense.....	23.2	19.8
Department of Energy.....	3.7	3.3
Department of Transportation.....	3.5	1.1
Department of Agriculture.....	3.3	3.4
National Aeronautics and Space Administration.....	2.8	2.8
Department of Veterans Affairs.....	2.4	0.5
Department of Justice.....	2.0	2.4
United States Postal Service.....	2.0	4.5
General Services Administration.....	1.9	1.7
Department of Housing and Urban Development.....	1.5	1.2
Tennessee Valley Authority.....	1.4	0.9
Agency for International Development.....	1.2	1.3
Executive Office of the President.....	0.9	0.7
Department of Treasury - excluding interest on debt.....	0.7	0.7
Department of Health and Human Services.....	0.6	0.5
All other departments.....	5.1	1.9
Total accounts payable.....	<u>95.7</u>	<u>91.0</u>

The "Accounts Payable" table includes "Interest on Federal debt securities held by the public." This reflects unpaid interest accrued on Federal debt securities held by the public (see Note 10) as of September 30. Other accounts payable are for goods and property ordered and received, and for services rendered by other than Federal employees.

Note 10. Federal Debt Securities Held by the Public

Definitions of Debt

Gross Federal Debt—All Government debt, whether issued by Treasury (Treasury securities) or by other agencies (agency securities). "Gross Federal debt" is held either by the public or by Federal Government entities.

Debt Held by the Public—Federal debt held outside the Government by individuals, corporations, State or local governments, Federal Reserve Banks, and foreign Governments and central banks.

Intragovernmental Debt Holdings—Federal debt held by Government trust funds, revolving funds, and special funds.

Federal Debt Securities Held by the Public as of September 30

(In billions of dollars)	Balance September 30, 2000	Net Change During Fiscal 2001	Balance September 30, 2001	Average Interest Rate During Fiscal 2001	Average Interest Rate During Fiscal 2000
Treasury Securities:					
Marketable securities	3,024.2	(93.5)	2,930.7	5.820%	6.631%
Non-marketable securities	2,650.0	226.8	2,876.8	6.303%	6.628%
Total Treasury securities	5,674.2	133.3	5,807.5		
Plus: Unamortized premium on Treasury securities.....	15.0	(1.8)	13.2		
Less: Unamortized discount on Treasury securities.....	75.5	(10.1)	65.4		
Total Treasury securities, net of unamortized premiums and discounts	5,613.7	141.6	5,755.3		
Agency Securities:					
Tennessee Valley Authority	25.4	(0.5)	24.9		
All other agencies.....	1.7	(0.1)	1.6		
Total agency securities, net of unamortized premiums and discounts	27.1	(0.6)	26.5		
Total Federal debt	5,640.8	141.0	5,781.8		
Less: Intragovernmental debt holdings, net of unamortized premiums and discounts	2,230.9	231.1	2,462.0		
Total Federal debt securities held by the public	<u>3,409.9</u>	<u>(90.1)</u>	<u>3,319.8</u>		
Types of marketable securities:					
Bills – Short-term obligations issued with a term of 1 year or less.					
Notes – Medium-term obligations issued with a term of at least 1 year, but not more than 10 years.					
Bonds – Long-term obligations of more than 10 years.					

“Federal Debt Securities Held by the Public” totaled \$3,319.8 billion and \$3,409.9 billion for the years ended September 30, 2001, and September 30, 2000, respectively. This table details Government borrowing to finance operations and shows marketable and non-marketable securities at face value. Unamortized premiums are added and unamortized discounts subtracted.

“Intragovernmental debt holdings” represent the portion of the gross Federal debt held as investments by Government entities. This includes major trust funds. For more information on trust funds, see Note 19—Dedicated Collections. These intragovernmental debt holdings are eliminated in the consolidation of these financial statements.

Securities that represent Federal debt held by the public are issued primarily by the Treasury and include:

- Interest-bearing marketable securities (bills, notes, and bonds).
- Interest-bearing nonmarketable securities (foreign series, State and local government series, domestic series, and savings bonds).
- Non interest-bearing debt (matured and other).

As of September 30, 2001 and 2000, respectively, \$5,732.8 billion and \$5,591.6 billion of debt was subject to a statutory limit (31 U.S.C. § 3101). That limit was \$5,950 billion. The debt subject to the limit includes Treasury Securities held by the public and intragovernmental debt holdings, as well as Government guaranteed debt of Federal agencies.

Section 3111 of title 31, U.S.C., authorizes the Secretary of the Treasury to use money received from the sale of an obligation and other money in the general fund of the Treasury to buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the Government. During fiscal 2001 and 2000, the Secretary of the Treasury authorized the redemption of \$33.8 and \$21.3 billion of outstanding unmatured marketable Treasury securities at a premium of \$10.7 and \$5.5 billion, respectively. These early redemption transactions are known as Treasury "buybacks." The net change of the Federal debt securities held by the public includes \$33.6 billion and \$21.2 billion during fiscal 2001 and 2000, respectively, related to these buybacks.

