

Part 2. Financial Statements

Principal Financial Statements

The principal financial statements included in the Department of the Interior's (DOI) FY 2002 Annual Report on Performance and Accountability have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's (OMB) Bulletin No. 01-09, "Form and Content of Agency Financial Statements." OMB financial statement reporting guidelines for FY 2002 require the presentation of comparative financial statements for some but not all of the principal financial statements. The Department has presented comparative FY 2001 financial statements for the consolidated balance sheet, the consolidated statement of net cost, and the statement of custodial activity.

The responsibility for the integrity of the financial information included in these statements rests with management of the Department of the Interior. The audit of DOI's principal financial statements was performed by an independent certified public accounting firm, selected by the Department's Office of Inspector General. The auditors' report issued by the independent certified public accounting firm is included in Part 3 of this report.

Consolidated Balance Sheet
as of September 30, 2002 and 2001
(dollars in thousands)

	2002	2001 (As Restated)
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 26,876,542	\$ 25,549,373
Investments, Net (Note 4)	5,348,343	5,118,528
Accounts and Interest Receivable, Net (Note 5)	630,306	253,087
Other		
Advances and Prepayments	5,508	2,370
Total Intragovernmental Assets	32,860,699	30,923,358
Cash (Note 3)	1,422	1,473
Investments, Net (Note 4)	138,602	136,637
Accounts and Interest Receivable, Net (Note 5)	1,304,062	1,654,814
Loans and Interest Receivable, Net (Note 6)	225,831	216,808
Inventory and Related Property (Note 7)	363,089	363,782
General Property, Plant & Equipment, Net (Note 8)	16,916,769	16,445,237
Other		
Advances and Prepayments	34,874	35,134
Other Assets, Net (Note 9)	233,862	244,459
Stewardship Assets (Note 10)		
TOTAL ASSETS (Note 11)	\$ 52,079,210	\$ 50,021,702
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	\$ 81,962	\$ 79,813
Debt (Note 12)	1,454,963	1,457,588
Other		
Accrued Payroll and Benefits	182,002	155,855
Advances and Deferred Revenue (Note 13)	517,064	286,892
Deferred Credits	148,482	14,655
Custodial Liability	835,951	1,108,753
Aquatic Resource Amounts Due to Others	371,122	335,416
Judgment Fund	148,870	91,207
Other Liabilities	93,801	99,324
Total Intragovernmental Liabilities	3,834,217	3,629,503
Public Liabilities:		
Accounts Payable	825,168	722,594
Loan Guarantee Liability (Note 6)	49,097	47,975
Debt	-	306
Federal Employees Compensation Act Liability (Note 14)	658,501	663,468
Environmental Cleanup Costs (Note 15)	239,087	268,249
Other		
Accrued Payroll and Benefits	557,628	516,778
Deferred Credits	424,896	289,501
Contingent Liabilities (Note 15)	1,022,380	480,110
Other Liabilities (Note 13)	624,019	514,157
Total Public Liabilities	4,400,776	3,503,138
TOTAL LIABILITIES (Note 16)	8,234,993	7,132,641
Commitments and Contingencies (Notes 15 and 17)		
Net Position (Note 21)		
Unexpended Appropriations	3,827,071	3,660,444
Cumulative Results of Operations	40,017,146	39,228,617
Total Net Position	43,844,217	42,889,061
TOTAL LIABILITIES AND NET POSITION	\$ 52,079,210	\$ 50,021,702

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

Consolidated Statement of Net Cost
for the years ended September 30, 2002 and 2001
(dollars in thousands)

	2002	2001 (As Restated)
Protect the Environment and Preserve Our Nation's Natural & Cultural Resources		
Cost	\$ 4,124,646	\$ 3,590,133
Earned Revenue	425,696	448,472
Net Cost	3,698,950	3,141,661
Provide Recreation for America		
Cost	2,103,191	2,039,086
Earned Revenue	181,498	190,935
Net Cost	1,921,693	1,848,151
Manage Natural Resources for a Healthy Environment and a Strong Economy		
Cost	4,312,848	4,045,514
Earned Revenue	903,591	1,068,622
Net Cost	3,409,257	2,976,892
Provide Science for a Changing World		
Cost	1,464,551	1,355,816
Earned Revenue	345,505	334,868
Net Cost	1,119,046	1,020,948
Meet Our Responsibilities to American Indians and Island Communities		
Cost	2,933,812	2,736,321
Earned Revenue	320,998	265,083
Net Cost	2,612,814	2,471,238
Other		
Cost	792,368	507,663
Earned Revenue	622,571	349,205
Net Cost	169,797	158,458
Totals		
Cost (Note 20)	15,731,416	14,274,533
Earned Revenue	2,799,859	2,657,185
Net Cost (Notes 18 and 19)	\$ 12,931,557	\$ 11,617,348

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

Consolidated Statement of Changes in Net Position
for the year ended September 30, 2002
(dollars in thousands)

	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances, as restated (Note 21)	\$ 39,228,617	\$ 3,660,444
Cumulative Effect of Change in Accounting (Note 24)	(2,694)	(53,576)
Beginning Balances, as restated and adjusted	39,225,923	3,606,868
Budgetary Financing Sources		
Appropriations Received, General Funds		9,207,436
Appropriations Transferred In/Out		293,474
Appropriations-Used	9,232,821	(9,232,821)
Royalties Retained (Note 22)	2,541,126	
Transfers In/Out without Reimbursement	72,753	
Tax Revenue	656,923	
Abandoned Mine Fees	285,580	
Donations and Forfeitures of Cash and Cash Equivalents	20,635	
Other Non-Exchange Revenue	146,822	
Other Budgetary Financing Sources and Adjustments	(3,910)	(47,886)
Other Financing Sources		
Imputed Financing from Cost absorbed by others	541,023	
Transfers In/Out without Reimbursement	224,797	
Donations and forfeitures of property	4,464	
Other	(254)	
Total Financing Sources	13,722,780	220,203
Net Cost of Operations	(12,931,557)	
Ending Balance	\$ 40,017,146	\$ 3,827,071

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

Combined Statement of Budgetary Resources
for the year ended September 30, 2002
(dollars in thousands)

	Budgetary	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:		
Budget Authority:		
Appropriations Received	\$ 13,107,374	\$ -
Borrowing Authority	-	11,944
Net Transfers, Current Year Authority (+/-)	232,250	-
Unobligated Balance (Note 24):		
Beginning of Fiscal Year, as adjusted	3,837,803	56,818
Net Transfers, Unobligated Balance, Actual (+/-)	13,324	-
Spending Authority From Offsetting Collections:		
Earned		
Collected	3,075,661	7,298
Receivable From Federal Sources	111,817	(381)
Change in Unfilled Customer Orders		
Advance Received	253,051	-
Without Advance From Federal Sources	318,515	-
Recoveries of Prior Year Obligations	334,138	195
Temporarily Not Available Pursuant to Public Law	(23,502)	-
Permanently Not Available	(73,342)	(5,220)
Total Budgetary Resources (Note 24)	\$ 21,187,089	\$ 70,654
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	\$ 13,385,839	\$ 14,877
Reimbursable	3,356,563	-
Total Obligations Incurred	16,742,402	14,877
Unobligated Balance (Note 24):		
Apportioned	4,239,703	(2,169)
Exempt From Apportionment	46,873	57,946
Unobligated Balance not Available	158,111	-
Total Status of Budgetary Resources	\$ 21,187,089	\$ 70,654
Relationship of Obligations to Outlays:		
Obligations Incurred	\$ 16,742,402	\$ 14,877
Obligated Balance, Net, Beginning of Fiscal Year, as adjusted (Note 24)	4,522,627	20,139
Obligated Balance, Net, End of Fiscal Year:		
Accounts Receivable	510,180	475
Unfilled Customer Orders From Federal Sources	729,400	-
Undelivered Orders	(4,798,473)	(12,040)
Accounts Payable	(1,315,453)	(36)
Less: Spending Authority Adjustments	(764,470)	185
Outlays:		
Disbursements	15,626,213	23,600
Collections	(3,328,713)	(7,298)
Subtotal	12,297,500	16,302
Less: Offsetting Receipts	(2,869,967)	-
Net Outlays	\$ 9,427,533	\$ 16,302

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

Consolidated Statement of Financing
for the year ended September 30, 2002
(dollars in thousands)

Resources Used to Finance Activities:

Budgetary Resources Obligated:	
Obligations Incurred	\$ 16,757,279
Less: Spending Authority From Offsetting Collections/Adjustments	(4,100,294)
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Obligations Net of Offsetting Collections and Adjustments	12,656,985
Less: Offsetting Receipts	(2,869,967)
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Net Obligations	9,787,018
Other Resources:	
Donations and Forfeitures of Property	4,464
Transfers In/Out Without Reimbursement	224,797
Imputed Financing From Costs Absorbed by Others	541,023
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Net Other Resources Used to Finance Activities	770,284
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Total Resources Used to Finance Activities	\$ 10,557,302

Resources Used to Finance Items Not Part of the Net Cost of Operations:

Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided		(12,180)
Resources That Fund Expenses Recognized in Prior Periods		105,112
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowances for Subsidy		(10,797)
Offsetting Receipts Not Part of the Net Cost of Operations		1,776,835
Resources That Finance the Acquisition of Assets		(1,035,036)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations		(37,053)
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Total Resources Used to Finance Items Not Part of the Net Cost of Operations		786,881
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Total Resources Used to Finance the Net Cost of Operations		11,344,183

Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:

Components Requiring or Generating Resources in Future Periods:	
Increase in Annual Leave Liability	17,025
Upward/Downward Re-estimates in Credit Subsidy Expense	2,354
Increase in Contingent Liabilities	542,270
Other	169,382
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Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	731,031
Components Not Requiring or Generating Resources:	
Depreciation and Amortization	499,655
Components of Net Cost of Operations Related to Transfer Accounts Where Budget Amounts are Reported by Other Federal Entities (Note 25)	346,592
Other	10,096
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Total Components of Net Cost of Operations That Will Not Require or Generate Resources	856,343
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Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	1,587,374
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Net Cost of Operations	\$ 12,931,557

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

Statement of Custodial Activity
for the years ended September 30, 2002 and 2001
(dollars in thousands)

	2002	2001
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	\$ 5,445,180	\$ 9,491,482
Offshore Lease Sales	884,859	669,840
Strategic Petroleum Reserve (Note 23)	262,752	61,654
Total Revenue	\$ 6,592,791	\$ 10,222,976
 Disposition of Revenue		
Distribution to Department of the Interior		
National Park Service Conservation Funds	\$ 1,047,980	\$ 1,046,493
Bureau of Reclamation	544,826	823,929
Minerals Management Service	794,779	1,157,049
Bureau of Land Management	8,270	7,198
Fish and Wildlife Service	891	1,468
Distribution to Other Federal Agencies		
Department of Treasury	4,138,702	6,405,104
Department of Agriculture	16,091	25,410
Department of Commerce	-	1,105
Department of Energy	262,752	61,654
Distribution to Indian Tribes and Agencies	61,338	107,982
Distribution to States and Others	30,443	141,388
Change in Untransferred Revenue	(313,281)	444,196
Total Disposition of Revenue	\$ 6,592,791	\$ 10,222,976

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

U.S. Department of the Interior Notes to Principal Financial Statements as of September 30, 2002 and 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department of the Interior (Department or Interior) 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 or which are a component of the reporting entity, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), Custodial Funds and the Aquatic Resources Trust Fund. The financial statements, however, do not include non-federal 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 these Tribal and other Special Trust Funds and Individual Indian Monies under separate cover. A summary of the trust fund balances and changes in trust fund balances managed on behalf of Indian tribes and individuals is included in Note 26. 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 certain tax revenue, which may in part be attributable to Interior.

B. Organization and Structure of Interior

The Department is composed of the following nine operating bureaus and Departmental Offices (Bureaus):

- National Park Service (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- U.S. Fish and Wildlife Service (includes the Aquatic Resources Trust Fund)
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service (includes the Environmental Improvement and Restoration Fund)
- 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's Discussion and Analysis portion of this report. In addition, more detailed information about the Bureaus may be found in the individual financial reports prepared by each Bureau.

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 Interior's 2002 and 2001 financial statements and notes.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, custodial activities, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations 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), Office of Management and Budget (OMB) Bulletin No. 01-09, "Form and Content of Agency Financial Statements." GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard setting body for the federal government. 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.

OMB financial statement reporting guidelines for FY 2002 require the presentation of comparative financial statements for some but not all of the principal financial statements. Interior has presented comparative FY 2001 financial statements for the consolidated balance sheet, consolidated statement of net cost, and the statement of custodial activity.

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 and Cash

Interior maintains all cash accounts with the U.S. Department of the Treasury (Treasury) except for imprest fund accounts. The account, Fund Balance with Treasury, includes general, special, revolving, trust and other funds available to pay current liabilities and finance authorized purchases as well as funds restricted until future appropriations are received. Cash disbursements are processed by Treasury, and Interior's records are reconciled with those of Treasury on a regular basis.

Cash consists primarily of federal funds held by private banks and investing firms for the Office of Trust Funds Management.

The U.S. Geological Survey maintains small balances of foreign currencies used to make payments in foreign countries. Those balances are reported at the U.S. dollar equivalent using the exchange rate in effect on the last day of the reporting period.

See Note 2 (Fund Balance with Treasury) and Note 3 (Cash) for additional information.

E. Investments, Net

Interior invests funds in federal government and public securities on behalf of various Interior programs and for amounts held in certain escrow accounts.

The federal government securities include marketable Treasury securities and non-marketable par value or non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Par value securities are special issue bonds or certificates of indebtedness that bear interest determined by legislation or the Treasury. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

Public securities include marketable securities issued by government-sponsored entities and consist mainly of various mortgage instruments, bond and bank notes. Mortgage instruments are with the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation, the Private Export Funding Corporation, the Federal Farm Credit Banks Consolidated System, the Federal Agricultural Mortgage Corporation, and the Government National Real Estate Mortgage Investment Conduit. Bonds and bank notes are with the Federal Home Loan Bank and the Federal Judiciary.

Investments are expected to be held until maturity and are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method for short-term securities (i.e., bills) and the interest method for longer-term securities (i.e., notes). Interest on investments is accrued as it is earned.

The market value is estimated as the sales price of the security multiplied by the bid price as of September 30, 2002.

Note 4 provides additional information on Investments, Net.

F. Accounts and Interest Receivable, Net

Accounts and interest 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 5 provides additional information on Accounts and Interest Receivable, Net.

G. Loans and Interest Receivable, Net

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. The allowance for subsidy cost is re-estimated annually, on September 30.

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 6 provides additional information on Loans and Interest Receivable, Net.

H. Inventory and Related Property

Interior's inventory is primarily composed of maps, map products, and helium stockpile inventory.

The U.S. Geological Survey has inventories of supplies and materials used for normal agency operations and inventories of maps and map products. Maps and map products are located at nine Earth Science Information Centers across the United States. Inventory is available for sale without restrictions. Map and map products are valued at historical cost using a method which approximates the weighted average method and are adjusted at fiscal year-end based on actual physical counts. The map inventory does not turnover rapidly.

The helium inventory includes both above ground refined helium at the end of the fiscal year and helium, which is stored in a partially depleted natural gas reservoir. 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 volume supports the volume carried in the inventory.

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. Gas and storage rights for the storage of helium are recorded at historical cost because no additional purchases have been made. A depletion allowance is computed annually to record gas consumed in the processing of helium.

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. Under the legislation, all recoverable helium will be sold.

Interior's operating materials include aircraft fuel and parts that are primarily held for use. Operating materials are valued at historical cost using the average cost method.

Note 7 provides additional information on Inventory and Related Property.

I. General Property, Plant, and Equipment, Net

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, wildlife enhancement, and recreation; land acquired for general operating purposes; equipment, vehicles, and aircraft; and construction in progress. Other property and equipment consists of internal use software and property pending disposition. Buildings, structures, and facilities 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, vehicles, and aircraft are capitalized at acquisition cost and are 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 buildings, structures, and facilities and from \$5,000 to \$15,000 for equipment, vehicles and aircraft.

In accordance with the implementation guidance for SFFAS No. 6, Interior recorded certain general property, plant and equipment acquired on or before September 30, 1996 at its estimated net book value (i.e., gross cost less accumulated depreciation) or its estimated gross cost. Interior estimated these costs and net book values based on available historic supporting documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition.

Construction in Progress. Construction In Progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of Construction in Progress when the entire project is completed.

In past years, the Department, through the Bureau of Reclamation, began the planning of and construction on various features included in 11 projects located in California, Colorado, Arizona, Washington, North Dakota, and South Dakota, for which activities have either been placed in abeyance or intended benefits have never been provided. These projects were authorized to provide various benefits, among them irrigation, fish and wildlife conservation and enhancement, recreation, municipal water supplies, and flood control. Until congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of weather and time and to keep the asset ready for potential completion.

Internal Use Software. The Department implemented Statement of Federal Financial Accounting Standards (SFFAS) No. 10, Accounting for Internal Use Software during the year ended September 30, 2001. This standard provides accounting standards for internal use software utilized by each agency. Internal use software includes purchased commercial off-the-shelf software (COTS), contractor-developed software, and internally developed software using agency employees.

Internal use software is capitalized at cost if the acquisition cost is \$100,000 or more. For COTS software, the capitalized costs include the amount paid to the vendor for the software; for contractor-developed software it includes the amount paid to a contractor to design, program, install, and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. The estimated useful life for calculating amortization of software is 2 to 5 years using the straight-line method.

Investigations and Development. Investigations and development costs represent funds appropriated by Congress that have been expended for such activities as general engineering studies and surveys that are directly related to project construction. The Department capitalizes these costs as investigations and development after the decision is made to pursue construction or after construction authorization. The Department's accounting treatment for investigation and development costs not related to project construction, incurred prior to the decision being made to pursue construction, or incurred before construction authorization results in these costs being expensed as incurred. Once the engineering studies and surveys are complete and structural construction begins, these costs are transferred from investigations and development to Construction in Progress.

Stewardship Property, Plant and Equipment. SFFAS No. 6, "Accounting for Property, Plant and Equipment," established various categories of stewardship property, plant, and equipment, 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 is considered to be stewardship land. A portion of these lands has been reserved as national parks, wildlife refuges, and wilderness areas, while the remainder is 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 property, plant and equipment 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 Balance Sheet excludes these assets.

The Required Supplementary Stewardship Information (RSSI) section of this report provides additional information concerning stewardship land and heritage assets.

Note 8 provides additional information on General Property, Plant, and Equipment, Net.

J. Liabilities

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 the U.S. 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, disclosed as liabilities not covered by budgetary resources, or unfunded liabilities, and there is no legal certainty that the appropriations will be enacted.

Interior estimates certain accounts payable balances based on past history of payments in current periods that relate to prior periods or on a current assessment of services/products received but not paid.

Environmental Cleanup Costs and Contingent Liabilities. 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 environmental liabilities where losses are determined to be probable and the amounts can be estimated. In accordance with federal accounting guidance, the liability for future cleanup of environmental hazards is “probable” only when the government is legally responsible 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. Instead, 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 is performed.

Contingent liabilities are 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. Interior discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of future events is more than remote. 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.

Note 15 provides additional information on Environmental Cleanup Costs and Contingent Liabilities.

K. 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 the 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.

Exchange and Non-Exchange Revenue. 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 Consolidated Statement of Net Cost and serve to reduce the reported cost of operations borne by the taxpayer. Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. We do not anticipate any losses under goods or services to occur. Non-exchange revenues result from donations to the government and 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 Consolidated 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 (cost plus administrative fees) incurred by these activities.

A portion of federal royalty collections is distributed to states. These royalty collections are transferred from the custodial fund to the operating accounts of Interior and are recognized as revenue in an amount equal to payments to the states, which are reflected on the Royalties Retained line of the Consolidated Statement of Changes in Net Position.

Imputed Financing Sources. In certain instances, operating costs of the Department are paid out of funds appropriated to other federal agencies. For example, the Office of Personnel Management, by law, pays certain costs of retirement programs and certain legal judgments 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 Consolidated Statement of Changes in Net Position to indicate the funding of Department operations by other federal agencies.

Custodial Revenue. Interior's Minerals Revenue Management (MRM), administered by the Minerals Management Service (MMS), collects royalties, rents, bonuses, and other receipts for 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. MMS is authorized to retain a portion of the rental income collected as part of the custodial activity provided by the MRM Program to fund operating costs.

Interior estimates royalty accruals based on prior months collections resulting from production of oil and gas leases.

Royalty-in-Kind (RIK) Program. The federal government, under the provisions of the Mineral Lands Leasing Act of 1920 and the Outer Continental Shelf Lands Act (OCSLA) of 1953, may take part or all of its oil and gas royalties in-kind (a volume of the commodity) as opposed to in value (cash). MMS may either transfer the volume of oil or gas commodity taken in kind to federal agencies for internal use or sell the commodity on the open market at fair market value to generate revenue.

Since 1998, the MMS has initiated several RIK pilot projects where the government receives oil and gas rather than cash, to determine if RIK is in the country's best interest, and if so, under what circumstances. In some cases, receiving royalties in the form of natural resources will increase the certainty of accurate royalty payments and reduce administrative costs for both industry and the government.