Intragovernmental Debt Holdings: Federal Debt Securities Held as Investments by Government Accounts as of September 30

(In billions of dollars)	Balance September 30, 2000	Net Change During Fiscal 2001	Balance September 30, 2001
Social Security Administration, Federal Old-Age and Survivors Insurance.....	893.5	140.6	1,034.1
Office of Personnel Management, civil service retirement and disability	512.0	30.6	542.6
Department of Health and Human Services, Hospital Insurance.....	168.9	28.2	197.1
Department of Defense, military retirement	149.3	7.7	157.0
Social Security Administration, Federal Disability Insurance.....	113.7	22.1	135.8
Department of Labor, unemployment	86.4	2.2	88.6
Department of Health and Human Services, Federal Supplementary Medical Insurance.....	45.1	(3.1)	42.0
Federal Deposit Insurance Corporation funds.....	42.6	1.4	44.0
Department of Transportation, Highway Trust Fund	31.0	(6.9)	24.1
Railroad Retirement Board	24.8	2.1	26.9
Office of Personnel Management, Employees' Life Insurance.....	22.4	1.3	23.7
Housing and Urban Development, Federal Housing.....	17.3	-	17.3
Veterans Affairs.....	14.2	(0.2)	14.0
Department of Transportation, Airport and Airway Trust Fund	13.1	0.6	13.7
Department of Energy, nuclear waste disposal.....	17.6	3.5	21.1
All other programs and funds.....	83.3	2.9	86.2
Subtotal	<u>2,235.2</u>	<u>233.0</u>	<u>2,468.2</u>
Less: Unamortized net discounts.....	4.3	1.9	6.2
Total intragovernmental debt holdings, net.....	<u>2,230.9</u>	<u>231.1</u>	<u>2,462.0</u>

Note 11. Federal Employee and Veteran Benefits Payable

The Government offers its employees life and health insurance, as well as retirement and other benefits. These benefits apply to civilian and military employees.

The Federal Government administers more than 40 pension plans. The Office of Personnel Management (OPM) administers the largest civilian plan. DOD, meanwhile, administers the largest military plan. The Government offers both defined benefit and defined contribution pension plans. The largest are defined benefit plans. The change in actuarial accrued post-retirement pension and health benefits liability and components of related expense for the years ended September 30, 2001, and September 30, 2000, respectively, are presented below.

Federal Employee and Veteran Benefits Payable as of September 30

(In billions of dollars)	Civilian		Military		Total	
	2001	2000	2001	2000	2001	2000
Pension	1,112.9	1,071.9	708.3	690.4	1,821.2	1,762.3
Post-retirement health benefits	205.2	198.1	580.9	192.4	786.1	390.5
Veterans compensation and burial benefits	N/A	N/A	691.9	552.6	691.9	552.6
Liability for other benefits	41.1	39.2	20.5	20.1	61.6	59.3
Total Federal employee and veteran benefits payable	<u>1,359.2</u>	<u>1,309.2</u>	<u>2,001.6</u>	<u>1,455.5</u>	<u>3,360.8</u>	<u>2,764.7</u>

Change in Actuarial Accrued Pension Liability and Components of Related Expenses

(In billions of dollars)	Civilian ¹	Military	Total
Actuarial accrued pension liability as of September 30, 2000	1,071.9	690.4	1,762.3
Pension Expense:			
Normal costs	23.2	14.5	37.7
Interest on liability	74.3	42.4	116.7
Actuarial (gains)/losses	(7.6)	(4.8)	(12.4)
Total pension expense	89.9	52.1	142.0
Less benefits paid	48.9	34.2	83.1
Actuarial accrued pension liability as of September 30, 2001	<u>1,112.9</u>	<u>708.3</u>	<u>1,821.2</u>

¹ Does not include U.S. Tax Court and judicial branch.

Significant Assumptions Used in Determining Pension Liability and the Related Expense

(In percentages)	Civilian		Military	
	2001	2000	2001	2000
Rate of interest	6.75%	7.00%	6.25%	6.25%
Rate of inflation	3.75%	4.00%	3.50%	3.00%
Projected salary increases	4.25%	4.25%	3.50%	3.50%

Change in Actuarial Accrued Post-Retirement Health Benefits Liability and Components of Related Expenses

(In billions of dollars)	Civilian	Military	Total
Actuarial accrued post-retirement health benefits liability, as of September 30, 2000.....	198.1	192.4	390.5
Post-Retirement Health Benefits Expense:			
Normal costs	8.7	4.7	13.4
Interest on liability	12.8	11.6	24.4
Cost due to plan amendments	-	293.1	293.1
Actuarial (gains)/losses	<u>(6.9)</u>	<u>86.3</u>	<u>79.4</u>
Total post-retirement health benefits expense	14.6	395.7	410.3
Less claims paid	<u>7.5</u>	<u>7.2</u>	<u>14.7</u>
Actuarial accrued post-retirement health benefits liability, as of September 30, 2001	<u>205.2</u>	<u>580.9</u>	<u>786.1</u>

Significant Assumptions Used in Determining Post-Retirement Health Benefits and the Related Expense

(In percentages)	Civilian		Military	
	2001	2000	2001	2000
Rate of interest	6.75%	7.0%	6.25%	6.25%
Rate of health care cost inflation	7.0%	7.0%	4.8-13%	4.0-9.79%

Civilian Employees

Pensions

OPM administers the largest civilian pension plan, which covers approximately 90 percent of all Federal civilian employees. This plan includes two components of defined benefits. These are the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). The basic benefit components of the CSRS and the FERS are financed and operated through the Civil Service Retirement and Disability Fund (CSRDF).

CSRDF monies are generated primarily from employees' contributions, agency contributions, payments from the general fund, and interest on investments in securities. See Note 19—Dedicated Collections.

The Federal Retirement Thrift Investment Board, an independent Government agency, administers the Thrift Savings Plan (TSP) Fund. Federal employees and retirees covered by CSRS and FERS own the fund's assets. These financial statements exclude this fund because the employees own its assets.

Treasury securities held by the fund are included and classified as Treasury securities held by the public. FERS employees may contribute up to 11 percent of base pay to the plan, which the Government matches up to 5 percent. CSRS employees may contribute up to 7 percent of base pay with no Government match.

The TSP Fund held \$36.8 billion and \$31.8 billion in nonmarketable Treasury securities for the years ended September 30, 2001, and September 30, 2000, respectively. The Federal Government's related liability is included in "Total Federal Debt Securities Held by the Public" in the Balance Sheets.