Aquatic Resources Trust Fund. The Department presents the Aquatic Resources Trust Fund (ARTF) in its financial statements in accordance with the requirements of Statement of Federal Financial Concepts Number 2, "Entity and Display." The source of funding for the ARTF includes excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust 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 benefit from sport fish resources. The ARTF also provides funding for boating safety programs conducted by the U.S. Coast Guard and coastal wetlands initiatives conducted by the U.S. Army Corps of Engineers. 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.

Deferred Revenue. Unearned revenue is recorded as deferred revenue until earned.

L. Personnel Compensation and Benefits

Annual and Sick Leave Program. 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 rates of the employees. Sick leave and other types of leave are expensed when used and no future liability is recognized for these amounts.

Federal Employees Workers' Compensation Program. The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose

deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (Labor), which pays valid claims and subsequently seeks reimbursement from Interior for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by Labor but not yet reimbursed by Interior. Interior reimburses Labor for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two to three year time period between payment by Labor and reimbursement by Interior. As a result, Interior recognizes a liability for the actual claims paid by Labor and to be reimbursed by Interior.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. Labor determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using the Office of Management and Budget's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year.

Labor also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

Note 14 provides additional information on the FECA liability.

Federal Employees Group Life Insurance (FEGLI) Program. Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. The Office of Personnel Management (OPM) administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and imputed financing source.

Retirement Programs. 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 12 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of 7 percent of their gross earnings and receive no matching contribution from Interior.

The OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees governmentwide, including Interior employees. The Department has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the Department and covered CSRS employees.

M. 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 Treasury's Judgment Fund and the partial funding of employee benefits by the Office of Personnel Management.

Transactions and balances among the Department's entities have been eliminated from the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, and the Consolidated Statement of Changes in Net Position. As provided for by OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements," the Statement of Budgetary Resources is presented on a combined basis, therefore, intra-departmental transactions and balances have not been eliminated from this statement. In accordance with OMB Bulletin No. 01-09, intra-departmental transactions and balances have been eliminated from all the amounts on the Consolidated Statement of Financing, except for obligations incurred and spending authority from offsetting collections and adjustments, which are presented on a combined basis. In order to present all custodial activity, the distributions to the Department's entities have not been eliminated on the Statement of Custodial Activity; however, the amounts are reported separately on the statement.

N. 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.

O. Estimates

The Department has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ from these estimates.

NOTE 2. FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of the Department to draw down funds from Treasury for expenditures and liabilities.

Fund Balance with Treasury by fund type as of September 30, 2002 and 2001 consists of the following:

Fund Balance with Treasury by Fund Type

(dollars in thousands)	FY 2002	FY 2001 (As Restated)
General Funds	\$ 4,918,014	\$ 4,624,759
Special Funds	20,332,757	19,835,540
Revolving Fund	1,117,042	806,212
Trust Fund	152,164	153,223
Other Fund Types	356,565	129,639
Total Fund Balance with Treasury by Fund Type	\$ 26,876,542	\$ 25,549,373

The status of the fund balance may be classified as unobligated available, unobligated unavailable, and obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable amounts are primarily composed of funds in unavailable collection accounts, such as the Land and Water Conservation Fund, which are not available to the Department for use unless appropriated by Congress. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not available to fund new obligations. The obligated not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received or goods and services received but for which payment has not yet been made.

Status of Fund Balance with Treasury as of September 30, 2002 and 2001 consists of the following:

Status of Fund Balance with Treasury

(dollars in thousands)	FY 2002	FY 2001 (As Restated)
Unobligated		
Available	\$ 3,734,487	\$ 2,805,530
Unavailable	19,193,492	18,912,223
Obligated Not Yet Disbursed	3,948,563	3,831,620
Total Status of Fund Balance with Treasury	\$ 26,876,542	\$ 25,549,373

NOTE 3. CASH

The cash amount includes balances held by private banks and investing firms, change-making funds maintained in offices where maps are sold over the counter, and small amounts of foreign currency.

Cash as of September 30, 2002 and 2001 consists of the following:

Cash

(dollars in thousands)	FY 2002	FY2001
Cash Not Yet Deposited to Treasury	\$ 722	\$ 736
Imprest Fund	700	692
Foreign Currency	-	45
Total Cash	\$ 1,422	\$ 1,473

NOTE 4. INVESTMENTS, NET**A. Investments in Treasury Securities**

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

Investments as of September 30, 2002 and 2001 consist of the following:

Investments, Net						
FY 2002						
(dollars in thousands)	Investment Type	Par Value	Unamortized Premium/ (Discount)	Investments, Net	Market Value Disclosure	
U.S. Treasury Securities						
Bureau of Indian Affairs	Marketable	\$ 63,638	\$ -	\$ 63,638	\$ 63,638	
Bureau of Land Management	Non-Marketable, par value	165,480	(488)	164,992	165,047	
Departmental Offices						
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	131,110	2,854	133,964	135,945	
National Resources Damage Assessment and Restoration Fund	Non-Marketable, market-based	145,443	725	146,168	146,517	
Tribal Trust and Special Funds	Marketable	24,148	(14)	24,134	25,540	
	Non-Marketable, market-based	63,250	(17)	63,233	62,448	
Minerals Management Service - Conservation	Non-Marketable, market-based	973,557	(6,284)	967,273	967,758	
Minerals Management Service - Custodial	Non-Marketable, market-based	24,644	(27)	24,617	24,619	
National Park Service	Non-Marketable	65	-	65	65	
Office of Surface Mining	Non-Marketable, market-based	1,895,000	-	1,895,000	1,895,000	
U.S. Fish and Wildlife Service	Non-Marketable, market-based	494,568	4,224	498,792	501,692	
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,369,234	(4,411)	1,364,823	1,386,341	
Total U.S. Treasury Securities		5,350,137	(3,438)	5,346,699	5,374,610	
Accrued Interest		1,644	-	1,644	-	
Total Non-Public Investments		5,351,781	(3,438)	5,348,343	5,374,610	
Public Securities						
Bureau of Indian Affairs	Marketable	1,192	-	1,192	1,334	
Departmental Offices - Tribal Trust and Special Funds	Marketable	136,295	(591)	135,704	141,430	
Total Public Securities		137,487	(591)	136,896	142,764	
Accrued Interest		1,706	-	1,706	-	
Total Public Investments		139,193	(591)	138,602	142,764	
Total Investments		\$ 5,490,974	\$ (4,029)	\$ 5,486,945	\$ 5,517,374	
FY 2001						
(dollars in thousands)	Investment Type	Par Value	Unamortized Premium/ (Discount)	Investments, Net	Market Value Disclosure	
U.S. Treasury Securities						
Bureau of Indian Affairs	Marketable	\$ 63,562	\$ -	\$ 63,562	\$ 63,562	
Bureau of Land Management	Non-Marketable, par value	102,987	(476)	102,511	102,636	
Departmental Offices						
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	124,105	2,204	126,309	124,105	
National Resources Damage Assessment and Restoration Fund	Non-Marketable, market-based	150,677	347	151,024	151,590	
Tribal Trust and Special Funds	Marketable	55,114	62	55,176	61,604	
	Non-Marketable, market-based	4,415	114	4,529	4,415	
Minerals Management Service - Conservation	Non-Marketable, market-based	961,779	(12,930)	948,849	952,482	
Minerals Management Service - Custodial	Non-Marketable, market-based	28,451	(41)	28,410	28,410	
National Park Service	Non-Marketable	65	-	65	65	
Office of Surface Mining	Non-Marketable, market-based	1,866,451	(3,063)	1,863,388	1,863,388	
U.S. Fish and Wildlife Service	Non-Marketable, market-based	479,068	(737)	478,331	478,787	
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,304,233	(10,508)	1,293,725	1,295,118	
Total U.S. Treasury Securities		5,140,907	(25,028)	5,115,879	5,126,162	
Accrued Interest		2,649	-	2,649	-	
Total Non-Public Investments		5,143,556	(25,028)	5,118,528	5,126,162	
Public Securities						
Bureau of Indian Affairs	Marketable	1,746	-	1,746	1,759	
Departmental Offices - Tribal Trust and Special Funds	Marketable	134,955	(524)	134,431	134,956	
Total Public Securities		136,701	(524)	136,177	136,715	
Accrued Interest		460	-	460	-	
Total Public Investments		137,161	(524)	136,637	136,715	
Total Investments		\$ 5,280,717	\$ (25,552)	\$ 5,255,165	\$ 5,262,877	

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 marketable Treasury bills and notes. BIA's investments in public securities are discussed more fully below.

Bureau of Land Management. The Bureau of Land Management is authorized to invest in special non-marketable par value and market-based Treasury securities. These securities include U.S. Treasury bills, notes, bonds, and one-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. The BLM invests in these securities of the U.S. Treasury pursuant to authorizing legislation for two accounts: (1) the proceeds of certain land sales as authorized by the Southern Nevada Public Land Management Act enacted in October 1998; and (2) the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000.

Departmental Offices. Effective in 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 by the Utah Reclamation Mitigation and Conservation Commission. Investments are made in non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Interest on investments is accrued as it is earned.

Commencing with 1999, Departmental Offices assumed financial responsibility, including investment activities, for the Natural Resources Damage Assessment and Restoration Fund (NRDAR). The funds are invested in non-marketable market-based securities issued by Treasury. Funds are invested in both long and short-term securities, depending upon the program's needs for their funds.

The reporting responsibility for the Tribal Trust and Special Funds, including investments in Treasury and public securities, was transferred to Departmental Offices in 1999 in accordance with OMB and FASAB guidance. The Secretary of the Interior invests Tribal Trust and Special Funds in marketable and non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt or marketable securities issued by other federal agencies and government-sponsored entities. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

Minerals Management Service (MMS). Investments consist of non-marketable, market-based Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. The MMS has limited investment authority based on two categories: Environmental Improvement and Restoration and Custodial Investments.

The Environmental Improvement and Restoration Fund (EIRF) is available for investment under the Interior and Related Agencies Appropriations Act of 1998. Congress has permanently appropriated 20 percent of the prior fiscal year interest earned by the EIRF to the Department of Commerce. The remaining 80 percent will remain in the fund to earn interest and may be appropriated by Congress to certain other agencies, as provided by the law. This investment was funded in 2000 by the settlement of the boundary dispute with the State of Alaska.

Custodial investments include Section 7 of the Outer Continental Shelf Lands Acts and Outer Continental Shelf bids. Section 7 of the Outer Continental Shelf Lands Act (OCSLA) allows for receipts from OCSLA leases having boundary disputes on federal securities. During FY 2000, the U.S. Supreme Court issued a Final Decree in this litigation resolving a long-standing boundary dispute with the State of Alaska, dating back to 1979. The investment was redeemed and the full balance of principal and interest was disbursed

during 2000. Part of the principal and interest was transferred to the EIRF for investment. Therefore, there were no Section 7 investments in 2001.

MMS is also required by regulation to invest the 1/5 Outer Continental Shelf (OCS) bid amounts from the apparent high bidders for all OCS lease sales. Should any of the apparent high bids be later rejected, the 1/5 bid and actual interest earned are returned to the bidder. The investment earned on accepted bids reverts to the Treasury when the bids are accepted.

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.

Office of Surface Mining. Effective October 1, 1991, the Office of Surface Mining (OSM) was authorized to invest available Abandoned Mine Land (AML) trust funds in non-marketable securities issued by the Federal Investment Branch of the Bureau of the Public Debt in the Department of the Treasury. The OSM has authority to invest AML trust funds in Treasury bills, notes, bonds, 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. There are no restrictions on federal agencies as to the use or convertibility of Treasury non-marketable securities.

A portion of the AML 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 dependents.

U.S. Fish and Wildlife Service. The U.S. Treasury collects, invests, and maintains on behalf of the U.S. Fish and Wildlife Service (FWS), the Aquatic Resources Trust Fund (ARTF), which includes FWS's Sport Fish Restoration Account. Although the FWS has advisory authority for ARTF investment decisions, the Treasury has legal responsibility for investing ARTF funds.

Consistent with authorizing legislation and Treasury fiscal investment policies, the Secretary of the Treasury invests such portion of the ARTF balance deemed by the program agencies not necessary to meet current withdrawals to cover program and related costs as defined by law. Such investments are in non-marketable par value or non-marketable market-based securities as authorized by legislation and are issued and redeemed by the Federal Investment Branch of the Bureau of the Public Debt, in the Department of Treasury. These securities are held in the name of the Secretary of the Treasury for the ARTF and interest on investments is accrued as it is earned.

B. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in marketable U.S. 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 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. The Secretary of the Interior invests Tribal Trust and Special Funds in marketable and non-marketable par value or securities issued by the Federal Investment Branch of the Bureau of the Public Debt or marketable securities issued by other federal agencies and

government-sponsored entities. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

NOTE 5. ACCOUNTS AND INTEREST RECEIVABLE, NET

Due From the Public, Net. 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 royalties on mineral leases collected by the Minerals Management Service, the sale 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. Unbilled receivables reflect work performed to date on agreements and uncollected revenue for royalties due subsequent to year-end, which will be billed in the future. 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.

FY 2002 Accounts and Interest Receivable Due from the Public

(dollars in thousands)	Unbilled	Current	Past Due Accounts			Allowance for Doubtful Accounts	FY 2002
			1-180 days	181-365 days	Over 1 yr		
Bureau of Indian Affairs	\$ 18,700	\$ 17,639	\$ 10,318	\$ 668	\$ 5,308	\$ (30,073)	\$ 22,560
Bureau of Land Management	4,117	2,877	1,545	296	1,466	(1,315)	8,986
Bureau of Reclamation	7,582	10,197	1,397	4,433	2,639	(2,740)	23,508
Departmental Offices & Other	2,865	2,941	155	8	18	(4)	5,983
Minerals Management Service	374,920	17	-	2	6	-	374,945
Minerals Management Service - Custodial	596,883	160,910	254	2,977	310,874	(300,949)	770,949
National Park Service	1,114	2,468	406	1,011	883	(804)	5,078
Office of Surface Mining	-	1,560	422	218	838	(1,803)	1,235
U.S. Fish and Wildlife Service	-	4,640	809	94	594	(543)	5,594
U.S. Geological Survey	68,805	18,498	7,067	322	2,882	(12,350)	85,224
Total Accounts and Interest Receivable - Public	\$ 1,074,986	\$ 221,747	\$ 22,373	\$ 10,029	\$ 325,508	\$ (350,581)	\$ 1,304,062

FY 2002 Allowance for Doubtful Accounts - Public

(dollars in thousands)	Beginning Balance	Additions	Reductions/ Collections	FY 2002
				Ending Balance
Bureau of Indian Affairs	\$ 23,212	\$ 8,854	\$ (1,993)	\$ 30,073
Bureau of Land Management	1,237	103	(25)	1,315
Bureau of Reclamation	14,671	2,801	(14,732)	2,740
Departmental Offices & Other	3	12	(11)	4
Minerals Management Service - Custodial	270,281	30,668	-	300,949
National Park Service	1,447	443	(1,086)	804
Office of Surface Mining	1,372	2,763	(2,332)	1,803
U.S. Fish and Wildlife Service	490	53	-	543
U.S. Geological Survey	14,166	-	(1,816)	12,350
Total Allowance for Doubtful Accounts - Public	\$ 326,879	\$ 45,697	\$ (21,995)	\$ 350,581

FY 2001 Accounts and Interest Receivable Due from the Public

(dollars in thousands)	Unbilled	Current	Past Due Accounts			Allowance for Doubtful Accounts	FY 2001 (As Restated)
			1-180 days	181-365 days	Over 1 yr		
Bureau of Indian Affairs	\$ 19,928	\$ 12,151	\$ 7,109	\$ 460	\$ 3,657	\$ (23,212)	\$ 20,093
Bureau of Land Management	3,796	5,129	656	275	1,576	(1,237)	10,195
Bureau of Reclamation	27,106	8,343	6,290	5,326	9,309	(14,671)	41,703
Departmental Offices & Other	3,139	3,644	276	3	111	(3)	7,170
Minerals Management Service	238,311	173	-	-	-	-	238,484
Minerals Management Service - Custodial	884,432	458,100	20,066	16,542	111,979	(270,281)	1,220,838
National Park Service	758	3,063	1,471	1,986	1,139	(1,447)	6,970
Office of Surface Mining	23,328	811	949	90	2,346	(1,372)	26,152
U.S. Fish and Wildlife Service	-	3,281	3,902	316	488	(490)	7,497
U.S. Geological Survey	63,065	12,580	9,120	1,129	3,984	(14,166)	75,712
Total Accounts and Interest Receivable - Public	\$ 1,263,863	\$ 507,275	\$ 49,839	\$ 26,127	\$ 134,589	\$ (326,879)	\$ 1,654,814

FY 2001 Allowance for Doubtful Accounts - Public

(dollars in thousands)	Beginning		Additions	Reductions	FY 2001	
	Balance				Ending Balance	
Bureau of Indian Affairs	\$ 30,613	\$ -	\$ -	\$ (7,401)	\$ 23,212	
Bureau of Land Management	3,791	-	-	(2,554)	1,237	
Bureau of Reclamation	11,007	3,664	-	-	14,671	
Departmental Offices & Other	2	13	-	(12)	3	
Minerals Management Service - Custodial	297,288	-	-	(27,007)	270,281	
National Park Service	844	603	-	-	1,447	
Office of Surface Mining	3,163	1,044	-	(2,835)	1,372	
U.S. Fish and Wildlife Service	341	149	-	-	490	
U.S. Geological Survey	5,718	8,448	-	-	14,166	
Total Allowance for Doubtful Accounts - Public	\$ 352,767	\$ 13,921	\$ (39,809)	\$ 326,879		

Due from Federal Agencies, Net. Accounts Receivable Due from Federal Agencies arise from the sale of products and services to other federal agencies, including the sale of maps, the performance of environmental and scientific services, and 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. Substantially, all receivables from other federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts is used occasionally to recognize billing disputes.

FY 2002 Accounts and Interest Receivable Due from Federal Agencies

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts		FY 2002
Bureau of Indian Affairs	\$ 64,756	\$ -	\$ -	\$ 64,756
Bureau of Land Management	6,493	-	-	6,493
Bureau of Reclamation	329,123	-	-	329,123
Departmental Offices & Other	118,730	-	-	118,730
Minerals Management Service	97,085	-	-	97,085
Minerals Management Service - Custodial	379,880	-	-	379,880
National Park Service	13,255	-	-	13,255
Office of Surface Mining	17	-	-	17
U.S. Fish and Wildlife Service	24,212	-	-	24,212
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	273	-	-	273
U.S. Geological Survey	84,626	(5,170)	-	79,456
Intra-Departmental Eliminations	(482,974)	-	-	(482,974)
Total Accounts and Interest Receivable - Federal	\$ 635,476	\$ (5,170)	\$ -	\$ 630,306

FY 2002 Allowance for Doubtful Accounts - Federal

(dollars in thousands)	Beginning Balance	Additions	Reductions/ Collections	FY 2002 Ending Balance
Bureau of Indian Affairs	\$ (7)	\$ 7	\$ -	0
Bureau of Reclamation	776	-	(776)	0
Departmental Offices & Other	488	-	(488)	0
U.S. Geological Survey	20	5,150	-	5,170
Total Allowance for Doubtful Accounts - Federal	\$ 1,277	\$ 5,157	\$ (1,264)	\$ 5,170

FY 2001 Accounts and Interest Receivable Due from Federal Agencies

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts	FY 2001
Bureau of Indian Affairs	\$ 59,313	\$ 7	\$ 59,320
Bureau of Land Management	7,869	-	7,869
Bureau of Reclamation	212,622	(776)	211,846
Departmental Offices and Other	49,652	(488)	49,164
Minerals Management Service	35,176	-	35,176
Minerals Management Service - Custodial	66,783	-	66,783
National Park Service	9,318	-	9,318
Office of Surface Mining	2	-	2
U.S. Fish and Wildlife Service	26,859	-	26,859
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	6,628	-	6,628
U.S. Geological Survey	84,625	(20)	84,605
Intra-Departmental Eliminations	(304,483)	-	(304,483)
Total Accounts and Interest Receivable - Federal	\$ 254,364	\$ (1,277)	\$ 253,087

FY 2001 Allowance for Doubtful Accounts - Federal

(dollars in thousands)	Beginning Balance	Additions	Reductions	FY 2001 Ending Balance
Bureau of Indian Affairs	\$ -	\$ -	\$ (7)	\$ (7)
Bureau of Reclamation	-	776	-	776
Departmental Offices and Other	488	-	-	488
U.S. Geological Survey	(2)	22	-	20
Total Allowance for Doubtful Accounts - Federal	\$ 486	\$ 798	\$ (7)	\$ 1,277

Recovery of Reimbursable Capital Costs. The Bureau of Reclamation enters into long-term repayment contracts and water service contracts with non-federal (public) water users that allow the use of irrigation, municipal and industrial (M&I) water facilities in exchange for annual payments to repay a portion of the federal investment allocated to the construction of reimbursable irrigation and M&I facilities. Also, power marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on Reclamation's behalf. Costs associated with multipurpose plants are allocated to the various purposes (mainly power, irrigation, M&I water, fish and wildlife enhancement, recreation, and flood control) through a cost allocation process. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. The typical repayment contract is up to 40 years but may extend to 50 years or more if authorized by the Congress.