Health Benefits

Civilian retirees pay the same insurance premium as active employees under the Federal Employees Health Benefits Program (FEHBP). These premiums cover only a portion of the costs.

Other Benefits

Employee and annuitant contributions and interest on investments fund a portion of the Federal Employees' Group Life Insurance (FEGLI) program. OPM administers this program, although claims are paid through private insurance companies.

Military Employees (Including Veterans)

Pensions

The DOD Military Retirement Fund finances military retirement and survivor benefit programs.

The military retirement system consists of a funded, noncontributory, defined benefit plan. It applies to the Army, Navy, Marine Corps, and Air Force. This system includes non-disability retirement pay, disability retirement pay, and retirement pay for reserve service and survivor annuity programs.

Health Benefits

Military benefits entitle retirees and their dependents to health care in military medical facilities if a facility can provide the needed care. Until they reach age 65, military retirees and their dependents also are entitled to be reimbursed for the cost of health care from civilian providers. A premium is charged to enroll in DOD's civilian care program. In addition, there are deductible and copayment requirements for civilian care. Medicare covers military retirees after they reach 65 years of age.

Military retiree health care figures include the cost of education and training, staffing, buildings and equipment, as well as the operation and maintenance of medical facilities. They also include claims paid to civilian providers and the cost of administering the program.

The \$389 billion increase in Military Retirement Health Benefits liability as of September 30, 2001 includes \$293 billion due to the effect of Public Law No. 106-398 (the National Defense Authorization Act) that was signed into law on October 30, 2000. Under this legislation, TRICARE benefits are extended to military retirees and their beneficiaries who are eligible for Medicare and a fund is established to pay these benefits. Another increase of \$91.3 billion is associated with the change in medical trend assumptions as set by the Board of Trustees. The Act also included a number of other enhanced medical benefits in addition to the specific Medicare eligible benefits.

Some of the Act's provisions include:

- On April 1, 2001, Medicare eligible military retirees and their beneficiaries became eligible for a worldwide pharmacy benefit, including MTF, National Mail Order Pharmacy, and retail pharmacy benefit.
- On October 1, 2001, TRICARE became the second payer to Medicare for Medicare eligible military retirees and their beneficiaries.
- The catastrophic cap was reduced from \$7,500 to \$3,000 for retiree families and other active duty family benefits.

Compensation and Burial Benefits

The Government compensates disabled veterans and their survivors. Veterans compensation is payable as a disability benefit or a survivor's benefit. Entitlement to compensation depends on the veteran's disabilities having been incurred in, or aggravated during, active military service; death while on duty; or death resulting from service-connected disabilities, if not in active duty.

Burial benefits include a burial and plot or interment allowance payable for a veteran who, at the time of death, qualified to receive compensation or a pension, or whose death occurred in a Department of Veterans Affairs' facility.

The liability for veterans compensation and burial benefits payable increased by \$139.3 billion and \$69.4 billion in fiscal 2001 and 2000, respectively. The primary factors contributing to this increase were changes in interest rate and other actuarial assumptions.

Veterans Compensation and Burial Benefits as of September 30

(In billions of dollars)	2001	2000
Veterans	574.0	458.8
Survivors	115.1	91.0
Burial benefits.....	2.8	2.8
Total compensation and burial benefits payable	<u>691.9</u>	<u>552.6</u>

Other Benefits

Veterans insurance includes the following programs:

- United States Government Life Insurance, established in 1919 to handle new issues and the conversion of World War I Risk Term Insurance.
- National Service Life Insurance, established in 1940 to meet the needs of World War II service personnel.
- Veterans Special Life Insurance, established in 1951 for Korean veterans who did not have service-connected disabilities.
- Service-Disabled Veterans Insurance, established in 1951 for veterans with service-connected disabilities.
- Veterans Reopened Insurance, which established a 1-year reopening in 1965 of National Service Life Insurance for certain disabled World War II and Korean veterans.

Note 12. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities as of September 30

(In billions of dollars)	2001	2000
Department of Energy:		
Environmental management baseline estimates	184.2	182.7
Active and surplus facilities—other programs	31.4	26.0
High-level waste and spent nuclear fuel disposition	14.6	14.3
Other	8.1	11.3
Total Department of Energy	<u>238.3</u>	<u>234.3</u>
Department of Defense:		
Chemicals weapons disposal	14.2	14.9
Training ranges and non-range unexploded ordnance	16.4	14.0
Active installations.....	13.1	15.4
Nuclear powered aircraft carriers and submarines	10.0	10.2
Other	9.6	8.7
Total Department of Defense	<u>63.3</u>	<u>63.2</u>
All other agencies	<u>5.2</u>	<u>3.7</u>
Total environmental and disposal liabilities	<u>306.8</u>	<u>301.2</u>

During World War II and the Cold War, the United States developed a massive industrial complex to research, produce, and test nuclear weapons. The nuclear weapons complex included nuclear reactors, chemical-processing buildings, metal machining plants, laboratories, and maintenance facilities.

At all the sites where these activities took place, some environmental contamination occurred. This contamination was caused by the production, storage and use of radioactive materials and hazardous chemicals, which resulted in contamination of soil, surface water, and groundwater. The environmental legacy of nuclear weapons production also includes thousands of contaminated areas and buildings, and large volumes of waste and special nuclear materials requiring treatment, stabilization, and disposal.

The resulting environmental liabilities consist of the costs associated with removing, containing, and/or disposing of this hazardous waste.

Of those environmental liabilities, this report presents only cleanup costs from Federal operations known to result in hazardous waste that the Government is required to clean up by Federal, State, or local statutes and/or regulations. Two of these statutes are the Nuclear Waste Policy Act of 1992, which provides for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel; and Public Law 105-204, which requires a plan for the conversion of depleted uranium hexafluoride.

The Department of Energy (DOE) is responsible for the cleanup of facilities it operates or has operated. The components of the liability are environmental management baseline estimates including costs for environmental restoration; nuclear material and facility stabilization; and waste treatment, storage, and disposal activities at each installation. They also include costs for related activities such as landlord responsibilities, program management, and legally prescribed grants for participation and oversight by Native American tribes and regulatory agencies. Active and surplus facilities represent anticipated remediation costs for those facilities that are conducting ongoing operations but ultimately will require stabilization, deactivation, and decommissioning. High-level waste and spent nuclear fuel disposition include the full cost to provide for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel. Projects with no current feasibility remediation approach are excluded from the estimate. Significant projects not included are:

- Nuclear explosion test areas (e.g., Nevada test site).
- Large surface water bodies (e.g., Clinch and Columbia Rivers).
- Most ground water (even with treatment, future use will be restricted).

DOD is required to clean up contamination resulting from waste disposal practices, leaks, spills and other activities that have created a public health or environmental risk. DOD must restore active installations, installations affected by base realignment or closure, and other areas formerly used as defense sites. DOD also bears responsibility for disposal of chemical weapons and environmental costs associated with the disposal of weapons systems (primarily nuclear powered aircraft carriers and submarines). DOD is responsible, as well, for training range and other non-range unexploded ordnance cleanup.

Note 13. Benefits Due and Payable

These amounts are the benefits owed to program recipients or medical service providers as of the fiscal yearend that have not yet been paid. For a description of the programs, see the Stewardship Responsibilities section under Stewardship Information.

Benefits Due and Payable as of September 30

(In billions of dollars)	2001	2000
Federal Old-Age and Survivors Insurance	32.4	31.0
Federal Hospital Insurance (Medicare Part A)	13.6	12.7
Grants to States for Medicaid	13.4	12.3
Federal Supplementary Medical Insurance (Medicare Part B)	13.5	11.5
Federal Disability Insurance	9.5	7.4
Supplemental security income	1.3	1.2
Railroad retirement	0.7	0.7
Unemployment insurance	1.4	0.8
Other benefits	<u>0.2</u>	<u>0.2</u>
Total benefits due and payable	<u>86.0</u>	<u>77.8</u>

Note 14. Other Liabilities**Other Liabilities as of September 30**

(In billions of dollars)	2001	2000
Insurance programs	33.2	20.6
Deferred revenue	28.3	23.8
Accrued wages and benefits	27.3	26.2
Gold certificates	11.0	11.0
Other debt	9.7	10.4
Exchange stabilization fund	8.5	9.6
Deposited funds and undeposited collections	6.8	6.2
Advances from foreign Government	4.9	6.2
Contractual services	4.2	4.9
Energy Employees Occupational Illness Compensation Act	3.2	1.6
Advances from others	2.2	3.5
Other miscellaneous liabilities	<u>48.8</u>	<u>51.0</u>
Total other liabilities	<u>188.1</u>	<u>175.0</u>

Accrued wages and benefits consist of the estimated liability for civilian and military salaries and wages earned but unpaid. They also include funded annual leave and other employee benefits that have been earned but are unpaid.

Deferred revenue refers to revenue received but not yet earned, such as payments received in advance from outside sources for future delivery of products or services (NASA).

Insurance programs include bank deposit insurance, guarantees of pension benefits, and life and medical insurance. They also include insurance against damage to property (home, crops, and airplanes) caused by perils such as flooding and other natural disasters, risk of war, and insolvency.

Gold certificates include monetized portions of gold and certificates deposited in FRBs.

Other debt includes Government obligations, whether secured or unsecured, not included in public debt.

Exchange stabilization fund includes Special Drawing Rights (SDRs) certificates issued to the Federal Reserve Banks and allocations from the International Monetary Fund.

Advances from foreign Governments consist of amounts received from foreign Governments for goods and services to be provided.

Deposit funds are deposits held and maintained by the Government on behalf of a third party and includes unclassified deposited funds that are amounts offsetting undeposited collections, as well as funds deposited in clearing accounts and suspense accounts that await disposition or reclassification.

Contractual services consist of contractual obligations of the Department of Defense.

The Energy Employees Occupational Illness Compensation Act authorized compensation for certain illnesses suffered by the employees of the Department and contractors who performed work for the nuclear weapons program.

Advances from others are amounts received in advance for future delivery of goods or services.

Other miscellaneous liabilities include amounts accrued for contingent liabilities.

Note 15. Collections and Refunds of Federal Revenue

Collections of Federal Revenue for the Year Ended September 30, 2001

(In billions of dollars)	Federal Revenue Collections	Tax Year to Which Collections Relate			
		2001	2000	1999	Prior Years
Individual income and tax withholdings	1,843.8	1,155.4	665.8	14.0	8.6
Corporation income taxes.....	186.4	99.2	79.8	0.7	6.7
Estate and gift taxes	29.2	0.6	25.1	1.2	2.3
Excise taxes	68.2	49.2	18.6	0.1	0.3
Custom duties.....	19.7	19.7	-	-	-
Fees and licenses.....	0.9	0.9	-	-	-
Unemployment taxes.....	27.0	25.0	1.9	-	0.1
Railroad retirement taxes	4.7	3.6	1.1	-	-
Federal Reserve earnings	26.1	21.6	4.5	-	-
Fines, penalties, interest, and other taxes	<u>2.7</u>	<u>2.0</u>	<u>0.7</u>	<u>-</u>	<u>-</u>
Total	<u>2,208.7</u>	<u>1,377.2</u>	<u>797.5</u>	<u>16.0</u>	<u>18.0</u>