Unmatured repayment contracts are not recognized on the balance sheets until the annual amount becomes due each year, at which time a current accounts receivable and a current period exchange revenue is recorded. As of September 30, 2002 and 2001, future commitments to Reclamation under unmatured repayment contracts were \$2.6 billion.

NOTE 6. LOANS AND INTEREST RECEIVABLE, NET

Direct loans and loan guarantees, made prior to FY 1992, were funded 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 loans.

Direct loans and loan guarantees, made during and after FY 1991, 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. In FY 1992, there were no changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates.

Included in the financial statements is a subsidy re-estimate computed at the end of the fiscal year. The amounts included in the consolidated financial statements are not reported in the budget until the following fiscal year.

The Bureau of Indian Affairs and the Bureau of Reclamation administer loan programs while the Departmental Offices and National Park Service provide loans on an individual basis under special circumstances. An analysis of the loans and the nature and amounts of the subsidy and associated administrative costs are provided in the following tables.

Loans and Interest Receivable, Net
(in thousands)

A. Direct Loan and Loan Guarantee Program Names

	FY 2002	FY 2001
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 27,419	\$ 29,540
Bureau of Indian Affairs - Direct Loans (Credit Reform)	15,094	13,348
Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	1,234	1,270
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	2,584	2,503
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	62,944	60,873
Bureau of Reclamation - Direct Loans (Credit Reform)	87,686	80,096
Departmental Offices - Virgin Island (Pre-Credit Reform)	11,697	13,420
Departmental Offices - American Samoa Government (Credit Reform)	12,496	10,721
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	4,677	5,037
Total Loans and Interest Receivable, Net	\$ 225,831	\$ 216,808

Direct Loans (dollars in thousands)**B. Direct Loans Obligated Prior to FY 1992:**

Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):

	Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
Direct Loan Programs					
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 31,170	\$ 9,355	\$ (13,106)	\$ -	\$ 27,419
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	70,229	933	(8,218)	-	62,944
Departmental Offices - Virgin Island (Pre-Credit Reform)	11,426	271	-	-	11,697
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	4,677	-	-	-	4,677
FY 2002 Total	\$ 117,502	\$ 10,559	\$ (21,324)	\$ -	\$ 106,737
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 34,795	\$ 9,399	\$ (14,654)	\$ -	\$ 29,540
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	73,349	950	(13,426)	-	60,873
Departmental Offices - Virgin Island (Pre-Credit Reform)	13,114	306	-	-	13,420
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	5,037	-	-	-	5,037
FY 2001 Total	\$ 126,295	\$ 10,655	\$ (28,080)	\$ -	\$ 108,870

C. Direct Loans Obligated After FY 1991:

	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Direct Loan Programs					
Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ 21,904	\$ 4,984	\$ -	\$ (11,794)	\$ 15,094
Bureau of Reclamation - Direct Loans (Credit Reform)	121,921	-	-	(34,235)	87,686
Departmental Offices - American Samoa Government (Credit Reform)	14,512	407	-	(2,423)	12,496
FY 2002 Total	\$ 158,337	\$ 5,391	\$ -	\$ (48,452)	\$ 115,276
Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ 23,362	\$ 4,453	\$ -	\$ (14,467)	\$ 13,348
Bureau of Reclamation - Direct Loans (Credit Reform)	117,030	-	-	(36,934)	80,096
Departmental Offices - American Samoa Government (Credit Reform)	12,432	331	-	(2,042)	10,721
FY 2001 Total	\$ 152,824	\$ 4,784	\$ -	\$ (53,443)	\$ 104,165

D. Total Amount of Direct Loans Disbursed (Post 1991):

Direct Loan Programs	FY 2002	FY 2001
Bureau of Reclamation - Direct Loans	\$ 12,168	\$ 24,520
Departmental Offices - American Samoa Government (Credit Reform)	15,550	10,721
Total	\$ 27,718	\$ 35,241

Notes to Principal Financial Statements

E. Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Direct Loans Disbursed:

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other		Total
				Collections	Other	
	Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 2,493	\$ -	\$ -	\$ -	\$ 2,493
	Departmental Offices - American Samoa Government (Credit Reform)	(32)	413	-	-	381
FY 2002	Total	\$ 2,461	\$ 413	\$ -	\$ -	\$ 2,874

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other		Total
				Collections	Other	
	Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 7,413	\$ -	\$ (10,976)	\$ -	\$ (3,563)
	Departmental Offices - American Samoa Government (Credit Reform)	(28)	2,070	-	-	2,042
FY 2001	Total	\$ 7,385	\$ 2,070	\$ (10,976)	\$ -	\$ (1,521)

Modifications and Reestimates

	Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	-	-	-
FY 2002	Total	\$ -	\$ -	\$ 1,016	\$ 1,016
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ -	\$ -	\$ 2,094	\$ 2,094
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	755	2,268	3,023
FY 2001	Total	\$ -	\$ 755	\$ 4,362	\$ 5,117

Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY 2002		FY 2001	
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ 1,016	\$ 2,094	
Bureau of Reclamation - Direct Loans (Credit Reform)	2,493	(540)		
Departmental Offices - American Samoa Government (Credit Reform)	381	2,042		
Total	\$ 3,890	\$ 3,596		

F. Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Cohorts:

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other		Total
				Collections	Other	
	Bureau of Reclamation - Direct Loans (Credit Reform)	26.92%	0.00%	0.00%	0.00%	26.92%
	Departmental Offices - American Samoa Government (Credit Reform)	-0.21%	15.79%	0.00%	0.00%	15.58%
FY 2002	Total	26.71%	15.79%	0.00%	0.00%	42.50%

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other		Total
				Collections	Other	
	Bureau of Reclamation - Direct Loans (Credit Reform)	44.44%	0.00%	0.00%	0.00%	44.44%
	Departmental Offices - American Samoa Government (Credit Reform)	-0.21%	15.79%	0.00%	0.00%	15.58%
FY 2001	Total	44.23%	15.79%	0.00%	0.00%	60.02%

The subsidy rates disclosed pertain only to the current year cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

G. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2002	FY 2001
Beginning balance of the subsidy cost allowance	\$ 53,443	\$ 59,256
Add: Subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	2,461	7,385
(b) Default costs (net of recoveries)	413	2,070
(c) Fees and other collections	-	(10,976)
(d) Other subsidy costs	-	-
Total of the above subsidy expense components	2,874	(1,521)
Adjustments:		
(a) Loan modification	-	-
(b) Fees received	-	-
(c) Foreclosed property acquired	-	-
(d) Loans written off	(356)	(4,700)
(e) Subsidy allowance amortization	(4,274)	(3,873)
(f) Other	(4,251)	(836)
Ending balance of the subsidy cost allowance before reestimates	47,436	48,326
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	-	755
(b) Technical/default reestimate	1,016	4,362
Total of the above reestimate components	1,016	5,117
Ending balance of the subsidy cost allowance	<u>\$ 48,452</u>	<u>\$ 53,443</u>

The allowance for Subsidy Account reflects the unamortized credit reform subsidy for direct loans.

Defaulted Guaranteed Loans (dollars in thousands)**H. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):**

	Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Loan Losses	Value of Assets
						Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2002	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ 24,435	\$ 16,683	\$ -	\$ (39,884)	\$ 1,234
	<u>Total</u>	<u>\$ 24,435</u>	<u>\$ 16,683</u>	<u>\$ -</u>	<u>\$ (39,884)</u>	<u>\$ 1,234</u>
FY 2001	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ 26,262	\$ 16,062	\$ -	\$ (41,054)	\$ 1,270
	<u>Total</u>	<u>\$ 26,262</u>	<u>\$ 16,062</u>	<u>\$ -</u>	<u>\$ (41,054)</u>	<u>\$ 1,270</u>

I. Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):

	Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets
						Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2002	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 23,820	\$ 4,041	\$ -	\$ (25,277)	\$ 2,584
	<u>Total</u>	<u>\$ 23,820</u>	<u>\$ 4,041</u>	<u>\$ -</u>	<u>\$ (25,277)</u>	<u>\$ 2,584</u>
FY 2001	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 23,851	\$ 2,538	\$ -	\$ (23,886)	\$ 2,503
	<u>Total</u>	<u>\$ 23,851</u>	<u>\$ 2,538</u>	<u>\$ -</u>	<u>\$ (23,886)</u>	<u>\$ 2,503</u>

Notes to Principal Financial Statements

Loan Guarantees (dollars in thousands)

J. Guaranteed Loans Outstanding as of September 30, 2002:

Guaranteed Loans Outstanding

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Pre-1992	\$ 15,516	\$ 13,607
FY1992	7,725	6,869
FY1993	8,485	7,547
FY1994	18,719	16,779
FY1995	7,747	6,669
FY1996	11,158	9,853
FY1997	10,775	9,514
FY1998	9,648	8,276
FY1999	40,240	35,891
FY2000	46,452	41,473
FY2001	29,472	26,001
FY2002	25,471	22,299
Total	\$ 231,408	\$ 204,778

New Guaranteed Loans Disbursed (Current reporting year):

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Amount Paid in FY2002 for Prior Years	\$ 18,927	\$ 17,005
Amount Paid in FY2002 for 2002 Guarantees	25,471	22,299
FY 2002 Total	\$ 44,398	\$ 39,304
Amount Paid in FY2001 for Prior Years	\$ 35,808	\$ 31,123
Amount Paid in FY2001 for 2001 Guarantees	16,045	13,946
FY 2001 Total	\$ 51,853	\$ 45,069

K. Liability for Loan Guarantees:

Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees, for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
FY 2002 Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ -	\$ (49,097)	\$ (49,097)
Total	\$ -	\$ (49,097)	\$ (49,097)
FY 2001 Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ -	\$ (47,975)	\$ (47,975)
Total	\$ -	\$ (47,975)	\$ (47,975)

L. Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
FY 2002	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Credit Reform)	\$ 1,906	\$ 2,986	\$ (1,053)	\$ -	\$ 3,839
	<u>Total</u>	<u>\$ 1,906</u>	<u>\$ 2,986</u>	<u>\$ (1,053)</u>	<u>\$ -</u>	<u>\$ 3,839</u>
FY 2001	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Credit Reform)	\$ 1,570	\$ 3,209	\$ (992)	\$ -	\$ 3,787
	<u>Total</u>	<u>\$ 1,570</u>	<u>\$ 3,209</u>	<u>\$ (992)</u>	<u>\$ -</u>	<u>\$ 3,787</u>

Modifications and Reestimates:

	Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FY 2002	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Credit Reform)	\$ -	\$ -	\$ (3,787)	\$ (3,787)
	<u>Total</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,787)</u>	<u>\$ (3,787)</u>
FY 2001	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Credit Reform)	\$ -	\$ -	\$ (1,370)	\$ (1,370)
	<u>Total</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,370)</u>	<u>\$ (1,370)</u>

Total Loan Guarantee Subsidy Expense:

	Loan Guarantee Programs	FY2002	FY2001
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Credit Reform)	\$ 52	\$ 2,417
	<u>Total</u>	<u>\$ 52</u>	<u>\$ 2,417</u>

M. Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
FY 2002	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Credit Reform)	2.98%	4.74%	-1.72%	0.00%	6.00%
	<u>Total</u>	<u>2.98%</u>	<u>4.74%</u>	<u>-1.72%</u>	<u>0.00%</u>	<u>6.00%</u>
FY 2001	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Credit Reform)	3.53%	5.00%	-1.80%	0.00%	6.73%
	<u>Total</u>	<u>3.53%</u>	<u>5.00%</u>	<u>-1.80%</u>	<u>0.00%</u>	<u>6.73%</u>

The subsidy rates disclosed pertain only to the current year cohorts. These rates cannot be applied to the guarantee of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

Notes to Principal Financial Statements

N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY 2002	FY 2001
Beginning balance of the loan guarantee liability	\$ 47,975	\$ 23,553
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	1,906	1,570
(b) Default costs (net of recoveries)	2,986	3,209
(c) Fees and other collections	(1,053)	(992)
(d) Other subsidy costs	-	-
Total of the above subsidy expense components	3,839	3,787
Adjustments:		
(a) Loan guarantee modification	-	-
(b) Fees received	1,065	921
(c) Interest supplements paid	(2,320)	(3,121)
(d) Foreclosed property and loans acquired	-	-
(e) Claim payments to lenders	-	(69)
(f) Interest accumulation on the liability balance	2,325	2,539
(g) Other (recovery, revenue, and prior period adjustments)	-	21,735
Ending balance of the loan guarantee liability before reestimates	52,884	49,345
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	-	-
(b) Technical/default reestimate	(3,787)	(1,370)
Total of the above reestimate components	(3,787)	(1,370)
Ending balance of the loan guarantee liability	\$ 49,097	\$ 47,975

O. Administrative Expense:

	Direct Loan Programs		Loan Guarantee Programs	
		\$		\$
	Bureau of Reclamation - Direct Loans (Credit Reform)	309	Bureau of Indian Affairs - Guaranteed Loan Programs	479
	Departmental Offices - American Samoa Government (Credit Reform)	783		
FY 2002	<u>Total</u>	<u>\$ 1,092</u>	<u>Total</u>	<u>\$ 479</u>
	Bureau of Reclamation - Direct Loans (Credit Reform)	216	Bureau of Indian Affairs - Guaranteed Loan Programs	500
	Departmental Offices - American Samoa Government (Credit Reform)	685		
FY 2001	<u>Total</u>	<u>\$ 901</u>	<u>Total</u>	<u>\$ 500</u>

Bureau of Indian Affairs (BIA). The BIA provides 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 (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the Credit Reform Act, and a Liquidating Fund for loans made prior to 1992.

Bureau of Reclamation (BOR). The BOR operates loan programs which provide federal assistance to non-federal organizations for constructing or improving water resource projects in the western states. Reclamation's loan programs are authorized under the Small Reclamation Projects Act of 1956, the Distribution System Loans Act, and the Rehabilitation and Betterment Act. The loan programs are classified into two categories, Credit Reform loans and other loans made prior to the Credit Reform Act.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to Reclamation, net of an allowance for estimated uncollectible loan balances. The allowance amount is determined by reviewing a loans receivable aging report to identify loan balances that are considered uncollectible based on various factors, including age, past experience, present market conditions, and characteristics of debtors.

Loan interest rates vary depending on the applicable legislation; in some cases, there is no stated interest rate on agricultural and Native American loans. Interest on applicable loans does not accrue until the loan enters repayment status.

Departmental Offices. Departmental Offices has two loans, one pre-credit reform loan to the U.S. Virgin Islands and one post-credit reform loan to the American Samoa Government.

In 1977, a loan was extended to the Virgin Islands from the Federal Financing Bank, Department of Treasury. 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. Principal and interest are due in January and July of each year. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. The interest is accrued at year end based upon the period of July - September.

In 2001, a loan was extended to the American Samoa Government (ASG). The total has been approved for \$18.6 million and made available to the ASG bearing interest at a rate equal to the U.S. Treasury cost of borrowing for obligations of similar duration. The proceeds of the loan will be used by the ASG for debt reduction and fiscal reform. As payments become due, they shall be secured and accomplished with funds from the Escrow Account. The Escrow Account was established under the terms and conditions of the Tobacco Master Settlement Agreement and a judgment granted by the High Court of American Samoa on January 5, 1999. The parties entered into the Agreement on November 23, 1998.

National Park Service (NPS). The NPS has a single loan with the Wolf Trap Foundation for the Performing Arts with an original loan principal totaling \$8,560,000. The loan principal is to be repaid to the National Park Service within 25 years from June 1, 1991. The loan principal is repaid in equal annual installments, except for the first three annual payments of \$215,000 per year. Repayment of the loan principal may include a credit of up to \$60,000 annually, for public service tickets given to entities exempt from taxation pursuant to section 501(c) (3) of the Internal Revenue Code of 1986. The monies received for repayment of this loan may be retained until expended by the Secretary of the Interior in consultation with the Wolf Trap Foundation for the maintenance of structures, facilities, and equipment of the park.

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2002 and 2001 consists of the following:

Inventory and Related Property		
(dollars in thousands)	FY 2002	FY 2001 (As Restated)
Helium Stockpile Material	\$ 352,879	\$ 355,075
Published Maps Held for Sale	8,343	6,905
Other Inventory Held for Current Sale	1,558	1,487
Operating Materials Held for Use	309	315
Total Inventory and Related Property	\$ 363,089	\$ 363,782

NOTE 8. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

General Property, Plant, and Equipment, which is presented in the following table, consist of that property which is used in operations and, with some exceptions, consumed over time.

Construction in Progress is used for the accumulation of 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 project is completed.

Construction in Progress includes construction in abeyance of approximately \$573 million and \$566 million as of September 30, 2002 and 2001, respectively. Construction in abeyance represents projects the Bureau of Reclamation began the planning of and construction on and have either been suspended or the 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.

Investigations and Development represent funds appropriated by the Congress that have been expended for such activities as general engineering studies and surveys that are directly related to project construction. Investigations and Development as of September 30, 2002 and 2001 was \$96 million and \$95 million, respectively.

Property, Plant, and Equipment categories, with corresponding accumulated depreciation, as of September 30, 2002 and 2001, are shown in the following tables.

General Property, Plant, and Equipment, Net

(dollars in thousands)	Buildings, Structures, Facilities and Land	Construction in Progress	Equipment, Vehicles, and Aircraft	Other Property and Equipment	Investigations and Development	FY 2002
Bureau of Indian Affairs	\$ 2,151,772	\$ 171,250	\$ 211,386	\$ 27,788	\$ -	\$ 2,562,196
Bureau of Land Management	219,013	26,278	249,257	20,129	-	514,677
Bureau of Reclamation	19,181,962	1,138,036	100,887	27,994	95,994	20,544,873
Departmental Offices & Other	38,352	127,802	53,998	8,474	-	228,626
Minerals Management Service	-	-	20,643	30,062	-	50,705
National Park Service	1,020,380	33,301	309,120	3,809	-	1,366,610
Office of Surface Mining	-	-	5,891	-	-	5,891
U.S. Fish and Wildlife Service	1,167,579	99,139	243,244	-	-	1,509,962
U.S. Geological Survey	116,320	-	473,716	12,302	-	602,338
Gross Property, Plant and Equipment	23,895,378	1,595,806	1,668,142	130,558	95,994	27,385,878
Accumulated Depreciation	(9,592,662)	-	(846,663)	(29,784)	-	(10,469,109)
Net Property, Plant, and Equipment	\$ 14,302,716	\$ 1,595,806	\$ 821,479	\$ 100,774	\$ 95,994	\$ 16,916,769

(dollars in thousands)	Buildings, Structures, Facilities and Land	Construction in Progress	Equipment, Vehicles, and Aircraft	Other Property and Equipment	Investigations and Development	FY 2001 (As Restated)
Bureau of Indian Affairs	\$ 2,070,580	\$ 150,991	\$ 203,363	\$ 17,124	\$ -	\$ 2,442,058
Bureau of Land Management	213,081	20,250	232,053	11,795	-	477,179
Bureau of Reclamation	19,015,966	1,083,637	99,879	28,400	95,271	20,323,153
Departmental Offices & Other	12,470	115,739	49,801	8,196	-	186,206
Minerals Management Service	-	-	22,031	22,219	-	44,250
National Park Service	924,465	70,695	276,333	662	-	1,272,155
Office of Surface Mining	-	-	5,722	-	-	5,722
U.S. Fish and Wildlife Service	1,114,231	85,391	216,469	-	-	1,416,091
U.S. Geological Survey	120,517	-	215,978	6,493	-	342,988
Gross Property, Plant and Equipment	23,471,310	1,526,703	1,321,629	94,889	95,271	26,509,802
Accumulated Depreciation	(9,296,134)	-	(744,375)	(24,056)	-	(10,064,565)
Net Property, Plant, and Equipment	\$ 14,175,176	\$ 1,526,703	\$ 577,254	\$ 70,833	\$ 95,271	\$ 16,445,237

NOTE 9. OTHER ASSETS, NET

Other Assets primarily consists of the Bureau of Reclamation (BOR) power rights of \$162.2 million and \$173.0 million for FY 2002 and FY 2001, respectively, which were subject to annual amortization of \$10.8 million during FY 2002 and FY 2001.

Also included in this category is Fractional Land Interest Pending Disposition, which contains the cost of fractional interests in Indian land allotments acquired under the Indian Land Consolidation Act of 2000. The Indian Land Consolidation Act of 2000 provides for the Bureau of Indian Affairs to purchase fractional shares of Trust property to be held in trust for eventual transfer to Tribal entities after revenues produced provide funds to repay Treasury for the purchase. Disposition includes sale at purchase price to tribal members holding interest in tract, transfer to tribe upon recovery of purchase price from income produced from the interest, or transfer to the tribe based on a Secretarial finding.

Other Assets, as of September 30, 2002 and 2001, are shown in the following table.

Other Assets, Net

(dollars in thousands)	FY 2002	FY 2001
Bureau of Indian Affairs	\$ 15,741	\$ 8,778
Bureau of Reclamation	215,970	229,713
U.S. Geological Survey	2,151	5,968
Total Other Assets, Net	\$ 233,862	\$ 244,459

NOTE 10. STEWARDSHIP ASSETS

Stewardship Assets consists of public domain land, heritage assets, such as national monuments and historic sites that have been entrusted to the Department to be maintained in perpetuity for the benefit of current and 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 Required Supplementary Stewardship Information section of this report.