Collections of Federal Revenue for the Year Ended September 30, 2000

(In billions of dollars)	Federal Revenue Collections	Tax Year to Which Collections Relate			
		2000	1999	1998	Prior Years
Individual income and tax withholdings	1,764.3	1,132.3	612.5	11.6	7.9
Corporation income taxes.....	235.4	156.5	70.2	0.5	8.2
Estate and gift taxes	29.7	0.4	25.7	1.6	2.0
Excise taxes	70.2	51.4	18.3	0.1	0.4
Custom duties.....	20.5	20.5	-	-	-
Fees and licenses.....	2.1	2.1	-	-	-
Unemployment taxes.....	26.7	24.7	2.0	-	-
Railroad retirement taxes	4.7	3.6	1.1	-	-
Federal Reserve earnings	32.3	25.1	7.2	-	-
Fines, penalties, interest, and other taxes	3.4	2.9	0.5	-	-
Total	2,189.3	1,419.5	737.5	13.8	18.5

Treasury is the Government's principal revenue-collecting agency.

Collections of "Individual income and tax withholdings" include estimated income tax payments by individuals, Social Security and Medicare taxes, and individual income tax withholdings, but do not include Federal tax refunds.

"Individual income and tax withholdings" include refunds and Earned Income Tax Credit (EITC) payments. EITC is a refundable credit for taxpayers who work and whose earnings fall below the established ceiling. A refundable credit is first used to offset any individual taxes owed; any remaining amounts are issued to the taxpayer. In fiscal 2001, the Internal Revenue Service (IRS) issued \$26.1 billion in EITC refunds and an additional \$5.1 billion of the EITC credits was applied to reduce taxpayer liability. (In fiscal 2000, \$26.1 billion of EITC refunds were issued, \$81 million of which was applied to advance EITC, and an additional \$5.1 billion of EITC refunds were applied to reduce taxpayer liability.) All of these EITC amounts are included in "Gross Cost" in the Statements of Net Cost as a component of the Department of the Treasury. Amounts reported for corporate income taxes in tax year 2001 include corporate taxes of \$5 billion for tax year 2001. (Similarly, amounts reported for corporate income taxes collected in fiscal 2000 include corporate taxes of \$7 billion for tax year 2000.) Taxes collected are reported in the Revenue section of the Statements of Operations and Changes in Net Position, and are presented on a modified cash basis. On the other hand, collections reported in the table in Note 15 are reported on a gross cash basis.

The Statement of Operations and Change in Net Position reports total revenue of \$2,013.7 billion and \$2,044.8 billion for fiscal 2001 and 2000, respectively. The difference between collections, net of refunds, and total revenue is primarily due to changes in taxes receivable, imputed revenue for the Earned Income Tax Credit and Child Tax Credit, other collecting entities and other earned revenue.

The "Current Service Assessment" (CSA) table in the Stewardship section of this document also includes the Government's receipts and outlays. The total amounts included in the table for the years 2001 and 2000 are the same as those described in Note 15 but classified differently. The classifications differ because the budget classifies some collections and refunds differently. For example, Note 15 nets part of the EITCs (amounts in excess of offsets to individual taxes owed) in receipts, while the budget reports them as outlays. Meanwhile, the Statement of Net Cost reports refunds and EITCs as expenses.

Federal Tax Refunds Disbursed for the Year Ended September 30, 2001

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate			
		2001	2000	1999	Prior Years
Individual income and tax withholdings.....	210.3	1.4	195.7	9.4	3.8
Corporation income taxes.....	38.6	1.3	14.8	8.2	14.3
Unemployment taxes.....	0.1	-	0.1	-	-
Excise taxes.....	0.9	0.3	0.4	-	0.2
Estate and gift taxes.....	1.0	-	0.3	0.4	0.3
Custom duties.....	0.9	0.4	0.2	0.1	0.2
Total.....	<u>251.8</u>	<u>3.4</u>	<u>211.5</u>	<u>18.1</u>	<u>18.8</u>

Federal Tax Refunds Disbursed for the Year Ended September 30, 2000

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate			
		2000	1999	1998	Prior Years
Individual income and tax withholdings.....	161.4	1.0	148.5	8.6	3.3
Corporation income taxes.....	31.1	1.4	10.4	7.0	12.3
Unemployment taxes.....	0.1	-	0.1	-	-
Excise taxes.....	0.7	0.3	0.4	-	-
Estate and gift taxes.....	0.8	-	0.2	0.3	0.3
Custom duties.....	1.2	0.5	0.3	0.1	0.3
Total.....	<u>195.3</u>	<u>3.2</u>	<u>159.9</u>	<u>16.0</u>	<u>16.2</u>

Note 16. Unreconciled Transactions Affecting the Change in Net Position

The reconciliation of the "Change in Net Position" requires that the difference between ending and beginning net position equals the excess of revenues over net cost, plus or minus prior period adjustments.

The unreconciled transactions needed to bring the change in net position into balance, amounted to a net value of \$17.3 billion and \$4.8 billion for the years ended September 30, 2001, and September 30, 2000, respectively.

The three primary factors affecting this out-of-balance situation are:

- Improper recording of intragovernmental transactions by agencies.
- Transactions affecting Balance Sheet assets and liabilities not identified properly by agencies as prior period adjustments.
- Timing differences and errors in reporting transactions.

The Federal financial community considers the identification and accurate reporting of these unreconciled transactions a priority.

Note 17. Prior Period Adjustments

Prior Period Adjustments to the Fiscal Year Beginning October 1, 1999 and 2000

(In billions of dollars)	Increases to Net Position	
	2001	2000
Department of Defense	(5.3)	31.6
Social Security Administration	5.1	-
Department of Agriculture	-	5.1
Veterans Administration	-	5.4
Department of Transportation	2.1	-
All other adjustments to prior periods	(0.5)	(0.9)
Total prior period adjustments	<u>1.4</u>	<u>41.2</u>

“Prior Period Adjustments” for fiscal 2001 consists of \$1.4 billion adjustments to the corresponding opening net positions to correct errors in prior periods.

Significant components of this net adjustment include:

- A \$5.3 billion adjustment by DOD for correction of errors and environmental cleanup liability.
- A \$5.1 billion adjustment by Social Security Administration for correction of errors in determining eligibility for disability benefits.
- A \$2.1 billion adjustment by Transportation to correct accruals, property and inventory.
- A \$0.5 billion net adjustment to prior period resulting from a correction composed of smaller debits and credits from different agencies.

“Prior Period Adjustments” for fiscal 2000 consist of \$41.2 billion adjustments to the corresponding opening net positions to correct errors in prior periods.

Significant components of this net adjustment include:

- A \$5.4 billion adjustment to Veterans Administration Pension plan. The fiscal 2000 portion of this adjustment was restated in the balance sheet line item titled “Federal Employee and Veteran Benefits Payable”.
- A \$31.6 billion adjustment by DOD for correction of error in estimating the environmental cleanup liability. This adjustment was restated in the Reconciliations of Net Operating Revenue/(Cost) to the Budget Surplus.
- A \$5.1 billion adjustment to previously reported valuations of the Department of Agriculture’s property, plant and equipment, inventory balances, and other assets.
- A \$0.9 billion net adjustment to the prior period resulting from a correction composed of smaller debits and credits from different agencies.

Note 18. Commitments and Contingencies

The Government has entered into contractual commitments that require future use of financial resources. It has significant amounts of long-term lease obligations as shown in the table below. “Undelivered Orders” represent the value of goods and services ordered that have not yet been received.

Contingent liabilities related to the loan guarantee programs are described in Note 4—Loans Receivable and Loan Guarantee Liabilities.

A contingency is an existing condition or situation involving uncertainty as to a possible loss. A loss is considered reasonably possible if the future confirming event(s) is more than remote, but less than probable. These contingencies do not include existing conditions or situations where the future occurring event is only considered remote, nor do they include contingencies that would result in a gain.

The Government is also subject to contingencies including litigation. These contingencies arise in the normal course of operations and their ultimate disposition is unknown. Based on information currently available, however, it is management's opinion that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial statements, except for litigation described in the next paragraph.

Numerous cases are pending involving, among many other matters, supervisory goodwill at savings and loan institutions, harbor maintenance fees, individual Native American money accounts and tribal accounts revenues. While it is likely that the United States will have to pay some amount of damages on these claims, it is difficult to predict the outcome of litigation and, therefore, the ultimate total costs cannot be reasonably estimated at this time.

The Government has unused statutory lines of credit to Government-sponsored enterprises totaling \$10 billion, as well.

Commitments as of September 30

	Capital Leases	Operating Leases	Capital Leases	Operating Leases
(In billions of dollars)	2001		2000	
Long-term Leases:				
General Services Administration	0.3	17.2	0.3	16.6
U.S. Postal Service	0.8	9.4	0.7	9.0
Department of Justice	0.1	7.9	-	3.8
Department of Agriculture	0.1	2.4	0.2	2.0
Department of Commerce	-	2.2	-	-
Department of Veterans Affairs	-	1.4	-	1.3
Department of Health and Human Services	-	1.2	-	1.1
Department of State	0.1	0.7	0.2	1.0
Other long-term leases	1.2	3.7	0.9	2.9
Total long-term leases	<u>2.6</u>	<u>46.1</u>	<u>2.3</u>	<u>37.7</u>
	2001		2000	
Undelivered Orders:				
Department of Housing and Urban Development	89.5		92.2	
Department of Health and Human Services	60.6		56.5	
Department of the Navy	42.7		43.4	
Defense agencies	29.2		11.3	
Department of the Air Force	26.4		28.2	
Department of the Army	24.2		18.1	
Department of Agriculture	21.1		15.6	
Department of Education	20.3		23.4	
Department of Justice	12.8		11.4	
Environmental Protection Agency	9.6		9.6	
Department of Labor	8.5		7.7	
U.S. Agency for International Development	8.3		8.6	
Department of Transportation	6.1		5.8	
Federal Emergency Management Agency	5.6		5.6	
National Science Foundation	4.9		4.0	
Other undelivered orders	43.3		39.3	
Total undelivered orders	<u>413.1</u>		<u>380.7</u>	
Other Commitments:				
Multi-lateral development banks	69.4		60.8	
Fuel commitments	9.5		9.0	
National Oceanic and Atmospheric Administration satellites and weather systems	8.4		6.2	
Department of Transportation	4.0		3.2	
Real property activities	3.4		3.4	
Department of Navy	-		2.0	
All other programs	1.4		1.8	
Total other commitments	<u>96.1</u>		<u>86.4</u>	

Contingencies as of September 30

(In billions of dollars)

	2001	2000
Insurance:		
Pension Benefit Guaranty Corporation	11.0	5.0
Federal Deposit Insurance Corporation	7.0	1.0
Other insurance programs	0.1	0.2
Total insurance programs	<u>18.1</u>	<u>6.2</u>
Unadjudicated Claims:		
Department of the Navy	-	3.1
Other unadjudicated claims	1.9	2.2
Total unadjudicated claims	<u>1.9</u>	<u>5.3</u>
Other Contingencies:		
Department of Army	8.8	-
Department of Commerce	7.0	3.0
Department of Agriculture	4.5	6.5
Administrative order against Tennessee Valley Authority	3.0	3.0
Department of Energy	1.9	2.0
Other contingencies	3.2	2.8
Total other contingencies	<u>28.4</u>	<u>17.3</u>