NOTE 11. ASSETS ANALYSIS

Assets of the Department include entity assets (unrestricted and restricted) and non-entity assets. Unrestricted assets are those currently available for use by the Department. Restricted assets cannot be used until appropriated by Congress. Non-entity assets are currently held by but not available to the Department and will be forwarded to Treasury or other agencies at a future date.

Entity restricted assets consist of the Land and Water Conservation Fund, the Historic Preservation Fund, the portion of the Aquatic Resources Trust Fund not designated for other federal agencies, the Environmental Improvement and Restoration Fund, the Reclamation Fund, and other unavailable receipt funds.

The Land and Water Conservation Fund and the Historic Preservation Fund are administered by the National Park Service. 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.

The Historic Preservation Fund, appropriated by the Congress annually, provides matching grants to encourage private and non-federal investment in historic preservation efforts nationwide, and assists state governments, local governments, and Indian tribes with expanding and accelerating historic preservation activities nationwide. Historic Preservation Fund grants serve as a catalyst and “seed money” for preserving and protecting our nation’s irreplaceable heritage for this and future generations.

The Aquatic Resources Trust Fund (ARTF) receives revenues through excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. Although funds collected and deposited in the ARTF in any one fiscal year are available for investment during the same fiscal year collected, they are not available for obligation that same year. Thus, the use of such funds collected from a prior fiscal year is restricted until the following fiscal year.

Non-entity assets, restricted by nature, consist of Minerals Management Service’s custodial royalty activity, a portion of the Aquatic Resources Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

Interior’s assets as of September 30, 2002 and 2001 are summarized into the following categories:

Assets Analysis

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Elimination of Intra Department Activity	Total Entity	Non-Entity Restricted	FY 2002
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 8,112,703	\$ 18,487,644	\$ -	\$ 26,600,347	\$ 276,195	\$ 26,876,542
Investments, Net	3,436,990	1,298,224	-	4,735,214	613,129	5,348,343
Accounts and Interest Receivable, Net	421,031	307,969	(482,974)	246,026	384,280	630,306
Other						
Advances and Prepayments	89,411	-	(83,903)	5,508	-	5,508
Total Intragovernmental Assets	12,060,135	20,093,837	(566,877)	31,587,095	1,273,604	32,860,699
Cash	1,422	-	-	1,422	-	1,422
Investments, Net	138,602	-	-	138,602	-	138,602
Accounts and Interest Receivable, Net	129,468	9,889	-	139,357	1,164,705	1,304,062
Loans and Interest Receivable, Net	162,887	39,499	-	202,386	23,445	225,831
Inventory and Related Property	363,089	-	-	363,089	-	363,089
General Property, Plant and Equipment, Net	16,916,769	-	-	16,916,769	-	16,916,769
Other						
Advances and Prepayments	34,874	-	-	34,874	-	34,874
Other Assets, Net	233,862	-	-	233,862	-	233,862
Total Assets	\$ 30,041,108	\$ 20,143,225	\$ (566,877)	\$ 49,617,456	\$ 2,461,754	\$ 52,079,210

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Elimination of Intra Department Activity	Total Entity	Non-Entity Restricted	FY 2001 (As Restated)
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 7,305,090	\$ 18,110,415	\$ -	\$ 25,415,505	\$ 133,868	\$ 25,549,373
Investments, Net	3,227,455	1,312,526	-	4,539,981	578,547	5,118,528
Accounts and Interest Receivable, Net	288,947	191,157	(304,483)	175,621	77,466	253,087
Other						
Advances and Prepayments	105,346	-	(102,976)	2,370	-	2,370
Total Intragovernmental Assets	10,926,838	19,614,098	(407,459)	30,133,477	789,881	30,923,358
Cash	987	-	-	987	486	1,473
Investments, Net	136,637	-	-	136,637	-	136,637
Accounts and Interest Receivable, Net	424,039	4,107	-	428,146	1,226,668	1,654,814
Loans and Interest Receivable, Net	155,943	40,373	-	196,316	20,492	216,808
Inventory and Related Property	363,782	-	-	363,782	-	363,782
General Property, Plant and Equipment, Net	16,445,237	-	-	16,445,237	-	16,445,237
Other						
Advances and Prepayments	35,134	-	-	35,134	-	35,134
Other Assets, Net	244,459	-	-	244,459	-	244,459
Total Assets	\$ 28,733,056	\$ 19,658,578	\$ (407,459)	\$ 47,984,175	\$ 2,037,527	\$ 50,021,702

NOTE 12. INTRA-GOVERNMENTAL DEBT

Interior's debt to Treasury consists of: (1) the helium production fund; (2) borrowings to finance the credit reform loan programs; and (3) borrowings to finance loans under the Federal Financing Bank.

Intra-governmental debt to Treasury activity for the years ended September 30, 2002 and 2001 is summarized as follows:

(dollars in thousands)	FY 2001		FY 2001		FY 2002
	Beginning	Net	Ending	Net	Ending
	Balance	Borrowing	Balance	Borrowing	Balance
Helium Fund	\$ 1,329,203	\$ (10,000)	\$ 1,319,203	\$ (10,000)	\$ 1,309,203
Credit Reform Borrowings	129,655	(4,384)	125,271	9,062	134,333
Federal Financing Bank	14,679	(1,565)	13,114	(1,687)	11,427
Total Loans Due to Treasury	\$ 1,473,537	\$ (15,949)	\$ 1,457,588	\$ (2,625)	\$ 1,454,963

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 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.

For the last several years, the Bureau of Land Management has paid \$10,000 annually on its debt to Treasury. Sales of helium are expected to increase beginning in FY 2003 and it is anticipated that this will provide funds to substantially increase the annual repayments.

Debt from the Helium Fund

(dollars in thousands)	FY 2002	FY 2001
Principal:		
Net Worth Debt	\$ 27,991	\$ 37,343
Additional Borrowing from Treasury	251,650	251,650
Total Principal	279,641	288,993
Interest:		
Beginning Balance	1,030,210	1,040,210
Repayments	(648)	(10,000)
Ending Balance	1,029,562	1,030,210
Loan Due to Treasury - Helium Fund	\$ 1,309,203	\$ 1,319,203

B. Intra-governmental Debt to 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. See Note 6, Loans and Interest Receivable, Net for more information.

Bureau of Indian Affairs. The Credit Reform Act authorizes the BIA to borrow from Treasury the amount of a direct loan disbursement, less the subsidy. The Act provides that the present value of the subsidy costs (i.e. interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act Rate that was effective at the time the loan was made and ranges from 5.87 percent to 7.77 percent. These loans have various maturity dates from 2002 to 2026.

Bureau of Reclamation. As discussed in Note 6, Reclamation makes loans which are subject to the provisions of Credit Reform. Under the Credit Reform Act, loans consist of two components - the part borrowed from the Treasury and the appropriated part to cover the estimated subsidy. The maturity dates for these loans range from 2012 to 2047. The weighted average interest rate used to calculate interest owed to Treasury ranges from 5.85 percent to 6.86 percent.

Departmental Offices. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The weighted average interest rate used to calculate interest owed to Treasury is 5.06 percent. The loan has a final payment date of September 30, 2027.

C. Intra-governmental Debt to Treasury under Federal Financing Bank

Departmental Offices (Office of Insular Affairs) has borrowed funds from Treasury in accordance with the Federal Financing Bank Act of 1973 for the purpose of operating a direct loan and loan guarantee program. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. Principal and interest payments are due in January and July of each year. Interest is accrued at year-end based upon the July to September period. The interest rate charged on each loan ranges from 7.85 percent to 12.7 percent. The loan has a final payment due date of January 2, 2007. (See also Note 6, Loans and Interest Receivable, Net.)

NOTE 13. ADVANCES AND DEFERRED REVENUE

The majority of the advances and deferred revenue received from the public represents upfront funding received from certain power customers who benefit from current and future power deliveries. The repayments are recognized as revenue incrementally as power benefits are provided. Advances and Deferred Revenue received from the public, in the amounts of \$120 million and \$102 million for 2002 and 2001, respectively, are included in Other Liabilities.

The majority of the advances and deferred revenue received from federal agencies represents Cash Advances to the Interior Franchise Fund (IFF). The IFF provides shared administrative services and commonly required products to federal agencies.

Advances and Deferred Revenue as of September 30, 2002 and 2001 are shown below:

Advances and Deferred Revenue			
	FY 2002		FY 2001
(dollars in thousands)	(As Restated)		
Received from Federal Agencies	\$	517,064	\$ 286,892
Received from the Public		119,535	102,343
Total Advances and Deferred Revenue	\$	636,599	\$ 389,235

NOTE 14. FEDERAL EMPLOYEE COMPENSATION ACT LIABILITY DUE TO THE PUBLIC

The Department has recorded an estimated, unfunded liability for the expected future cost for death, disability, and medical claims under the Federal Employees Compensation Act (FECA) of approximately \$659 million and \$663 million as of September 30, 2002 and 2001, respectively. This estimated liability is calculated by the Department of Labor 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.

The Department of Labor calculated the estimated future benefit payments based on several assumptions. The interest rate assumptions utilized to discount the estimated future benefit payments to present value are 5.20 percent in year one and thereafter. The wage inflation factors (Cost of Living Adjustments) and medical inflation factors (Consumer Price Index Medical Adjustments) used in the calculation are as follows:

FECA Wage Inflation Factors

Fiscal Year	FY 2002		FY 2001	
	Cost of Living Adjustment	Consumer Price Index Medical Adjustment	Cost of Living Adjustment	Consumer Price Index Medical Adjustment
1991	5.03%	9.36%	5.03%	9.36%
1992	5.00%	7.96%	5.00%	7.96%
1993	2.83%	6.61%	2.83%	6.61%
1994	2.77%	5.27%	2.77%	5.27%
1995	2.57%	4.72%	2.57%	4.72%
1996	2.63%	3.99%	2.63%	3.99%
1997	2.77%	3.11%	2.77%	3.11%
1998	2.70%	2.77%	2.70%	2.77%
1999	1.53%	3.50%	1.53%	3.50%
2000	1.97%	3.70%	1.97%	3.70%
2001	2.93%	4.42%	2.93%	4.42%
2002	3.33%	4.44%	3.33%	4.44%
2003	1.80%	4.31%	3.00%	4.15%
2004	2.67%	4.01%	2.56%	4.09%
2005	2.40%	4.01%	2.50%	4.09%
2006 and thereafter	2.40%	4.01%	2.50%	4.09%

NOTE 15. ENVIRONMENTAL CLEANUP COSTS AND CONTINGENT LIABILITIES

The Department has responsibility to clean up 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. The Department has disclosed contingent liabilities where the conditions for liability recognition are not met and the likelihood of unfavorable outcome is more than remote.

The accrued and potential Environmental Cleanup Costs and Contingent Liabilities as of September 30, 2002 and 2001 are summarized in the categories below:

Environmental Cleanup Costs and Contingent Liabilities

(dollars in thousands)	Accrued Liabilities		Potential Liabilities			
			FY 2002		FY 2001	
	FY 2002	FY 2001	Lower	Upper	Lower	Upper
Estimated Cleanup Cost	\$ 239,087	\$ 268,249	\$ 89,000	\$ 365,000	\$ 119,000	\$ 297,000
Contingent Liabilities	1,022,380	480,110	1,369,000	3,662,000	1,001,000	2,121,000
Total Environmental and Contingent Liabilities	\$ 1,261,467	\$ 748,359	\$ 1,458,000	\$ 4,027,000	\$ 1,120,000	\$ 2,418,000

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) the Resource Conservation and Recovery Act (RCRA), OPA (Oil Pollution Act) CWA (Clean Water Act), CAA (Clean Air Act), SDWA (Safe Drinking Water Act), and AHERA (Asbestos Hazard Emergency Response Act). Responsible parties, including federal agencies, are required to cleanup releases of hazardous substances at or from facilities they own, operate, or at which they arranged for the disposal of such substances. The CWA, AHERA, and RCRA are the Acts most relevant to BIA, which has a large portion of the DOI liability.

Interior has recognized an estimated liability of \$239 million and \$268 million for FY 2002 and FY 2001, respectively, for sites where the Department either caused contamination or is otherwise involved in such a way that it may be legally liable for some portion of the cleanup, and the environmental cleanup liability is probable and reasonably estimable. This estimate includes the expected future cleanup costs, and for those sites where future liability is unknown, the cost of a study necessary to evaluate cleanup requirements.

Interior has an active program to find and monitor 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. Additional time may be required to identify, and seek the involvement of, parties responsible for the contamination.

Interior's contingent liability for potential environmental cleanup of sites that are considered reasonably estimable but do not meet the requirement for accrual, may range from \$89 million to \$365 million. This estimate includes the expected future cleanup costs, and for those sites where future liability is unknown, the cost of a study necessary to evaluate cleanup requirements.

In addition to the limited number of cases discussed above where Interior may be involved, other hazardous conditions exist on public lands for which the Department might fund cleanup. The estimated liability excludes estimates of future sites for which Interior will voluntarily undertake remediation without legal responsibility to do so.

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 accounting and management. Currently, there are claims and potential claims relating to past trust fund management on both tribal accounts and Individual Indian Money (IIM) accounts. Twenty tribes have filed suits for an accounting of their tribal trust funds; in addition, a significant IIM class action lawsuit, discussed below, is pending.

Pursuant to the 1994 Reform Act, the Department presented to Congress a report that outlined proposed legislative settlement options for resolving disputed balances in tribal trust accounts in 1996. However, to date no settlement process has been established to resolve tribal trust fund account balances in dispute.

In 1996, a number of individual Indians brought a class action lawsuit against the Interior Secretary, the Assistant Secretary of Indian Affairs, and the Secretary of the Treasury, (collectively referred to as "Defendants") 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.

In 1999, the Court found the Defendants in contempt of court for failure to comply with an order for the production of records. Regarding prospective relief, the Court held in a December 1999 decision that the Defendants breached certain trust duties 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 trust documents, computer and business systems architecture, and staffing. The Court directed the Defendants to file a revised High-Level Implementation Plan (HLIP) for trust reform and quarterly status reports on action taken to remedy the court-identified breaches and to carry out trust reform and to initiate a historical accounting project. An appeals court affirmed this decision, indicated that the government owes IIM trust beneficiaries an accounting for all funds held in trust which are deposited or invested pursuant to a 1938 act, and confirmed that decisions about how to conduct an accounting and what accounting methods to use are properly left to the Department. The appeals

court presumed that the district court should wait to schedule the trial regarding retrospective relief “until a proper accounting can be performed, at which point it will assess the Appellants’ compliance with their fiduciary obligations.”

In September 2002, the Court found the Secretary and the Assistant Secretary – Indian Affairs to have engaged in litigation misconduct by failing to comply with the Court’s Order of December 1999 to initiate a historical accounting project; and in civil contempt for committing certain frauds on the Court related to actions required by the Court. The Department has filed a notice of appeal to this ruling. Also pursuant to the September 2002 Order, on January 6, 2003, the Department and Plaintiffs submitted plans for a historical accounting of IIM accounts and plans for coming into compliance with the government’s fiduciary obligations. These plans will be the subject of a trial scheduled for May 2003.

The Department’s Office of the Solicitor states that no estimate or range of loss can be made at this time regarding any financial liability that may result from settlement from tribal accounts, the IIM trust fund litigation, and any other related claims.

In managements’ opinion, resolution of this matter will include a historical accounting of IIM accounts together with improved systems for prospective accounting. The Department has created the Office of Historical Trust Accounting to oversee the historical accounting to IIM beneficiaries. The Secretary has also directed and funded the Office of Historical Trust Accounting to provide an accounting of tribal trust fund accounts.

Other Contingent Liabilities. There are numerous claims filed against the Department and its bureaus with adjudication pending. 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, \$1,022 million and \$480 million has been accrued in the financial statements as of September 30, 2002 and 2001, respectively. 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 Judgment Fund maintained by Treasury rather than operating resources of Interior. However, in suits brought through the Contract Disputes Act of 1978, the Department is required to reimburse the Judgment Fund from future agency appropriations.

No amounts have been accrued in the financial records for claims where the amount or probability of judgment is uncertain. Interior’s potential liability for claims that do not meet the requirements for accrual are considered reasonably estimable, and where the likelihood of an unfavorable outcome is more than remote, may range from \$1,369 million to \$3,662 million as of September 30, 2002. Interior is the defendant in certain litigation where the damage awards being sought could amount to \$1 billion or more including a situation where certain leases under federal oil and gas leases have claimed damages for breach of contract, as well as various other administrative proceedings, legal actions, environmental suits, and claims that may eventually result in payment to the plaintiff. The ultimate outcomes 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.

NOTE 16. LIABILITIES ANALYSIS

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which congressional action is needed before budgetary resources can be provided.

Intra-governmental. Deferred Credits are amounts recorded in deposit and suspense accounts which include permit and civil penalty escrows, bonds, misapplied deposits pending correction, and excess fee payments due to be refunded or remitted to Treasury.

Custodial Liability represents amounts owed to royalty recipients, other federal agencies, and offset custodial assets. See also Note 22, Royalties Retained.

Aquatic Resource Amounts Due to Others are amounts due to the U.S. Coast Guard for boating safety programs and to the U.S. Army Corps of Engineers from coastal wetlands initiatives. These funds are also paid to states to support projects that restore sport fish resources (see Note 27, Dedicated Collections for additional information). The amounts for FY 2002 and FY 2001 are \$371 million and \$335 million, respectively.

Other Liabilities to Federal Agencies include receipts transferable to Treasury (\$34 million and \$37 million for FY 2002 and FY 2001, respectively) and other miscellaneous amounts.

Public. The Department anticipates that the liabilities listed below will be funded from future budgetary resources when required. The Department receives budgetary resources for the Federal Employees Compensation Act liability, the Environmental Cleanup Costs and Contingent liabilities when they are needed for disbursements. The unfunded Accrued Payroll and Benefits due to the public represents annual leave. Budgetary resources are generally provided for annual leave when it is taken.

Deferred credits represent deposits received from customers, including monies paid to the BOR for construction of facilities, monies paid to Departmental Offices for payroll services, and monies paid to BLM for the purchase of land. These deposits are classified as a liability until services are rendered or sales are consummated.

Other Liabilities to the Public consist primarily of payments due to states by the Minerals Management Service based on the Mineral Lands Leasing Act of 1920, as amended, and subsequent legislation and lease terms. These amounts were \$374.9 million and \$238.3 million for FY 2002 and FY 2001, respectively. Additional amounts included in other liabilities contain deferred advances from others of \$119.5 million for FY 2002 and \$102.3 million for FY 2001, and Office of Surface Mining Entitlement Benefits Due and Payable of \$7.9 million and \$43.6 million for FY 2002 and FY 2001, respectively.

Interior's liabilities covered and not covered by budgetary resources as of September 30, 2002 and 2001 are as follows:

Liabilities Analysis

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2002
	Current	Non-Current	Current	Non-Current	
Intragovernmental					
Accounts Payable	\$ 81,962	\$ -	\$ -	\$ -	81,962
Debt	11,449	1,432,088	1,028	10,398	1,454,963
Other					
Accrued Payroll and Benefits	56,665	0	46,259	79,078	182,002
Advances and Deferred Revenue	497,478	19,586	0	0	517,064
Deferred Credits	131,164	0	15,702	1,616	148,482
Custodial Liability	0	0	835,951	0	835,951
Aquatic Resource Amounts Due to Others	0	0	0	371,122	371,122
Judgment Fund	0	0	0	148,870	148,870
Other Liabilities	0	0	40,693	53,108	93,801
Total Intragovernmental Liabilities	778,718	1,451,674	939,633	664,192	3,834,217
Public Liabilities					
Accounts Payable	825,168	0	0	0	825,168
Loan Guarantee Liability	0	49,097	0	0	49,097
Debt Held by the Public	0	0	0	0	0
Federal Employees Compensation Act Liability	0	0	0	658,501	658,501
Environmental Cleanup Costs	0	4,506	0	234,581	239,087
Other	0	0	0	0	0
Accrued Payroll and Benefits	247,858	0	14,104	295,666	557,628
Deferred Credits	7,485	0	243,850	173,561	424,896
Contingent Liabilities	0	0	575,749	446,631	1,022,380
Other Liabilities	119,555	0	481,480	22,984	624,019
Total Public Liabilities	1,200,066	53,603	1,315,183	1,831,924	4,400,776
Total Liabilities	\$ 1,978,784	\$ 1,505,277	\$ 2,254,816	\$ 2,496,116	\$ 8,234,993

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2001 (As Restated)
	Current	Non-Current	Current	Non-Current	
Intragovernmental					
Accounts Payable	\$ 79,813	\$ -	\$ -	\$ -	79,813
Debt	10,980	1,433,494	1,688	11,426	1,457,588
Other					
Accrued Payroll and Benefits	44,710	0	44,018	67,127	155,855
Advances and Deferred Revenue	260,696	26,196	0	0	286,892
Deferred Credits	1,723	0	12,451	481	14,655
Custodial Liability	0	0	1,108,753	0	1,108,753
Aquatic Resources Amounts Due to Others	0	0	0	335,416	335,416
Judgment Fund	0	0	0	91,207	91,207
Other Liabilities	855	0	51,005	47,464	99,324
Total Intragovernmental Liabilities	398,777	1,459,690	1,217,915	553,121	3,629,503
Public Liabilities					
Accounts Payable	722,219	375	0	0	722,594
Loan Guarantee Liability	0	47,975	0	0	47,975
Debt Held by the Public	306	0	0	0	306
Federal Employees Compensation Act Liability	0	0	0	663,468	663,468
Environmental Cleanup Costs	0	0	0	268,249	268,249
Other					
Accrued Payroll and Benefits	224,033	0	12,384	280,361	516,778
Deferred Credits	217	0	122,233	167,051	289,501
Contingent Liabilities	0	0	1,000	479,110	480,110
Other Liabilities	102,343	0	391,129	20,685	514,157
Total Public Liabilities	1,049,118	48,350	526,746	1,878,924	3,503,138
Total Liabilities	\$ 1,447,895	\$ 1,508,040	\$ 1,744,661	\$ 2,432,045	\$ 7,132,641

NOTE 17. OPERATING LEASES

Most of the Department's facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. The terms of the Department's rental agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another federal agency) or rented by GSA from the private sector. For federally owned property, the Department generally does not execute an agreement with GSA nor is there a formal lease expiration date. Although the Department may normally vacate these properties after giving 120 to 180 days notice of its intent to vacate, in actuality, Interior will normally occupy these properties for an extended period of time with little variation from year to year. For purposes of disclosing future operating lease payments in the table below, federally owned leases are included in years 2003 through 2007.

For non-federally owned property leased from GSA, the Department will execute a formal lease agreement with GSA with specific terms and expiration dates, although again the Department may normally cancel the agreement with 120 days notice. For purposes of disclosing future operating lease payments in the table below, these leases are included according to the stated expiration date.

All GSA leases assume a 2003 lease escalation in accordance with GSA budget estimates, normally 3 percent but ranging up to 14 percent for selected locations. An escalation of 3 percent per year is assumed for all periods after 2003.

Government vehicles and equipment rentals are included in personal property. Government vehicles are leased from GSA, frequently exceeding one year, although a definite lease period may not be specified. The estimated future operating lease payments for personal property for 2003 is based on a 3 percent increase over the 2002 actual personal property expense amount for 2002. For subsequent years up to 2007 the amounts are inflated each year at 3 percent over the previous year.

The aggregate of the Department's future payments due under non-cancelable operating leases for real property and personal property; and the Department's estimated real property rent payments to GSA are presented in the table below:

Future Operating Lease Payments
(in thousands)

Fiscal Year	GSA Real Property	Other Real Property	Personal Property	Total
2003	\$ 221,852	\$ 35,523	\$ 37,001	\$ 294,376
2004	212,880	38,994	37,245	289,119
2005	206,602	39,622	38,324	284,548
2006	200,172	40,695	39,443	280,310
2007	193,504	42,806	40,619	276,929
Thereafter	121,208	87,752	6,623	215,583
Total Future Lease Payments	\$ 1,156,218	\$ 285,392	\$ 199,255	\$ 1,640,865

NOTE 18. NET COST BY RESPONSIBILITY SEGMENT

During the year ended September 30, 2002, the Department revised the line item presentation of the Consolidated Statement of Net Cost to exclude Eliminations and Shared Services, which were reported in FY 2001. The dollar amounts associated with these lines have been incorporated into the remaining line items. Additionally, some FY 2001 revenues and expenses have been reclassified between programs to conform with the current year presentation.

Intra-governmental costs represent the costs incurred to generate the related intra-governmental revenue. The Department estimated intra-governmental costs as intra-governmental revenue plus an allocated portion of the retirement costs paid by OPM on behalf of the Department that the Department did not bill to intra-governmental customers.

The Department reviewed the placement of activities within the GPRA Segments reported on the Statement of Net Cost. The primary results of this review include a net increase in the Protect the Environment and Manage Natural Resources segments and a net decrease to the Shared Services and Other segments reporting in FY 2001.

The table on the following pages presents the Department's earned revenues, gross cost, and net cost of operations by program and by responsibility segment. The Department's presentation is consistent with the strategic goals included in the Department's strategic plan and in accordance with the Government Performance and Results Act.

FY 2002

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation
Protect the Environment and Preserve Our Nation's Natural & Cultural Resources			
Cost - Services and Goods Provided to the Public	563,548	534,469	186,378
Earned Revenue from the Public	713	87,320	51,474
Net Cost - Federal Programs and Sales to the Public	562,835	447,149	134,904
Cost - Sales to other Federal Agencies	1,266	10,800	23,160
Earned Revenue from Federal Agencies	1,254	10,523	22,759
Net Cost - Sales to other Federal Agencies	12	277	401
Net Cost	562,847	447,426	135,305
Provide Recreation for America			
Cost - Services and Goods Provided to the Public	-	93,194	35,561
Earned Revenue from the Public	-	12,838	886
Net Cost - Federal Programs and Sales to the Public	-	80,356	34,675
Cost - Sales to other Federal Agencies	-	707	-
Earned Revenue from Federal Agencies	-	689	-
Net Cost - Sales to other Federal Agencies	-	18	-
Net Cost	-	80,374	34,675
Manage Natural Resources for a Healthy Environment and a Strong Economy			
Cost - Services and Goods Provided to the Public	-	1,193,928	849,856
Earned Revenue from the Public	-	140,582	242,078
Net Cost - Federal Programs and Sales to the Public	-	1,053,346	607,778
Cost - Sales to other Federal Agencies	-	22,973	407,638
Earned Revenue from Federal Agencies	-	21,715	400,573
Net Cost - Sales to other Federal Agencies	-	1,258	7,065
Net Cost	-	1,054,604	614,843
Provide Science for a Changing World			
Cost - Services and Goods Provided to the Public	-	101,882	-
Earned Revenue from the Public	-	-	-
Net Cost - Federal Programs and Sales to the Public	-	101,882	-
Cost - Sales to other Federal Agencies	-	11,027	-
Earned Revenue from Federal Agencies	-	10,744	-
Net Cost - Sales to other Federal Agencies	-	283	-
Net Cost	-	102,165	-
Meet Our Responsibilities to American Indians and Island Communities			
Cost - Services and Goods Provided to the Public	2,258,724	-	-
Earned Revenue from the Public	110,193	-	-
Net Cost - Federal Programs and Sales to the Public	2,148,531	-	-
Cost - Sales to other Federal Agencies	163,265	-	-
Earned Revenue from Federal Agencies	161,758	-	-
Net Cost - Sales to other Federal Agencies	1,507	-	-
Net Cost	2,150,038	-	-
Other			
Cost - Services and Goods Provided to the Public	-	-	28,821
Earned Revenue from the Public	-	-	24,182
Net Cost - Federal Programs and Sales to the Public	-	-	4,639
Cost - Sales to other Federal Agencies	-	-	28,620
Earned Revenue from Federal Agencies	-	-	28,124
Net Cost - Sales to other Federal Agencies	-	-	496
Net Cost	-	-	5,135
Totals			
Cost - Services and Goods Provided to the Public	2,822,272	1,923,473	1,100,616
Earned Revenue from the Public	110,906	240,740	318,620
Net Cost - Federal Programs and Sales to the Public	2,711,366	1,682,733	781,996
Cost - Sales to other Federal Agencies	164,531	45,507	459,418
Earned Revenue from Federal Agencies	163,012	43,671	451,456
Net Cost - Sales to other Federal Agencies	1,519	1,836	7,962
Net Cost of Operations	2,712,885	1,684,569	789,958

FY 2002

Departmental Offices and Other	Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	Total
12,179	-	813,875	249,088	1,645,702	-	-	4,005,239
19,268	-	102,103	95	48,698	-	-	309,671
(7,089)	-	711,772	248,993	1,597,004	-	-	3,695,568
3,322	-	24,055	1,274	100,343	-	(44,813)	119,407
3,293	-	23,394	1,258	98,357	-	(44,813)	116,025
29	-	661	16	1,986	-	-	3,382
(7,060)	-	712,433	249,009	1,598,990	-	-	3,698,950
-	-	-	-	-	-	-	-
-	-	1,771,560	-	168,103	-	-	2,068,418
-	-	130,400	-	3,863	-	-	147,987
-	-	1,641,160	-	164,240	-	-	1,920,431
-	-	40,267	-	6,940	-	(13,141)	34,773
-	-	39,161	-	6,802	-	(13,141)	33,511
-	-	1,106	-	138	-	-	1,262
-	-	1,642,266	-	164,378	-	-	1,921,693
-	-	-	-	-	-	-	-
12,076	1,759,174	-	77,984	-	-	-	3,893,018
122	109,386	-	-	-	-	-	492,168
11,954	1,649,788	-	77,984	-	-	-	3,400,850
5,441	7,880	-	-	-	-	(24,102)	419,830
5,394	7,843	-	-	-	-	(24,102)	411,423
47	37	-	-	-	-	-	8,407
12,001	1,649,825	-	77,984	-	-	-	3,409,257
-	-	-	-	-	-	-	-
-	-	-	-	-	1,185,060	-	1,286,942
-	-	-	-	-	175,504	-	175,504
-	-	-	-	-	1,009,556	-	1,111,438
-	-	-	-	-	216,984	(50,402)	177,609
-	-	-	-	-	209,659	(50,402)	170,001
-	-	-	-	-	7,325	-	7,608
-	-	-	-	-	1,016,881	-	1,119,046
-	-	-	-	-	-	-	-
515,268	-	-	-	-	-	-	2,773,992
52,533	-	-	-	-	-	-	162,726
462,735	-	-	-	-	-	-	2,611,266
4,683	-	-	-	-	-	(8,128)	159,820
4,642	-	-	-	-	-	(8,128)	158,272
41	-	-	-	-	-	-	1,548
462,776	-	-	-	-	-	-	2,612,814
-	-	-	-	-	-	-	-
163,551	-	-	-	-	1,263	-	193,635
5,641	-	-	-	-	1,434	-	31,257
157,910	-	-	-	-	(171)	-	162,378
795,045	409,883	-	-	-	416	(635,231)	598,733
788,122	409,883	-	-	-	416	(635,231)	591,314
6,923	-	-	-	-	-	-	7,419
164,833	-	-	-	-	(171)	-	169,797
-	-	-	-	-	-	-	-
703,074	1,759,174	2,585,435	327,072	1,813,805	1,186,323	-	14,221,244
77,564	109,386	232,503	95	52,561	176,938	-	1,319,313
625,510	1,649,788	2,352,932	326,977	1,761,244	1,009,385	-	12,901,931
808,491	417,763	64,322	1,274	107,283	217,400	(775,817)	1,510,172
801,451	417,726	62,555	1,258	105,159	210,075	(775,817)	1,480,546
7,040	37	1,767	16	2,124	7,325	-	29,626
632,550	1,649,825	2,354,699	326,993	1,763,368	1,016,710	-	12,931,557

FY 2001
(as restated)

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation
Protect the Environment and Preserve Our Nation's Natural & Cultural Resources			
Cost - Services and Goods Provided to the Public	446,587	468,373	166,188
Earned Revenue from the Public	834	70,601	51,650
Net Cost - Federal Programs and Sales to the Public	445,753	397,772	114,538
Cost - Sales to other Federal Agencies	852	8,481	8,169
Earned Revenue from Federal Agencies	844	8,273	8,056
Net Cost - Sales to other Federal Agencies	8	208	113
Net Cost	445,761	397,980	114,651
Provide Recreation for America			
Cost - Services and Goods Provided to the Public	-	85,059	34,701
Earned Revenue from the Public	-	10,702	1,014
Net Cost - Federal Programs and Sales to the Public	-	74,357	33,687
Cost - Sales to other Federal Agencies	-	762	-
Earned Revenue from Federal Agencies	-	743	-
Net Cost - Sales to other Federal Agencies	-	19	-
Net Cost	-	74,376	33,687
Manage Natural Resources for a Healthy Environment and a Strong Economy			
Cost - Services and Goods Provided to the Public	-	1,043,619	1,007,932
Earned Revenue from the Public	-	142,148	382,659
Net Cost - Federal Programs and Sales to the Public	-	901,471	625,273
Cost - Sales to other Federal Agencies	-	15,974	426,711
Earned Revenue from Federal Agencies	-	15,011	420,809
Net Cost - Sales to other Federal Agencies	-	963	5,902
Net Cost	-	902,434	631,175
Provide Science for a Changing World			
Cost - Services and Goods Provided to the Public	-	112,369	-
Earned Revenue from the Public	-	451	-
Net Cost - Federal Programs and Sales to the Public	-	111,918	-
Cost - Sales to other Federal Agencies	-	7,262	-
Earned Revenue from Federal Agencies	-	7,083	-
Net Cost - Sales to other Federal Agencies	-	179	-
Net Cost	-	112,097	-
Meet Our Responsibilities to American Indians and Island Communities			
Cost - Services and Goods Provided to the Public	2,162,202	-	-
Earned Revenue from the Public	99,910	-	-
Net Cost - Federal Programs and Sales to the Public	2,062,292	-	-
Cost - Sales to other Federal Agencies	141,531	-	-
Earned Revenue from Federal Agencies	140,225	-	-
Net Cost - Sales to other Federal Agencies	1,306	-	-
Net Cost	2,063,598	-	-
Other			
Cost - Services and Goods Provided to the Public	-	-	44,009
Earned Revenue from the Public	-	-	20,259
Net Cost - Federal Programs and Sales to the Public	-	-	23,750
Cost - Sales to other Federal Agencies	-	-	16,335
Earned Revenue from Federal Agencies	-	-	16,109
Net Cost - Sales to other Federal Agencies	-	-	226
Net Cost	-	-	23,976
Totals			
Cost - Services and Goods Provided to the Public	2,608,789	1,709,420	1,252,830
Earned Revenue from the Public	100,744	223,902	455,582
Net Cost - Federal Programs and Sales to the Public	2,508,045	1,485,518	797,248
Cost - Sales to other Federal Agencies	142,383	32,479	451,215
Earned Revenue from Federal Agencies	141,069	31,110	444,974
Net Cost - Sales to other Federal Agencies	1,314	1,369	6,241
Net Cost of Operations	2,509,359	1,486,887	803,489

FY 2001
(as restated)

Departmental Offices and Other	Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	Total
7,932	-	684,479	222,324	1,508,317	-	-	3,504,200
94,699	-	105,354	390	41,585	-	-	365,113
(86,767)	-	579,125	221,934	1,466,732	-	-	3,139,087
8,194	-	15,855	1,800	93,950	-	(51,368)	85,933
8,109	-	15,449	1,784	92,212	-	(51,368)	83,359
85	-	406	16	1,738	-	-	2,574
(86,682)	-	579,531	221,950	1,468,470	-	-	3,141,661
-	-	1,730,006	-	154,930	-	-	2,004,696
-	-	142,206	-	3,591	-	-	157,513
-	-	1,587,800	-	151,339	-	-	1,847,183
-	-	31,826	-	7,779	-	(5,977)	34,390
-	-	31,022	-	7,634	-	(5,977)	33,422
-	-	804	-	145	-	-	968
-	-	1,588,604	-	151,484	-	-	1,848,151
21,718	1,372,385	-	166,682	-	-	-	3,612,336
3,891	113,708	-	-	-	-	-	642,406
17,827	1,258,677	-	166,682	-	-	-	2,969,930
7,582	3,639	-	-	-	-	(20,728)	433,178
7,505	3,619	-	-	-	-	(20,728)	426,216
77	20	-	-	-	-	-	6,962
17,904	1,258,697	-	166,682	-	-	-	2,976,892
-	-	-	-	-	1,069,207	-	1,181,576
-	-	-	-	-	166,961	-	167,412
-	-	-	-	-	902,246	-	1,014,164
-	-	-	-	-	214,548	(47,570)	174,240
-	-	-	-	-	207,943	(47,570)	167,456
-	-	-	-	-	6,605	-	6,784
-	-	-	-	-	908,851	-	1,020,948
431,216	-	-	-	-	-	-	2,593,418
23,689	-	-	-	-	-	-	123,599
407,527	-	-	-	-	-	-	2,469,819
11,157	-	-	-	-	-	(9,785)	142,903
11,044	-	-	-	-	-	(9,785)	141,484
113	-	-	-	-	-	-	1,419
407,640	-	-	-	-	-	-	2,471,238
136,875	-	-	-	-	-	-	180,884
7,506	-	-	-	-	-	-	27,765
129,369	-	-	-	-	-	-	153,119
537,844	235,077	-	-	-	-	(462,477)	326,779
532,375	235,433	-	-	-	-	(462,477)	321,440
5,469	(356)	-	-	-	-	-	5,339
134,838	(356)	-	-	-	-	-	158,458
597,741	1,372,385	2,414,485	389,006	1,663,247	1,069,207	-	13,077,110
129,785	113,708	247,560	390	45,176	166,961	-	1,483,808
467,956	1,258,677	2,166,925	388,616	1,618,071	902,246	-	11,593,302
564,777	238,716	47,681	1,800	101,729	214,548	(597,905)	1,197,423
559,033	239,052	46,471	1,784	99,846	207,943	(597,905)	1,173,377
5,744	(336)	1,210	16	1,883	6,605	-	24,046
473,700	1,258,341	2,168,135	388,632	1,619,954	908,851	-	11,617,348

NOTE 19. GROSS COST AND EARNED REVENUES BY BUDGET SUBFUNCTION CLASSIFICATION

The following tables reflect data provided to the Department of Treasury by Budget Subfunction (BSF) Classification for inclusion in the Consolidated Financial Statements of the federal government, based on guidance and direction from the Department of Treasury. These BSF 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.

Interior's gross cost and earned revenues by Budget Subfunction Classification as of September 30, 2002 and 2001 are presented below:

Gross Cost and Earned Revenue by Budget Subfunction Classification

(dollars in thousands)	Gross Cost	Earned Revenue	FY 2002 Net Cost
Natural Resources and Environment	\$ 11,843,331	\$ 2,471,106	\$ 9,372,225
Transportation	278,675	-	278,675
Community and Regional Development	2,473,182	310,900	2,162,282
Education and Training	92,691	269	92,422
General Government	758,075	17,335	740,740
Other	285,462	249	285,213
Net Cost of Operations	\$ 15,731,416	\$ 2,799,859	\$ 12,931,557

(dollars in thousands)	Gross Cost	Earned Revenue	FY 2001 Net Cost (As Restated)
Natural Resources and Environment	\$ 9,516,933	\$ 2,385,433	\$ 7,131,500
Transportation	254,461	-	254,461
Community and Regional Development	2,326,777	254,452	2,072,325
Education and Training	88,264	124	88,140
General Government	633,518	16,908	616,610
Other	1,454,580	268	1,454,312
Net Cost of Operations	\$ 14,274,533	\$ 2,657,185	\$ 11,617,348

The intra-governmental costs and related net costs presented in the schedules below represent transactions with other federal agencies. These amounts are different than those reported in Note 18, Net Cost by Responsibility Segment, which reports costs to generate intra-governmental revenues.

Intra-Governmental Gross Cost and Earned Revenue by Budget Subfunction Classification

(dollars in thousands)	Gross Cost	Earned Revenue	FY 2002 Net Cost
Natural Resources	\$ 1,917,779	\$ 1,320,728	\$ 597,051
Transportation	6,095	-	6,095
Community and Regional Development	257,879	158,316	99,563
Education and Training	9,522	26	9,496
General Government	64,936	1,235	63,701
Other	9,733	241	9,492
Total	\$ 2,265,944	\$ 1,480,546	\$ 785,398

(dollars in thousands)	Gross Cost	Earned Revenue	FY 2001 Net Cost (As Restated)
Natural Resources	\$ 1,723,207	\$ 1,031,093	\$ 692,114
Transportation	3,963	-	3,963
Community and Regional Development	276,710	141,720	134,990
Education and Training	6,272	-	6,272
General Government	51,922	377	51,545
Other	6,824	187	6,637
Total	\$ 2,068,898	\$ 1,173,377	\$ 895,521

NOTE 20. COSTS

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 \$541 million and \$546 million for the years ended September 30, 2002 and 2001, respectively.

The costs associated with acquiring, constructing, and renovating heritage assets were \$80 million and \$51 million for the years ended September 30, 2002 and 2001, respectively. The costs associated with acquiring and improving stewardship lands were \$358 million and \$285 million for the years ended September 30, 2002 and 2001, respectively.

21. PRIOR PERIOD ADJUSTMENTS

The Department reclassified certain amounts to conform to the current year presentation and restated certain amounts. The following table presents the changes and related explanations.