Financial Treatment of Loss Contingencies

Probability of Loss	Probable	Reasonably possible, more than remote but less than probable	Remote, chance of occurrence slight
Financial Treatment	Balance Sheet	Footnote disclosure	No disclosure

Note 19. Dedicated Collections

Dedicated Collections as of September 30*

(In billions of dollars)	Receipts		Disbursements		Trust Fund Net Assets		Less Intra- governmental Net Assets		Consolidated Assets	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Federal Old-Age and Survivors Insurance Trust Fund	518.5	486.5	377.1	358.4	1085.0	940.8	1083.8	939.4	1.2	1.4
Civil Service Retirement and Disability Fund.....	77.9	76.1	47.4	45.4	552.3	521.5	552.0	521.2	0.3	0.3
Federal Hospital Insurance Trust Fund (Medicare Part A).....	173.7	163.3	143.9	129.2	203.7	173.5	203.7	172.2	-	1.3
Military Retirement Fund.....	40.6	39.5	34.2	32.9	169.2	162.7	169.2	162.7	-	-
Federal Disability Insurance Trust Fund ..	83.9	77.6	67.8	56.8	153.1	124.5	151.9	123.2	1.2	1.3
Unemployment Trust Fund.....	34.1	33.2	31.6	25.3	91.5	89.2	90.7	88.3	0.8	0.9
Federal Supplementary Medical Insurance Trust Fund (Medicare Part B)	95.3	89.5	98.4	89.0	42.7	45.8	42.7	45.8	-	-
Highway Trust Fund	31.5	35.0	37.4	32.6	26.2	30.2	26.2	30.2	-	-
Railroad Retirement Trust Fund.....	5.1	5.3	8.4	8.2	24.0	22.7	23.9	22.7	0.1	-
Airport and Airway Trust Fund.....	10.0	10.7	9.4	9.9	14.1	13.5	13.9	13.3	0.2	0.2
Hazardous Substance Superfund	1.1	1.2	1.3	1.6	4.3	4.7	3.8	4.7	0.5	-
Black Lung Disability Trust Fund.....	0.5	0.5	1.0	1.0	-	-	-	-	-	-

*By law, certain expenses (costs) related to the administration of the above funds are not charged to the funds and are financed by other sources.

In the Federal budget, the term “trust fund” means only that the law requires a particular fund be accounted for separately, used only for a specified purpose, and designated as a “trust fund.” A change in law may change the future receipts and the terms under which the fund’s resources are spent. In the private sector, “trust fund” refers to funds of one party held and managed by a second party (the trustee) in a fiduciary capacity.

“Trust Fund Net Assets” represent the unexpended balance from all sources of receipts and amounts due the trust funds, regardless of source, including related Governmental transactions. These are transactions between two different entities within the Government (for example, monies received by one entity of the Government from another entity of the Government).

“Intragovernmental Net Assets” are comprised of investments in Federal debt securities, related accrued interest, and fund balances with Treasury. These amounts were eliminated in preparing these financial statements.

“Consolidated Assets” represent only the net assets from activity with individuals and organizations outside the Government. All related Governmental balances are removed to present the Government’s position as a whole.

The majority of trust fund assets are invested in intragovernmental Treasury securities. These securities require redemption if a fund's disbursements exceeds its receipts. Redeeming these securities will increase the Government's financing needs and require more borrowing from the public (or less repayment of debt), or will result in higher taxes than otherwise would have been needed, or less spending on other programs than otherwise would have occurred, or some combination thereof.

Federal Old-Age and Survivors Insurance Trust Fund

This trust fund provides assistance and protection against the loss of earnings due to retirement or death in the form of money payments. The Social Security Administration (SSA) administers the Federal Old-Age and Survivors Insurance Trust Fund.

Payroll and self-employment taxes primarily fund the Federal Old-Age and Survivors Insurance Trust Fund. Interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security benefits provide the fund with additional income. The law establishing the Federal Old-Age and Survivors Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 401.

Civil Service Retirement and Disability Fund

The Civil Service Retirement and Disability Fund covers two Federal civilian retirement systems: the Civil Service Retirement System (CSRS), for employees hired before 1984, and the Federal Employee Retirement System (FERS), for employees hired after 1983. The Office of Personnel Management administers the CSRS and the FERS systems. The laws establishing the Civil Service Retirement and Disability Fund and authorizing the depositing of amounts to the credit of the trust fund are set forth in 5 U.S.C. § 8334-8348. Funding sources include:

- Federal civilian employees' contributions.
- Agencies' contributions on behalf of employees.
- Appropriations.
- Interest earned on investments in Federal debt securities.

Federal Hospital Insurance Trust Fund (Medicare Part A)

The Federal Hospital Insurance Trust Fund finances the Hospital Insurance program (Medicare Part A). This program funds the cost of inpatient hospital and related care for individuals age 65 or older who meet certain insured status requirements, and eligible disabled people. Department of Health and Human Services (HHS) administers the program.

The Federal Hospital Insurance Trust Fund is financed primarily by payroll taxes, including those paid by Federal agencies. It also receives income from interest earnings on Treasury securities and a portion of income taxes paid on Social Security benefits. The law establishing the Federal Hospital Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 1395i.

Military Retirement Fund

The Military Retirement Fund provides retirement benefits for Army, Navy, Marine Corps, and Air Force personnel, and their survivors. The fund is financed by DOD contributions, appropriations, and interest earned on investments in Federal debt securities. DOD administers the Military Retirement Fund. The laws establishing the Military Retirement Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 10 U.S.C. § 1461-1467.