Prior Period Adjustments

	As Originally Reported	Restatements		Reclassifications	As Restated
ASSETS					
Intragovernmental Assets:					
Fund Balance with Treasury	\$ 25,547,027	\$ 2,346	A	\$ -	\$ 25,549,373
Investments, Net	5,069,265	-		49,263	5,118,528
Accounts and Interest Receivable, Net	254,340	-		(1,253)	253,087
Other					
Advances and Prepayments	2,370	-		-	2,370
Total Intragovernmental Assets	30,873,002	2,346		48,010	30,923,358
Cash	48,087	-		(46,614)	1,473
Investments, Net	136,177	-		460	136,637
Accounts and Interest Receivable, Net	1,653,217	3,453	A	(1,856)	1,654,814
Loans and Interest Receivable, Net	216,809	-		(1)	216,808
Inventory and Related Property, Net	370,551	(6,769)	B	-	363,782
General Property, Plant & Equipment, Net	16,488,166	(138,155)	C	95,226	16,445,237
Other					
Advances and Prepayments	35,134	-		-	35,134
Other Assets	244,457	-		2	244,459
Other Assets - Investigations and Development	95,227	-		(95,227)	-
TOTAL ASSETS	\$ 50,160,827	\$ (139,125)		\$ -	\$ 50,021,702
LIABILITIES					
Intragovernmental Liabilities:					
Accounts Payable	\$ 415,185	\$ 43	D	\$ (335,415)	\$ 79,813
Debt	1,457,588	-		-	1,457,588
Other					
Accrued Payroll and Benefits	155,519	336	D	-	155,855
Advances and Deferred Revenue	288,614	-		(1,722)	286,892
Deferred Credits	203,465	-		(188,810)	14,655
Custodial Liability	1,108,753	-		-	1,108,753
Aquatic Resource Amounts Due to Others	-	-		335,416	335,416
Judgment Fund	-	-		91,207	91,207
Other Liabilities	-	-		99,324	99,324
Total Intragovernmental Liabilities	3,629,124	379		-	3,629,503
Public Liabilities					
Accounts Payable	756,064	8,681	D	(42,151)	722,594
Loan Guarantee Liability	-	-		47,975	47,975
Debt Held by the Public	-	-		306	306
Federal Employees Compensation Act Liability	663,468	-		-	663,468
Environmental Cleanup Costs	-	-		268,249	268,249
Other					
Accrued Payroll and Benefits	509,380	7,398	D	-	516,778
Deferred Credits	-	4,330	A, E	285,171	289,501
Contingent Liabilities	748,359	-		(268,249)	480,110
Other Liabilities	702,865	(408)	E	(188,300)	514,157
Other Liabilities - Deferred Revenue	103,001	-		(103,001)	-
Total Public Liabilities	3,483,137	20,001		-	3,503,138
TOTAL LIABILITIES	7,112,261	20,380		-	7,132,641
Net Position					
Unexpended Appropriations	3,817,896	(157,452)	C, E, F	-	3,660,444
Cumulative Results of Operations	39,230,670	(2,053)	B, C, D, E, F	-	39,228,617
Total Net Position	43,048,566	(159,505)		-	42,889,061
TOTAL LIABILITIES AND NET POSITION	\$ 50,160,827	\$ (139,125)		\$ -	\$ 50,021,702
Cost	\$ 14,247,293	\$ 24,055	B, C, D, E	\$ 3,185	\$ 14,274,533
Earned Revenue	(2,663,057)	9,057	E, G	(3,185)	(2,657,185)
Net Cost of Operations	\$ 11,584,236	\$ 33,112		\$ -	\$ 11,617,348

Explanation of Restatements

Certain fiscal year 2001 financial statement amounts have been reclassified to conform to the fiscal year 2002 presentation. In addition, the following adjustments were made to fiscal year 2001 data:

- A** The Department increased the September 30, 2001, Fund Balance with Treasury and Accounts Receivable by \$2 million and \$3 million, respectively, offset by an increase to Deferred Credits by \$5 million. The purpose of this entry was to record funds held for or due from other Federal entities related to Interior's payroll processing services. This adjustment had no effect on the FY 2001 Consolidated Statement of Net Cost.
- B** The Department decreased the September 30, 2001, Inventory by \$7 million for costs that should have been previously expensed. FY 2001 Costs previously reported on the Consolidated Statement of Net Cost increased \$7 million as a result of this adjustment.
- C** Property, Plant and Equipment (PP&E) as of September 30, 2001, decreased to correct for capitalized property that should be expensed when acquired as it represented stewardship land, and stewardship land improvements, non-federal physical property, and construction projects that have been cancelled. This decrease was partially offset as the Department added PP&E that was improperly recorded at a net book value of zero at the time of acquisition. As a result of these changes, the September 30, 2001 PP&E previously reported on the consolidated Balance Sheet decreased \$138 million, FY 2001 Costs previously reported on the Consolidated Statement of Net Cost increased \$14 million, October 1, 2000 Cumulative Results of Operations decreased by \$122 million, and October 1, 2000 Unexpended Appropriations decreased \$2 million. This net increase in FY 2001 costs primarily impacted the Manage Natural Resources and Protect the Environment segments.
- D** The Department increased the September 30, 2001, Accounts Payable and Accrued Payroll and Benefits Payable on the Consolidated Balance Sheet by \$9 million and \$8 million, respectively, to accrue for benefits and other expenses that should have been recorded as of September 30, 2001. This resulted in an increase in FY 2001 Costs of \$7 million on the Consolidated Statement of Net Cost and a decrease of \$10 million in the October 1, 2000 Cumulative Results of Operations.
- E** The Department completed the reconciliation of certain accounts and, as a result, decreased September 30, 2001 Deferred Credits and Other Liabilities by \$1 million and \$1 million, respectively. The adjustments decreased FY2001 Costs and Earned Revenue reported on the Statement of Net Costs by \$4 million and \$3 million, respectively. Furthermore, these adjustments increased the October 1, 2000 Unexpended Appropriations by \$1 million.
- F** The Department reclassified \$156 million of non-appropriated special and trusts funds from Unexpended Appropriations to Cumulative Results of Operations within the October 1, 2000 Net Position. This reclassification had no effect on the FY 2001 Consolidated Statement of Net Cost.
- G** The Department changed the treatment of \$6 million of FY 2001 receipts to present these as Non-exchange Revenue on the FY 2001 Statement of Changes in Net Position rather than as Earned Revenues on the FY 2001 Statement of Net Cost. This adjustment has no effect on Net Position as of October 1, 2000.

NOTE 22. ROYALTIES RETAINED

Royalties Retained include minerals receipts transferred to the Department totaling approximately \$2,541 million. These amounts include transfers to the National Park Service for the Land and Water Conservation Fund, and to the Minerals Management Service for distribution to states, and to offset costs incurred by MMS related to royalty collections and to the Bureau of Reclamation's Reclamation Fund. These amounts are exchange revenue, but are presented on the Statement of Changes in Net Position in accordance with federal accounting standards.

In prior years, the distribution of federal receipts to state governments was recorded by MMS using the same model as distributions to federal agencies (i.e., the distributions to the states were essentially recorded as a transfer to the public as Collections for Others prior to FY 2001). This activity was reported only on the Statement of Custodial Activity. The distribution is actually transferred to an MMS permanent indefinite appropriation that requires expenditure of such funds to the states. In FY 2002 and FY 2001, the Statement of Net Cost reflects the expenses for the payments to the states in the Manage Natural Resources for a Healthy Environment and a Strong Economy program in the amount of \$687 million and \$1,050 million, respectively.

NOTE 23. STRATEGIC PETROLEUM RESERVE

The Department collected \$263 million in 2002 and \$62 million in 2001 in the form of petroleum, which was transferred to the government's Strategic Petroleum Reserve managed by the U.S. Department of Energy.

NOTE 24. STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement "exclusively" derived from the entity's budgetary general ledger in accordance with budgetary accounting rules which are incorporated into generally accepted accounting principles for the federal government. The total Budgetary Resources of \$21,258 million includes new budget authority, unobligated balances at the beginning of the year and transferred in/out during the year, spending authority from offsetting collections, recoveries of prior year obligations and any adjustment to these resources. Interior's unobligated balance available at September 30, 2002 is \$4,281 million, of which the Bureau of Reclamation's Reclamation Trust Funds are the only funds that are currently classified as exempt from apportionment in the amount of \$47 million.

Borrowing authority included in the Budgetary Authority of \$13,352 million for 2002 is \$11.9 million. This Borrowing Authority is primarily related to operations of the Office of Insular Affairs and the Bureau of Reclamation. Obligations Incurred at September 30, 2002 of \$16,757 million includes \$4,811 million for resources obligated for undelivered orders and \$1,315 million for actual and accrued accounts payable. Repayment terms come from the Federal Credit Reform Act of 1990. Financing sources include direct appropriations and the repayment of loans by lenders.

All Interior bureaus use one or more permanent no-year appropriations to finance operating costs and the purchase of property, plant, and equipment.

The National Park Service is the only bureau with Interior that has an available contract authority in the amount of \$861 thousand as of the end of FY 2002.

The Department has approximately fifty permanent indefinite appropriations, which are primarily for special programs and projects, such as Minerals Revenue Sharing with the states, the Recreation Fee Demonstration Program Fund, the Sport Fish Restoration Fund, and the Federal Aid in Wildlife Restoration Fund,

as described in their authorizing legislation. These funds do not require annual appropriation action by Congress as they are subject to the authorities of the permanent law and are available indefinitely. Interior received donations from the public in the form of financial and non-financial donations. Interior received \$23 million in donations in 2002.

Interior's unobligated unavailable balance of \$158.1 million consists of:

Unobligated Unavailable Balance	
Unapportioned amounts unavailable for future apportionments	\$56.4 million
Expired Authority	\$101.7 million

Expired authority is not available to fund new obligations but is available to pay for adjustments to obligations incurred prior to expiration.

Appropriations received on the Statement of Changes in Net Position differs from that reported on the Statement of Budgetary Resources because appropriations received reported on the Statement of Changes in net position does not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or nonexchange revenue.

As of October 1, 2002, the Department changed its method of accounting for allocation transfers in accordance with OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements." In accordance with these reporting requirements, the Department reports the budgetary activity but not the proprietary activity when Interior is the transferor of the appropriation (i.e., parent) and reports the proprietary activity but not the budgetary activity when Interior is the recipient of the transfer (i.e., child). The DOI (recipient) received external allocation transfers from the Federal Highway Trust Administration, National Forest System, Department of the Labor Job Corp Centers, and other federal entities.

As a result of the change in accounting for allocation transfers, the Department adjusted net position as of October 1, 2001, by decreasing cumulative results of operations and unexpended appropriations by approximately \$3 million and \$54 million, respectively. Also, due to this change in accounting principle, the unobligated and obligated ending balances from the Department's FY 2001 Statement of Budgetary Resources have been adjusted for the cumulative effect of this change in accounting in the beginning balances on the FY 2002 Statement of Budgetary Resources. The unobligated and obligated balances have an approximate net decrease of \$50 million and \$389 million, respectively. The Department also restated the unobligated balances by approximately \$33 million because a transfer of budget authority to the Cooperative Endangered Species Conservation Fund was improperly executed in FY 2001. The changes in the obligated and unobligated balances as of October 1, 2001 are summarized as follows:

Changes in Obligated and Unobligated Balances	
Unobligated balances previously reported	\$3,991,016
Cumulative effect of change in accounting principle	(50,096)
Prior Period Adjustment	(32,975)
Unobligated balances as adjusted	\$3,907,945

Obligated balances previously reported	\$4,931,388
Cumulative effect of change in accounting principle	(388,622)
Obligated balances as adjusted	\$4,542,766

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government). The actual amounts, for FY 2002 in the President's Budget, have not been published at the time the financial statements were issued. The President's Budget with the actual FY 2002 amounts is estimated to be released in February 2003 and can be located at the OMB Web site: www.whitehouse.gov/omb.

The Department's obligations incurred during FY 2002 by apportionment category is shown below:

Obligations by Apportionment Category	
	in thousands
Category A	\$786,966
Category B	15,881,780
Exempt from Apportionment	73,656
Total	\$16,742,402

NOTE 25. STATEMENT OF FINANCING

Allocation transfers are the amount of budget authority and other resources transferred to other federal entities, internal and external to the Department, to carry out the purposes of the parent account. Interior participates as a transferor and recipient of allocation transfers.

OMB Circular A-11, "Preparation, Submission, and Execution of the Budget", requires parent accounts to report the allocation agency's transactions as part of the Statement of Budgetary Resources, while the recipient of allocation transfers reports the proprietary activity on its Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. This process creates a reconciling difference on the Statement of Financing of \$347 million for FY 2002.

The major Interior allocation transfers made internally include those from the Wildland Fire Management Account, the Central Hazardous Material Fund, Office of Special Trust Funds, Natural Resources Damage Assessment and Restoration Fund, and Bureau of Indian Construction Funds. The major Interior allocations transfers made externally include those to the U.S. Corps of Engineers, Department of Commerce, Department of Agriculture, and the Department of Transportation Federal Highway Administration. Bureaus within the Department also receive allocation transfers from the Federal Highway Trust Administration, National Forest System, Department of Labor Job Corps Centers, and other federal entities.

External to the Department of the U.S. Corps of Engineers, Department of Commerce, Department of Agriculture, and the DOT Federal Highway Administration, DOI received \$340.7 million in allocation transfers from the Department of Transportation Federal Aid Highways account in FY 2002. These funds are for the construction and maintenance of roads and other transportation infrastructure on Interior and Indian lands. DOI also receives transfers from the Department of Labor Employee and Training Services account for the Job Corps program and from other federal entities.

The Statement of Financing includes a section depicting the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in Note 16, "Liabilities Analysis". Differences are primarily the result of certain Treasury requirements related to where changes in various liabilities are reported on the Statement of Financing. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in the Statement of Financing.

NOTE 26. INDIAN TRUST FUNDS

The Department, through the Office of the Special Trustee's (OST's) Office of Trust Funds Management, maintains approximately 1,400 accounts for Tribal and Other Special Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately \$2,856 million and \$2,805 million as of September 30, 2002 and 2001, respectively.

The balances that have accumulated in the Tribal and Other Special Trust funds have resulted from judgment awards, settlements of claims, land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, and investment income.

The trust fund balances for Tribal and Other Special Trust Funds contain two categories:

1. Trust funds held for Indian tribes (considered non-federal funds), and
2. Trust funds held by the Department of the Interior, for future transfer to a tribe upon satisfaction of certain conditions or where the corpus of the fund is non-expendable (considered federal funds).

The non-federal and federal funds are reflected as separate components of the fund balance in the Tribal and Other Special Trust Funds financial statements. The trust funds considered federal funds are reflected in the Department's financial statements.

The OST also maintains about 252,000 open Individual Indian Monies (IIM) accounts with a fund balance of approximately \$411 million and \$404 million as of September 30, 2002 and 2001, respectively.

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.

Summaries of the financial statements of the Tribal and Other Special Trust Funds and the IIM Trust Funds are at the end of this note. The amounts in the summaries do not include the values related to trust lands or other trust resources managed by the Department.

Financial Statements and Basis of Accounting. The Tribal and Other Special Trust Fund statements of assets and trust fund balances and statements of changes in trust fund balances were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The cash basis of accounting differs from GAAP in that receivables and payables are not recorded and investment premiums and discounts are not amortized. Receipts are recorded when received, disbursements are recorded when paid, and investments are stated at historical cost.

The IIM Trust Fund statements of assets and trust fund balances and statements of changes in trust fund balances were prepared using a modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The modified cash basis of accounting differs from GAAP in that receivables and payables are not recorded with the exception of accrued interest and dividends. Receipts are recorded when received with the exception of interest and dividends and disbursements are recorded when paid. Interest and dividends are recorded when earned, including amortization of investment discounts and premiums. Investments are stated at amortized cost.

The statements of assets and trust fund balances and statements of changes in trust fund balances for the Tribal and Other Special Trust Funds and the IIM Trust Funds are presented at the end of this note.

Audit Results. With Office of Inspector General oversight, independent auditors audited the Tribal and Other Special Trust Funds and the IIM Trust Funds financial statements as of and for the years ended September 30, 2002 and 2001. The independent auditors' reports were qualified as a result of the following:

- The cash balances reflected in the financial statements are materially greater than balances reported by the U.S. Department of the Treasury.
- The independent auditors were unable to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances and changes in trust fund balances reflected in the financial statements as a result of inadequacies in certain Department of the Interior accounting systems.
- Certain parties do not agree with the trust fund balances reflected in the financial statements and these parties have filed, or are expected to file claims against the Department.

Cash Differences. There are unreconciled differences of approximately \$33.2 million between the total cash balances reflected by the Office of Trust Fund Management (OTFM) for Tribal and Other Special Trust Funds and IIM and the balances reported by Treasury as of September 30, 2002 and September 30, 2001. Treasury reports reflect balances less than OTFM balances.

For more information on Contingencies, see Note 15 regarding Environmental Cleanup Cost and Contingent Liabilities.

Tribal and Other Special Trust Funds
Statements of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2002 and 2001
(dollars in thousands)

	FY 2002	FY 2001
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 723,702	\$ 748,467
Investments	2,132,587	2,056,550
TOTAL ASSETS	\$ 2,856,289	\$ 2,805,017
TRUST FUND BALANCES		
Held for Indian tribes	\$ 2,633,118	\$ 2,610,916
Held by Department of the Interior and considered to be U.S. Government funds	223,171	194,101
TOTAL TRUST FUND BALANCES	\$ 2,856,289	\$ 2,805,017

Tribal and Other Special Trust Funds
Statements of Changes in Trust Fund Balances - Cash Basis
for the years ended September 30, 2002 and 2001
(dollars in thousands)

	FY 2002	FY 2001
Receipts	\$ 293,785	\$ 360,435
Interest Received	139,249	169,074
Gain (Loss) on disposition of investments, Net	1,690	6,602
Disbursements	(383,452)	(467,280)
Increase in trust fund balances, net	51,272	68,831
Trust Fund Balances - Beginning of Year	2,805,017	2,736,186
Trust Fund Balances - End of Year	\$ 2,856,289	\$ 2,805,017

Note: The independent auditors' expressed a qualified opinion on these financial statements.
See "Audit Results" section above.

Individual Indian Monies Trust Funds
Statements of Assets and Trust Fund Balances - Modified Cash Basis
as of September 30, 2002 and 2001
(dollars in thousands)

	FY 2002	FY 2001
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 44,018	\$ 44,140
Investments	362,796	354,580
Accrued interest receivable	4,531	5,420
TOTAL ASSETS	\$ 411,345	\$ 404,140
TRUST FUND BALANCES, held for Individual Indians	\$ 411,345	\$ 404,140

Individual Indian Monies Trust Funds
Statements of Changes in Trust Fund Balances - Modified Cash Basis
for the years ended September 30, 2002 and 2001
(dollars in thousands)

	FY 2002	FY 2001
Receipts	\$ 168,248	\$ 199,641
Interest and dividends earned	23,022	26,262
Gain (Loss) on disposition of investments, Net	83	84
Disbursements	(184,148)	(221,716)
Increase (decrease) in trust fund balances, net	7,205	4,271
Trust Fund Balances - Beginning of Year	404,140	399,869
Trust Fund Balances - End of Year	\$ 411,345	\$ 404,140

Note: The independent auditors' expressed a qualified opinion on these financial statements.
See "Audit Results" section above.

NOTE 27. DEDICATED COLLECTIONS

Abandoned Mine Land Fund. Public Law 95-87 established the Office of Surface Mining (OSM), a component of Interior, and authorized the collection of a fee from Coal Mine Operators. Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to fund abandoned mine land reclamation projects. The Surface Mining Law specifies that 50 percent of the reclamation fees collected in each state with an approved reclamation program, or within Indian lands where the tribe has an approved reclamation program, are to be allocated to that state or tribe. This 50 percent is designated as the state or tribal share of the fund. The remaining 50 percent (the federal share) is used by Interior to complete high priority and emergency projects, to fund the Small Operator Assistance Program, to fund additional projects directly through state reclamation programs, and to pay collection, audit, and administration costs.

Expenditures from the AML Fund may only be made as a consequence of appropriations or other Laws. AML reclamation is accomplished primarily by states and tribes and is funded by grants. Grant funding levels are determined by Interior's annual appropriation and considers the individual state or tribe's needs, the state and federal shares, as well as emergency and special funding requirements.

Under authority of Public Law 101-509, Interior began investing AML funds in U.S. Treasury Securities. Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486), Interior began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund (UMWA CBF). This transfer is used to defray anticipated health care costs for eligible union coal mine workers who retired on or before July 20, 1992 and their dependents.

The table below contains summarized information of the AML Fund as of and for the years ended September 30, 2002 and 2001.

Abandoned Mine Land Fund

(dollars in thousands)	FY 2002	FY 2001
Fund Balance with Treasury	\$ 5,318	\$ 391
Investments, Net	1,895,100	1,863,582
Accounts and Interest Receivable, Net	1,214	2,703
Total Assets	\$ 1,901,632	\$ 1,866,676
Liabilities:		
Accounts Payable	\$ 6,644	\$ 8,130
Accrued Payroll and Benefits	925	856
Total Liabilities	7,569	8,986
Total Net Position	1,894,063	1,857,690
Total Liabilities and Net Position	\$ 1,901,632	\$ 1,866,676
Net Position, Beginning of Fiscal Year	\$ 1,857,690	\$ 1,827,250
Exchange Revenue - Services Provided and Other	356	320
Non-exchange Revenue:		
AML Fee Revenue	285,580	283,949
Investment Interest and Other	36,330	90,235
Program Expenses	(195,540)	(162,219)
UMWA CBF Expenses	(90,353)	(181,845)
Net Position, End of Fiscal Year	\$ 1,894,063	\$ 1,857,690

In addition to the amounts cited in the previous table, the Department's financial statements include accrued unfunded benefits due and payable to the UMWA CBF in the amounts of \$7,909 and \$43,606 thousand for September 30, 2002 and 2001, respectively.

Aquatic Resources Trust Fund. The Aquatic Resources Trust Fund (ARTF) receives excise tax revenues, collected from manufacturers of equipment used in fishing, hunting and sport shooting, and on motorboat fuels. These funds are subsequently distributed to the FWS Sport Fish Restoration Account (SFRA), the U.S. Coast Guard Boat Safety Program, and the Army Corps of Engineers Coastal Wetlands Program. Although the ARTF is managed and maintained by Treasury (per Title 26 of the U.S. Code, Section 9602), Interior reports the ARTF as they have the preponderance of the fund activity (the SFRA received approximately 74% of the ARTF transfers for FY 2002). The table below contains summarized information of the ARTF as of and for the years ended September 30, 2002 and 2001.

Aquatic Resources Trust Fund

(dollars in thousands)	FY 2002	FY 2001
Fund Balance with Treasury	\$ 20,635	\$ 17,671
Investments, Net	1,364,823	1,293,724
Taxes Receivable, Net	-	6,352
Interest Receivable, Net	273	276
Total Assets	\$ 1,385,731	\$ 1,318,023
Payables for Invested Balances		
Fish and Wildlife Service	\$ 475,631	\$ 410,832
Army Corps of Engineers	304,226	265,321
Coast Guard	66,895	70,095
Total Payable for Invested Balances	846,752	746,248
Total Net Position	538,979	571,775
Total Liabilities and Net Position	\$ 1,385,731	\$ 1,318,023
Net Position, Beginning of Fiscal Year	\$ 571,775	\$ 518,831
Adjustment to Net Position, Beginning of Fiscal Year	(1,060)	-
Non-exchange Revenue - Taxes and Interest	451,245	470,874
Net Transfers	(482,981)	(417,930)
Net Position, End of Fiscal Year	\$ 538,979	\$ 571,775

Required Supplementary Information (Unaudited, See Auditors' Report)

This section includes the Combining Statement of Budgetary Resources (Budgetary Accounts), deferred maintenance information, intra-governmental transaction disclosures, and supplemental statements for combined working capital funds.

Combining Statement of Budgetary Resources
 Budgetary Accounts
 for the year ended September 30, 2002
 (dollars in thousands)

	Interior Franchise Fund	Water and Related Resources	National Park Service Operations	National Park Service Construction	Management of Land and Resources
Budgetary Resources:					
Budget Authority:					
Appropriations Received	\$	\$ 748,819	\$ 1,487,075	\$ 410,168	\$ 789,379
Net Transfers, Current Year Authority (+/-)	-	190,888	183	1,000	773
Unobligated Balance:					
Beginning of Fiscal Year	128,265	67,518	46,563	453,675	51,270
Net Transfers, Unobligated Balance, Actual (+/-)	-	1,691	-	(91,204)	-
Spending Authority From Offsetting Collections:					
Earned					
Collected	361,717	187,902	18,340	103,648	41,363
Receivable From Federal Sources	61,813	(5,429)	(257)	2,518	1,198
Change in Unfilled Customer Orders					
Advance Received	208,199	1,758	-	(8,893)	(773)
Without Advance From Federal Sources	57,974	6,623	-	7,273	708
Recoveries of Prior Year Obligations	-	31,653	26,663	23,564	16,260
Temporarily Not Available Pursuant to Public Law	-	-	-	-	-
Permanently Not Available	-	(285)	(9,837)	(250)	(963)
Total Budgetary Resources	\$ 817,968	\$ 1,231,138	\$ 1,568,730	\$ 901,499	\$ 899,215
Status of Budgetary Resources:					
Obligations Incurred:					
Direct	\$	\$ 781,126	\$ 1,485,443	\$ 410,835	\$ 841,878
Reimbursable	521,122	193,742	16,882	103,859	23,134
Total Obligations Incurred	521,122	974,868	1,502,325	514,694	865,012
Unobligated Balance:					
Apportioned	296,846	256,270	38,881	364,305	34,207
Exempt From Apportionment	-	-	-	-	-
Unobligated Balance not Available	-	-	27,524	22,500	(4)
Total Status of Budgetary Resources	\$ 817,968	\$ 1,231,138	\$ 1,568,730	\$ 901,499	\$ 899,215
Relationship of Obligations to Outlays:					
Obligations Incurred	\$ 521,122	\$ 974,868	\$ 1,502,325	\$ 514,694	\$ 865,012
Obligated Balance, Net, Beginning of Fiscal Year	91,513	282,882	312,313	230,962	203,716
Obligated Balance, Net, End of Fiscal Year:					
Accounts Receivable	78,067	19,646	429	15,312	3,782
Unfilled Customer Orders From Federal Sources	110,939	38,235	-	51,428	4,720
Undelivered Orders	(219,979)	(276,877)	(213,913)	(282,372)	(191,653)
Accounts Payable	(99,423)	(116,081)	(104,922)	(87,459)	(48,320)
Less: Spending Authority Adjustments	(119,788)	(32,847)	(26,405)	(33,355)	(18,166)
Outlays:					
Disbursements	362,451	889,826	1,469,827	409,210	819,091
Collections	(569,915)	(189,660)	(18,340)	(94,755)	(40,590)
Subtotal	(207,464)	700,166	1,451,487	314,455	778,501
Less: Offsetting Receipts	-	(353)	486	-	(714)
Net Outlays	\$ (207,464)	\$ 699,813	\$ 1,451,973	\$ 314,455	\$ 777,787

Combining Statement of Budgetary Resources
Budgetary Accounts
for the year ended September 30, 2002
(dollars in thousands)

	Wildland Fire Management	Fish and Wildlife Resource Management	Royalty and Offshore Minerals Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	Total Budgetary Accounts
\$	678,421	\$ 850,597	\$ 150,667	\$ 683,510	\$ 1,809,970	\$ 914,002	\$ 4,584,766	\$ 13,107,374
	16,562	-	-	-	-	827	22,017	232,250
	120,310	46,244	13,443	-	445,329	48,261	2,416,925	3,837,803
	223,438	4,331	-	-	1,913	-	(126,845)	13,324
	25,250	116,310	466,223	-	169,133	377,859	1,207,916	3,075,661
	(2,476)	370	61,869	-	(3,602)	7,368	(11,556)	111,817
	7,409	216	(667)	-	(833)	5,371	41,264	253,051
	46,451	778	89,279	-	111,049	(8,115)	6,495	318,515
	20,554	19,467	10,563	-	36,067	7,280	142,067	334,138
	-	-	-	-	-	-	(23,502)	(23,502)
	-	(584)	(243)	-	(21,872)	(6,783)	(32,525)	(73,342)
\$	1,135,920	\$ 1,037,729	\$ 791,134	\$ 683,510	\$ 2,547,154	\$ 1,346,070	\$ 8,227,022	\$ 21,187,089
\$	952,542	\$ 871,133	\$ 152,160	\$ 683,510	\$ 1,901,043	\$ 901,306	\$ 4,404,863	\$ 13,385,839
	16,042	114,671	629,146	-	194,908	391,039	1,152,018	3,356,563
	968,584	985,804	781,306	683,510	2,095,951	1,292,345	5,556,881	16,742,402
	143,433	49,327	7,647	-	418,623	33,318	2,596,847	4,239,703
	-	-	-	-	-	-	46,873	46,873
	23,903	2,598	2,181	-	32,580	20,407	26,422	158,111
\$	1,135,920	\$ 1,037,729	\$ 791,134	\$ 683,510	\$ 2,547,154	\$ 1,346,070	\$ 8,227,022	\$ 21,187,089
\$	968,584	\$ 985,804	\$ 781,306	\$ 683,510	\$ 2,095,951	\$ 1,292,345	\$ 5,556,881	\$ 16,742,402
	273,651	231,381	69,267	-	218,414	113,248	2,495,280	4,522,627
	3,055	28,308	97,045	-	8,312	176,410	79,814	510,180
	58,615	49,649	209,447	-	130,640	23,612	52,115	729,400
	(236,438)	(276,846)	(258,808)	-	(205,022)	(174,401)	(2,462,164)	(4,798,473)
	(84,950)	(60,264)	(125,703)	-	(88,218)	(136,829)	(363,284)	(1,315,453)
	(64,529)	(20,615)	(161,711)	-	(143,514)	(6,533)	(137,007)	(764,470)
	917,988	937,417	610,843	683,510	2,016,563	1,287,852	5,221,635	15,626,213
	(32,659)	(116,526)	(465,556)	-	(168,301)	(383,230)	(1,249,181)	(3,328,713)
	885,329	820,891	145,287	683,510	1,848,262	904,622	3,972,454	12,297,500
	-	-	-	(683,510)	-	-	(2,185,876)	(2,869,967)
\$	885,329	\$ 820,891	\$ 145,287	\$ -	\$ 1,848,262	\$ 904,622	\$ 1,786,578	\$ 9,427,533

Deferred Maintenance

The Department of the Interior owns, builds, purchases and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems and reservoirs. These assets are used to support the Department's stated mission. Interior's assets include some deteriorating facilities for which repair and maintenance have not been adequately funded. Current and prior budgetary restraints require that repair and maintenance on the assets be postponed for future years. Interior refers to this unfunded repair and maintenance of facilities and infrastructure as deferred maintenance.

Inadequately funded maintenance may result from reduced budgets, reallocation of maintenance funds for emergency requirements, insufficient management systems or practices, and competition for resources from other program needs. Deterioration of facilities can adversely impact public health and safety, reduce employees' morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that a facility be replaced or undergo major reconstruction before the end of its expected useful life.

Due to the scope, nature and variety of the assets entrusted to the Department, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance are very difficult to determine. Interior has calculated estimates of deferred maintenance based on data from a variety of systems, procedures, and data sources. However, the accumulation of deferred maintenance cost estimates is not the primary purpose of many of these sources. The Department acknowledges that the reliability of these sources as a basis for deferred maintenance estimates can vary greatly from bureau to bureau. The Department is implementing management improvements to assess the condition of buildings and other facilities, building a system to monitor changes in conditions, and measuring performance in improving conditions.

Interior's current estimate for deferred maintenance includes property categories such as building facilities, fixed and heavy equipment, bridges and roads, dams, irrigation systems and reservoirs. The estimates generally includes costs for such items such as: (1) construction contract administration and inspection; (2) construction materials; (3) transportation; (4) removal of existing appurtenances, e.g. guard rails, furnishing and equipment items that are not physically attached to property, along with related storage, inventorying, and tagging; (5) fixed equipment; or (6) routine annual and preventive maintenance of facilities and other infrastructure. In addition, the estimate generally excludes vehicles and most other categories of operating equipment.

The Fish and Wildlife has shown a significant increase in deferred maintenance from the FY 2001 report. The primary reasons for the increase are: (1) the Fish and Wildlife changed its method of calculating deferred maintenance in 2002 to make its estimates consistent with calculations with other bureaus in the Department; and (2) the bureau is reassessing its methodology regarding the assessment of roads. The other bureau showing a significant increase from the FY 2001 report is the Bureau of Reclamation. Reclamation developed a corrective plan of action for calculating deferred maintenance in FY 2001, which has improved and refined its reporting process.

Bureau data indicate that the estimated amount needed to fund the correction of deferred maintenance for property, plant, and equipment (PP&E) throughout the Department is approximately \$10.1 billion (see *Table 29*). This amount represents the upper end of a broad estimate of current needs.

TABLE 29

Estimated FY 2002 Deferred Maintenance (in millions)			
	Estimated Deferred Maintenance General PP&E*	Estimated Deferred Maintenance Stewardship PP&E*	Total Estimated Deferred Maintenance*
Fish and Wildlife Service	\$1,500	\$0	\$1,500
Bureau of Reclamation	48	0	48
National Park Service	4,916	523	5,439
U.S. Geological Survey	70	0	70
Bureau of Indian Affairs	2,480	246	2,726
Bureau of Land Management	143	211	354
TOTAL	\$9,157	\$980	\$10,137

* These amounts are high-end, rough estimates provided by Interior bureaus.

Intra-Governmental Transaction Disclosures

Intra-governmental amounts represent transactions between federal entities included in the federal government's annual financial report. These transactions include assets, liabilities, revenues, transfers, and expenses. *Tables 30, 31, and 32* show the Department's intra-governmental transaction amounts for FY 2002.

TABLE 30

Department of the Interior Intra-Governmental Assets (in thousands)				
Trading Partner	Fund Balance with Treasury	Investments	Accounts and Interest Receivable	Advances and Prepayments
Treasury	\$26,876,542	\$5,348,343	\$14,518	-
Agriculture	-	-	19,837	-
Commerce	-	-	3,177	\$50
Navy	-	-	2,073	-
Army	-	-	1,220	-
GSA	-	-	(3,413)	3,435
EPA	-	-	13,619	-
Transportation	-	-	61,155	869
AID	-	-	2,515	-
HHS	-	-	10,436	-
NASA	-	-	4,900	-
Energy	-	-	33,598	801
Education	-	-	(30,226)	-
Corps of Engineers	-	-	8,436	-
Defense	-	-	106,190	357
General Fund Treasury	-	-	379,893	-
Other	-	-	2,378	(4)
TOTAL	\$26,876,542	\$5,348,343	\$630,306	\$5,508

TABLE 31

Department of the Interior Liabilities to Federal Agencies (in thousands)									
Trading Partner	Accounts Payable	Debt	Accrued Payroll and Benefits	Advances and Deferred Revenue	Deferred Credits	Custodial Liability	Aquatic Resources	Judgment Fund	Other Liabilities
Treasury	\$1,249	\$1,454,963	\$10,224	\$2,146	\$1,235	-	-	\$148,870	\$93,548
GPO	3,870	-	-	-	-	-	-	-	-
OPM	-	-	38,780	-	-	-	-	-	-
Agriculture	3,823	-	-	8,445	-	-	-	-	-
Commerce	-	-	-	5,229	18,686	-	-	-	-
Justice	-	-	-	2,936	19,173	-	-	-	-
Labor	1,267	-	120,972	-	-	-	-	-	-
Navy	-	-	-	13,482	-	-	-	-	-
Army	2,890	-	-	2,553	-	-	-	-	-
GSA	26,743	-	-	9,928	-	-	-	-	-
NSF	-	-	-	3,169	-	-	-	-	-
EPA	-	-	-	2,693	-	-	-	-	-
Transportation	-	-	-	2,291	-	-	\$66,896	-	-
HHS	28,195	-	-	40,404	-	-	-	-	-
NASA	-	-	-	-	-	-	-	-	-
Energy	3,274	-	-	13,313	-	-	-	-	-
Education	-	-	-	-	112,584	-	-	-	-
Corps of Engineers	1,856	-	-	9,091	-	-	304,226	-	-
Defense	-	-	-	397,808	-	-	-	-	-
General Fund	-	-	9,663	-	-	\$835,951	-	-	-
Other	8,795	-	2,363	3,576	(3,196)	-	-	-	253
TOTAL	\$81,962	\$1,454,963	\$182,002	\$517,064	\$148,482	\$835,951	\$371,122	\$148,870	\$93,801

TABLE 32

Department of the Interior Intra-Governmental Revenue, Transfers, and Expenses (in thousands)						
Trading Partner	Transfers, In	Transfers, Out	Other Non-Exchange Revenue	Imputed Financing Source	Sales of Goods and Services	Expenses
Treasury	\$80,673	\$236,929	\$110,026	\$235,153	\$91,474	\$488,979
GPO	-	-	-	-	-	18,716
Agriculture	715	160,313	-	-	66,088	85,893
Commerce	-	2,654	(4,918)	-	18,401	13,684
Labor	-	-	-	-	-	82,805
Navy	-	-	-	-	28,784	-
USPS	-	-	-	-	12,338	16,421
Army	-	-	-	-	35,233	-
OPM	-	-	-	298,992	-	905,234
SSA	-	-	-	-	15,122	-
GSA	1,829	11,596	-	-	29,104	498,619
NSF	-	27,094	-	-	-	-
EPA	-	-	-	-	41,932	2,702
Transportation	316,394	63,232	-	-	7,580	5,893
AID	-	-	-	-	10,089	-
HHS	-	-	-	-	40,047	6,532
NASA	257,732	-	-	-	12,052	-
Energy	188,380	-	-	6,657	396,772	30,037
Education	-	-	-	-	151,360	-
Corps of Engineers	43,997	85,000	-	-	50,422	9,842
DOD	-	-	-	-	426,117	27,582
General Fund	-	-	-	-	-	31,369
Other	12,392	17,744	10	221	47,632	41,637
TOTAL	\$902,112	\$604,562	\$105,118	\$541,023	\$1,480,547	\$2,265,945

Working Capital and Franchise Funds

The Department 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 Bureau of Land Management, the U.S. Geological Survey, and Departmental Offices. 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, the Department manages the Interior Franchise Fund (IFF) that is part of the Franchise Fund Pilot program authorized by the Government Management Reform Act of 1994. The purpose of the IFF is to pilot new approaches for providing shared administrative services to reduce the cost of government to the taxpayer by fostering competition and entrepreneurship among providers of commonly required products and services to federal agencies. Some of the significant services include procurement support, financial systems and related services, and other administrative support services. The IFF is a separate legal entity that allows Interior to share cost savings with others that result from providing cost effective and efficient services to federal agencies. By building on this experience of providing cost effective and efficient services, Interior can provide even greater cost savings within Interior and in working with other agencies. It also provides a cost effective way to partner with the private sector, through established relationships with vendors that understand and have worked with the federal government to provide quality services to federal organizations.

The following summarizes information about the assets, liabilities, and net cost of Interior's working capital and franchise funds as of and for the years ended September 30, 2002 and 2001. The financial information presented includes intra-departmental transactions.

Supplemental Balance Sheet
 Combined Working Capital Funds
 as of September 30, 2002
 (dollars in thousands)

	Bureau of Land Management	Bureau of Reclamation	Departmental Offices	Interior Franchise Fund	U.S. Geological Survey	TOTAL
Assets						
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 43,856	\$ 46,181	\$ 149,996	\$ 427,242	\$ 71,326	\$ 738,601
Accounts and Interest Receivable	-	9,357	44,542	78,052	1,854	133,805
Other						
Advances and Prepayments	-	5,053	672	650	-	6,375
Total Intragovernmental Assets	43,856	60,591	195,210	505,944	73,180	878,781
Cash	54	-	-	-	-	54
Accounts and Interest Receivable, Net	13	48	(1,495)	52	-	(1,382)
Loans and Interest Receivable, Net	-	4,000	-	-	-	4,000
Inventory and Related Property	309	-	482	-	-	791
General Property, Plant and Equip., Net	90,875	31,448	34,616	-	3,123	160,062
Other Assets						
Advances and Prepayments	215	-	1	-	-	216
Total Assets	\$ 135,322	\$ 96,087	\$ 228,814	\$ 505,996	\$ 76,303	\$ 1,042,522
Liabilities						
Accounts Payable	\$ 8	\$ 3,876	\$ 2,873	\$ 99,423	\$ 324	\$ 106,504
Debt	-	4,000	-	-	-	4,000
Other						
Accrued Payroll Benefits	3	4,552	1,005	-	179	5,739
Advances and Deferred Revenue	3,112	3,353	91,018	404,704	69,157	571,344
Other Liabilities	-	-	-	36	10	46
Total Intragovernmental Liabilities	3,123	15,781	94,896	504,163	69,670	687,633
Accounts Payable	85	3,599	34,736	-	2,756	41,176
Federal Employees Compensation Act Liability	-	8,037	4,880	-	-	12,917
Environmental Cleanup Costs	-	-	1,000	-	-	1,000
Other						
Accrued Payroll and Benefits	152	5,821	4,083	-	706	10,762
Other Liabilities	-	2,279	4,690	422	-	7,391
Total Liabilities	3,360	35,517	144,285	504,585	73,132	760,879
Net Position						
Unexpended Apopropriations	-	-	7,219	-	-	7,219
Cumulative Results of Operations	131,962	60,570	77,310	1,411	3,171	274,424
Total Net Position	131,962	60,570	84,529	1,411	3,171	281,643
Total Liabilities & Net Position	\$ 135,322	\$ 96,087	\$ 228,814	\$ 505,996	\$ 76,303	\$ 1,042,522

Supplemental Balance Sheet
 Combined Working Capital Funds
 as of September 30, 2001 (As Restated)
 (dollars in thousands)