Federal Disability Insurance Trust Fund

The Federal Disability Insurance Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of money payments. SSA administers the Federal Disability Insurance Trust Fund.

Like the Federal Old-Age and Survivors Insurance Trust Fund, payroll taxes primarily fund the Federal Disability Insurance Trust Fund. The fund also receives income from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and a portion of income taxes paid on Social Security benefits. The law establishing the Federal Disability Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 401.

Unemployment Trust Fund

The Unemployment Trust Fund protects workers who lose their jobs. The program is administered through a unique system of Federal and State partnerships, established in Federal law, but executed through conforming State laws by State officials. The Department of Labor (DOL) administers the Federal operations of the program.

Taxes on employers primarily fund the Unemployment Trust Fund. However, interest earned on investments in Treasury securities also provides income to the fund. Appropriations have supplemented the fund's income during periods of high and extended unemployment. The law establishing the Unemployment Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 1104.

Federal Supplementary Medical Insurance Trust Fund (Medicare Part B)

The Federal Supplementary Medical Insurance Trust Fund finances the Supplemental Medical Insurance program (Medicare Part B) that provides supplementary medical insurance for enrolled eligible participants to cover physician and outpatient services not covered by Medicare Part A. HHS administers the program.

The law establishing the Federal Supplementary Medical Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 1395t.

Highway Trust Fund

The Highway Trust Fund was established to promote domestic interstate transportation and to move people and goods. The fund provides Federal grants to States for highway construction and related transportation purposes. The Department of Transportation (DOT) administers the Highway Trust Fund. The law establishing the Highway Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9503. Funding sources include earmarked taxes on gasoline and other fuels, certain tires, and vehicle and truck use.

Railroad Retirement Trust Fund

During fiscal 2000 and 2001, the Railroad Retirement Trust Fund provided annuities and survivor benefits to eligible railroad employees and their survivors. The fund also paid disability annuities based on total or occupational disability. Payroll taxes paid by railroad employers and their employees provide the primary source of income for the Railroad Retirement Survivor Benefit program. The law establishing the Railroad Retirement Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 45 U.S.C. § 231n.

Subsequent to fiscal 2001, the Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107-90) was enacted. (See the Stewardship Information section on Railroad Retirement).

Airport and Airway Trust Fund

The Airport and Airway Trust Fund provides for airport improvement and airport facilities maintenance. It also funds airport equipment, research, and a portion of FAA's administrative operational support. DOT administers the Airport and Airway Trust Fund. The law establishing the Airport and Airway Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9502. Funding sources include:

- Taxes received from transportation of persons and property in the air, as well as fuel used in non-commercial aircraft.
- International departure taxes.
- Interest earned on investments in Treasury securities.

Hazardous Substance Superfund

The Hazardous Substance Superfund was authorized to address public health and environmental threats from spills of hazardous materials and from sites contaminated with hazardous substances. The Environmental Protection Agency (EPA) administers the fund. The law establishing the Hazardous Substance Superfund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9507. Funding sources include:

- Excise taxes collected on petroleum, chemicals, and imported substances (expired in 1995).
- Environmental taxes from corporations with alternative minimum taxable income in excess of \$2 million (expired in 1995).
- Fines, penalties, and cost recoveries from responsible parties.
- Appropriations.
- Interest earned on investments in Treasury securities.

Black Lung Disability Trust Fund

The Black Lung Disability Trust Fund provides benefits to coal miners who are totally disabled due to pneumoconiosis (black lung disease). It also covers surviving dependents of miners who died due to pneumoconiosis.

Excise taxes on coal mine operators, based on the sale of coal, partially fund black lung disability payments as well as related administrative and interest costs. Intragovernmental advances to the Black Lung Disability Trust Fund, which must be repaid with interest, fund the shortfall. The Department of Labor administers the Black Lung Disability Trust Fund. The law establishing the Black Lung Disability Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9501.

Note 20. Indian Trust Funds

The Indian Trust Funds differ from other dedicated collections reported in Note 19. The Department of the Interior (DOI) has responsibility for the assets held in trust on behalf of American Indian tribes and individuals. The trust funds are held in accounts for approximately 315 tribes, 247,000 individual Native American accounts, and other funds, including the Alaska Native Escrow Fund.

The assets held in trust for Native Americans are owned by the trust beneficiaries and are not the Government's assets. Therefore, these amounts are not reflected in these Financial Statements except for their holdings of nonmarketable Treasury securities, for which the Government's liability is included in Federal debt securities held by the public.

For further information concerning disclosures about the Indian Trust Funds, please refer to the financial statements of the Department of Interior, Note 26. Indian Trust Funds.

Indian Trust Fund balances presented below do not include trust land managed by the Government.

**U.S. Government as Trustee for Indian Trust Funds
Held for Indian Tribes and Other Special Trust Funds
Statement of Changes in Trust Fund Balances
as of September 30
(Unaudited)**

(In millions of dollars)	2001	2000
Receipts	536.1	495.8
Disbursements	467.3	355.4
Receipts in excess of disbursements	68.8	140.4
Trust fund balances, beginning of year	2,736.2	2,595.8
Trust fund balances, end of year	<u>2,805.0</u>	<u>2,736.2</u>

**U.S. Government as Trustee for Indian Trust Funds
Held for Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances
as of September 30
(Unaudited)**

(In millions of dollars)	2001	2000
Receipts	225.9	245.2
Disbursements	221.7	294.6
Receipts in excess of disbursements	4.2	(49.4)
Trust fund balances, beginning of year	399.9	449.3
Trust fund balances, end of year	<u>404.1</u>	<u>399.9</u>

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