	Bureau of Land Management	Bureau of Reclamation	Departmental Offices	Interior Franchise Fund	U.S. Geological Survey	TOTAL
Assets						
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 49,796	\$ 41,593	\$ 95,200	\$ 219,779	\$ 66,993	\$ 473,361
Accounts and Interest Receivable	-	8,168	32,748	15,730	2,155	58,801
Other						
Advances and Prepayments	-	5,230	2,384	510	-	8,124
Total Intragovernmental Assets	49,796	54,991	130,332	236,019	69,148	540,286
Cash	49	-	-	-	-	49
Accounts and Interest Receivable, Net	-	71	2,530	36	2,032	4,669
Loans and Interest Receivable, Net	-	3,500	-	-	-	3,500
Inventory and Related Property	315	-	411	-	-	726
General Property, Plant and Equip, Net	73,101	36,529	34,311	-	5,552	149,493
Other Assets						
Advances and Prepayments	262	-	2	-	-	264
Total Assets	\$ 123,523	\$ 95,091	\$ 167,586	\$ 236,055	\$ 76,732	\$ 698,987
Liabilities						
Accounts Payable	\$ 7	\$ 3,154	\$ 1,871	\$ 38,792	\$ 616	\$ 44,440
Debt	-	3,500	-	-	-	3,500
Other						
Accrued Payroll Benefits	-	3,314	631	-	96	4,041
Advances and Deferred Revenue	1,724	3,678	41,917	196,679	64,591	308,589
Total Intragovernmental Liabilities	1,731	13,646	44,419	235,471	65,303	360,570
Accounts Payable	1,218	3,887	23,439	-	4,143	32,687
Environmental Cleanup Costs	-	-	1,000	-	-	1,000
Other						
Accrued Payroll and Benefits	137	11,433	9,655	-	669	21,894
Other Liabilities	-	2,537	338	249	179	3,303
Total Liabilities	3,086	31,503	78,851	235,720	70,294	419,454
Net Position						
Unexpended Apportionments	-	-	8,536	-	-	8,536
Cumulative Results of Operations	120,437	63,588	80,200	335	6,438	270,998
Total Net Position	120,437	63,588	88,735	335	6,438	279,533
Total Liabilities & Net Position	\$ 123,523	\$ 95,091	\$ 167,586	\$ 236,055	\$ 76,732	\$ 698,987

Supplemental Statement of Net Cost
Combined Working Capital Funds
for the year ended September 30, 2002
(dollars in thousands)

	Full Cost of Goods and Services Provided	Related Exchange Revenues	Excess of Full Cost Over Exchange Revenues
Bureau of Land Management			
Motorized Fleet Program	\$ 20,296	\$ (26,578)	\$ (6,282)
Total Bureau of Land Management	20,296	(26,578)	(6,282)
Bureau of Reclamation			
Engineering and Technical Services	93,367	(95,694)	(2,327)
Administrative Services	211,522	(201,322)	10,200
Computer and Related Services	16,301	(14,958)	1,343
Total Bureau of Reclamation	321,190	(311,974)	9,216
Departmental Offices			
Aircraft Services	131,019	(129,429)	1,590
Building Management/Rental	31,647	(32,982)	(1,335)
Charge Card Rebate	8,694	(8,692)	2
Federal Services	294,945	(291,608)	3,337
Y2K/Other	(63)	-	(63)
Total Departmental Offices	466,242	(462,711)	3,531
Interior Franchise Fund			
CASU	13	376	389
Government Works Acquisition Services	400,942	(402,308)	(1,366)
Federal Financial System	13,161	(12,425)	736
Electronic Acquisition System	1,787	(1,918)	(131)
Independent Verification and Validation	31	(34)	(3)
Electronic Commerce/EDI	1	(2)	(1)
Drug and Alcohol Testing	840	(883)	(43)
System Consulting	143	(143)	-
QUICKTIME Time and Attendance Systems	(2)	2	-
Momentum Financial System	3,694	(4,047)	(353)
Crystal Report Training	10	(10)	-
U.S. Films and Video Productions	1,163	(2,138)	(975)
Total Interior Franchise Fund	421,783	(423,530)	(1,747)
U.S. Geological Survey			
Reimbursable Services	29,684	(28,895)	789
Capital Investments	10,186	(11,731)	(1,545)
Total U.S. Geological Survey	39,870	(40,626)	(756)
Total Working Capital and Franchise Funds	\$ 1,269,381	\$ (1,265,419)	\$ 3,962

Supplemental Statement of Net Cost
 Combined Working Capital Funds
 for the year ended September 30, 2001 (As Restated)
 (dollars in thousands)

	Full Cost of Goods and Services Provided	Related Exchange Revenues	Excess of Full Cost Over Exchange Revenues
Bureau of Land Management	\$ 18,048	\$ (23,392)	\$ (5,344)
Bureau of Reclamation	298,586	(284,519)	14,067
Departmental Offices	349,617	(355,455)	(5,838)
Interior Franchise Fund	235,046	(235,347)	(301)
U.S. Geological Survey	37,970	(41,075)	(3,105)
Total Working Capital and Franchise Funds	\$ 939,267	\$ (939,788)	\$ (521)

Required Supplementary Stewardship Information (Unaudited, See Auditors' Report)

The Department of the Interior administers over 500 million acres of America's land mass and serves as steward for the natural and cultural resources associated with these lands. Approximately 437 million acres of the 500 million acres are considered stewardship land. The 437 million acres of stewardship land does not include approximately 56 million acres of tribally and individually owned land held in trust by the Bureau of Indian Affairs. Interior also supervises mineral leasing and operations on an estimated 700 million acres of mineral estate that underlie both federal and other surface ownerships. These stewardship assets are valued for environmental resources, recreational and scenic values, their cultural and paleontological resources, vast open spaces, and the resource commodities and revenue provided to the federal government, states, and counties.

Stewardship Lands

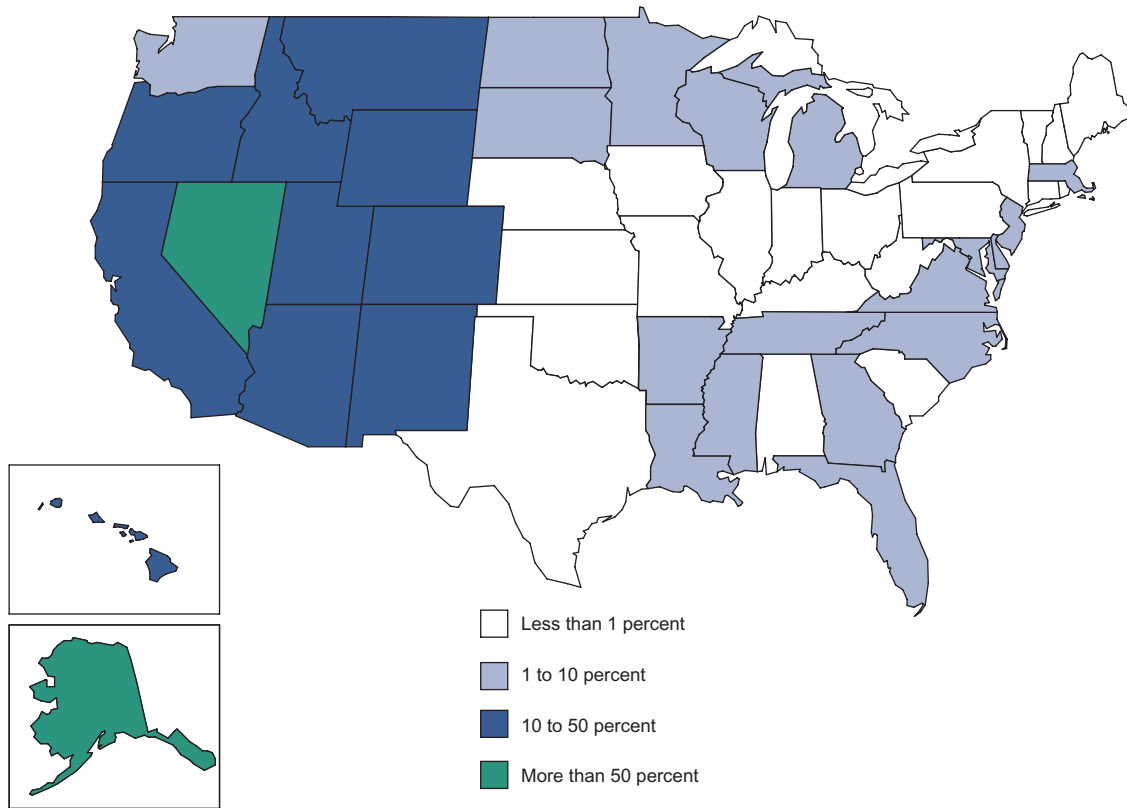
Most of the public lands managed by Interior were once a part of the 1.8 billion acres of public domain lands acquired by the Nation between 1781 and 1867. Each of America's 50 states (see *Figure 36*), the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico contain lands that are managed by the Department of the Interior.

Use of Stewardship Lands

Interior-administered lands include the National Wildlife Refuge System, the National Park System, and the vast expanses of public land managed by the Bureau of Land Management (BLM). In addition, the Bureau of Reclamation (BOR) manages a nominal acreage (approximately 5.8 million acres) of stewardship land. The U.S. Fish and Wildlife Service (FWS) manages lands primarily to conserve and protect fish and wildlife and their habitat. The National Park Service (NPS) manages lands to conserve, preserve, protect, and interpret the Nation's natural, cultural, and recreational resources. The Bureau of Reclamation manages lands to develop and protect water and related resources in an environmentally and economically sound manner for the American people. The BLM is guided by the principles of multiple use and sustained yield in managing public lands for a variety of purposes. Congress has defined multiple use as management of the public lands and their various resource values

FIGURE 36

Percentage of Each State's Acreage Managed by Interior
(as of September 30, 2002)



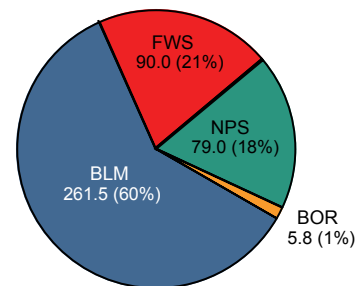
so that they are utilized in the combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber; watersheds; and wildlife and fish habitat.

Types of Stewardship Lands

Figure 37 shows the federal acreage of Interior stewardship lands by land type. In addition to the approximately 90 million acres shown for the National Wildlife Refuge System, there are approximately 5.3 million additional acres within the system that are not federally owned; these are managed by the Fish and Wildlife Service cooperatively through agreements with landowners and other partners. The National Park System also contains lands that are not federally owned (approximately 5.5 million acres owned by state and local governments and private landowners). The National Park Service has no management responsibility for these lands except in cases where cooperative agreements with landowners authorize direct federal land management.

FIGURE 37

Interior Stewardship Lands
(federal acres in millions)



Note - This acreage does not include 56 million acres of land held in trust status by the BIA for Indian tribes and individual allottees, the 12,140 acres managed by the Utah Reclamation Mitigation and Conservation Commission, or the 204,949 acres of BIA land listed in Table 32.

America's parks, refuges, and other public lands consist of rangelands, forest lands, riparian areas, wetlands, lakes, reservoirs, streams, grasslands, swamps, marshes, and seashores, as well as mountaintops, glaciers, barren mountains, sand dunes, playas, and deserts.

Management Units of Interior Stewardship Lands

The Department has stewardship responsibility for a unique variety of physical units or lands. These units include national parks, fish and wildlife refuges, national scenic and historic trails, national monuments, and many others. There are approximately 3,437 physical units with a total of approximately 437 million federal acres for which the Department has stewardship responsibility. *Table 33* shows these units, broken out by responsible bureau, the type of unit, and federal and non-federal acreage.

The Bureau of Indian Affairs (BIA) acreage is primarily classified as school campus/cultural areas, historical/religious common grounds, or tribally/individually owned lands. The Department is including the 204,949 acres that encompass the lands not classified as tribally/individually owned for the first time in this report. This acreage is used for school campuses and administrative offices or consists of historical/common grounds.

Additional stewardship land is being reported for the Utah Reclamation Mitigation and Conservation Commission (URMCC). The URMCC, established by Congress in 1994 under the Central Utah Project Completion Act, is responsible for replacing or offsetting the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of Reclamation project assets such as dams, power plants, roads, pipelines, aqueducts, operation and maintenance buildings and visitor centers. The Commission acquires two general categories of lands: (1) fish and wildlife habitat for both aquatic and terrestrial species, and (2) land or easements to provide public access to fish and wildlife resources which, once acquired, are also managed to provide habitat values to the extent practicable. In all cases, habitat conditions on the lands have been improved.

Condition of Stewardship Lands

Bureau of Land Management Public Lands. The BLM assesses the condition of the lands it manages based on the land type and the multiple use and sustained yield goals identified through the land use planning process. *Table 34* shows condition by land type. In adhering to its mandate for multiple use and sustained yield, the BLM's land management programs include significant efforts to restore riparian areas and wetlands; preserve significant cultural and natural features; create opportunities for commercial activities; protect endangered species; develop opportunities for recreation and leisure activities; protect public health, safety, and resources; manage wild horses and burros; manage wildlife habitat and fisheries; administer mining laws; manage rangelands; oversee forest management, development, and protection; and manage wilderness and wild and scenic rivers.

National Wildlife Refuge System Lands. Stewardship lands managed by the Fish and Wildlife Service include refuges, fish hatcheries, and other special designations. These lands are used and managed in accordance with the explicit purpose of the statutes that authorize their acquisition or designation and that direct their use and management. The FWS conducts activities to manage stewardship lands so that fish, wildlife, and plants that depend on these lands for habitat are benefitted over both the short- and long-term. Lands placed in the land conservation systems managed by the FWS are protected into perpetuity as long as they remain in the National Wildlife Refuge System or the National Fish Hatcheries System. As new acquisitions enter these conservation systems, the lands are managed to maintain their natural state, to mitigate any adverse effects of previous actions by others, or to enhance existing conditions and improve benefits to fish and wildlife resources. The FWS safeguards the stewardship values of the lands it administers through management actions taken on individual refuges and hatcheries; however, such actions take into consideration the needs and purposes of entire conservation systems. These conservation systems

TABLE 33

FY 2002 Interior Stewardship Lands						
Bureau of Land Management Public Lands						
<i>Management Unit</i>	<i>Number</i>	<i>Federal Acreage</i>	<i>Non-Federal Acreage</i>	<i>Total Acreage</i>	<i>Miles</i>	
National Wild and Scenic River Segments	38	1,005,652	0	1,005,652	2,061	
National Wilderness Areas	147	6,254,512	0	6,254,512	-	
Wilderness Study Areas	601	16,328,238	0	16,328,238	-	
National Conservation Areas	12	13,927,708	0	13,927,708	-	
Cooperative Management and Protection Area	1	425,550	0	425,550	-	
National Scenic Area ^{1/}	1	101,000	0	101,000	-	
Headwaters Forest Reserve	1	7,400	0	7,400	-	
National Recreation Area	1	998,772	0	998,772	-	
National Historic Trails	9	-	-	-	3,650	
National Scenic Trails	2	-	-	-	640	
National Recreation Trails	28	-	-	-	426	
Outstanding Natural Area	1	100	0	100	-	
Herd Management Areas	208	29,732,585	0	29,732,585	-	
National Monuments	15	4,806,267	0	4,806,267	-	
Areas of Critical Environmental Concern	852	13,989,373	0	13,989,373	-	
Research Natural Areas	152	347,214	0	347,214	-	
Lake Toiyabe Special Management Area	1	37,579	0	37,579	-	
National Natural Landmarks	45	417,429	0	417,429	-	
National Back Country Byways	55	-	-	-	2,972	
Globally Important Bird Areas	2	2/	0	1/	-	
BLM Special Management Area Subtotal	2,172	88,379,379	0	88,379,379	9,749	
National Multiple Use Lands ^{3/}	-	173,077,946	0	173,077,946	-	
Bureau of Land Management Subtotal	2,172	261,457,325	0	261,457,325	9,749	
Fish and Wildlife Service - National Wildlife Refuge System						
<i>Management Unit</i>	<i>Number</i>	<i>Federal Acreage</i>	<i>Non-Federal Acreage</i>	<i>Total Acreage</i>	<i>Miles</i>	
National Wildlife Refuges	540	89,175,000	2,929,000	92,104,000	-	
Refuge Coordination Areas	50	197,000	119,000	316,000	-	
Waterfowl Production Areas	203	736,000	2,204,000	2,940,000	-	
National Fish Hatcheries and Other Fish Facilities	86	12,000	9,000	21,000	-	
Fish and Wildlife Service Subtotal	879	90,120,000	5,261,000	95,381,000	0	
National Park Service Public Lands						
<i>Management Unit</i>	<i>Number</i>	<i>Federal Acreage</i>	<i>Non-Federal Acreage</i>	<i>Total Acreage</i>	<i>Miles</i>	
International Historic Site	1	28	16	44	-	
National Battlefields	11	12,242	764	13,006	-	
National Battlefield Parks	3	8,713	999	9,712	-	
National Battlefield Sites	1	1	0	1	-	
National Historic Sites	78	21,034	16,522	37,556	-	
National Historic Parks	40	118,593	44,642	163,235	-	
National Lakeshores	4	145,642	83,196	228,838	-	
National Memorials	28	8,081	451	8,532	-	
National Military Parks	9	36,327	2,548	38,875	-	
National Monuments	75	2,567,522	176,706	2,744,228	-	
National Parks	56	49,872,241	2,099,834	51,972,075	-	
National Preserves	17	21,616,782	2,171,368	23,788,150	-	
National Recreation Areas	18	3,389,522	302,557	3,692,079	-	
National Reserves	2	11,413	22,032	33,445	-	
National Rivers	5	312,103	118,727	430,830	484	
National Wild and Scenic Rivers	10	73,824	240,310	314,134	2,826	
National Scenic Trails	3	166,745	66,753	233,498	3,565	
National Seashores	10	479,054	115,801	594,855	-	
Parks (other)	11	37,997	1,465	39,462	-	
Parkways	4	164,383	10,796	175,179	1,023	
National Park Service Subtotal	386	79,042,247	5,475,487	84,517,734	7,898	
Bureau of Reclamation Project Lands						
<i>Management Unit</i>	<i>Number</i>	<i>Federal Acreage</i>	<i>Non-Federal Acreage</i>	<i>Total Acreage</i>	<i>Miles</i>	
Reclamation Project Lands - Withdrawn ^{4/}	-	5,801,369	-	5,801,369	-	
Other Stewardship Lands						
Utah Reclamation Mitigation & Conservation Commission		12,140	-	12,140		
Bureau of Indian Affairs		204,949	-	204,949		
Other Stewardship Lands Total		217,089	-	217,089		
Department of the Interior Total						
<i>Total Units</i>	<i>Number</i>	<i>Federal Acreage</i>	<i>Non-Federal Acreage</i>	<i>Total Acreage</i>	<i>Miles</i>	
Total Stewardship Lands ^{5/}	3,437	436,638,030	10,736,487	447,374,517	17,647	

1/ The 101,000 acres contained in the National Scenic Area is a subset of acres reported in National Landmarks.

2/ The 56,500 acres contained in the two Globally Important Bird Areas are a subset of acres reported in National Conservation Areas and the Outstanding Natural Area.

3/ National Multiple Use Land means an area of land that can be used simultaneously for two or more purposes, often by two or more different persons or groups.

4/ Reclamation Project Lands represents lands withdrawn as opposed to total Reclamation project lands.

5/ This total does not include approximately 56 million acres of tribally and individually owned land held in trust status by the Bureau of Indian Affairs. This BIA acreage is not considered stewardship land.

TABLE 34

Type and Condition of BLM Lands		
Land Type	Acres/Miles	Condition
Rangeland		
a. Alaska Rangeland (Reindeer grazing permits: 1.2 million acres)	5 million acres	Potential natural community (excellent) ----- 20% Late seral (good) ----- 80%
b. Continental USA Rangelands	160 million acres	Potential natural community (excellent) _____ 6% Late seral (good) _____ 31% Mid seral (fair) ----- 34% Early seral (poor) ----- 12% Unclassified ----- 17%
Forested Land		
a. Forest	11 million acres	43 million acres ----- Healthy
b. Woodlands	44 million acres	12 million acres ----- Needing Restoration
Riparian Areas and Wetlands		
a. Riparian Areas	137,000 miles/ 10 million acres	Alaska Properly Functioning ----- 100% Nonfunctional ----- Trace Unknown ----- Trace Lower 48 States Properly Functioning -----43% Functioning but at risk -----43% Nonfunctional ----- 10% Unknown -----4%
b. Wetlands	13 million acres	Alaska Properly Functioning ----- 98% Unknown -----2% Lower 48 States Properly Functioning ----- 65% Functioning but at risk ----- 19% Nonfunctional ----- 2% Unknown -----14%
Aquatic Areas (Lakes, Reservoirs, and Streams)	3 million acres 116,485 miles	Alaska: Good Lower 48 States: Unknown
Other Habitat	15 million acres	Unclassified

provide integrated habitat and life support for permanent resident populations as well as migratory populations needing temporary stopover sites to rest, breed, and feed and to survive nationwide and, in some cases, worldwide seasonal migrations. While some individual units of stewardship lands can be improved at any time during management cycles, the condition of the stewardship lands as a whole, which are protected by inclusion in both the National Wildlife Refuge System and the National Fish Hatcheries System, is sufficient to support the mission of the FWS and the statutory purposes for which these conservation systems were authorized.

The Fish and Wildlife Service assesses the condition of its stewardship land and resources by monitoring habitat characteristics and determining whether management actions are needed to change those characteristics to benefit their usefulness to fish and wildlife resources. The condition of these stewardship lands is not static. Land or habitat condition may be changing, either through the application of management techniques or through natural stressors or processes acting on those lands. It is the goal of the FWS to provide habitat that optimizes the usefulness of stewardship lands to benefit fish and wildlife resources.

National Park System Lands. NPS stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. Subsets of lands within the authorized boundaries of the NPS can have additional stewardship asset designations such as wilderness areas, wild and scenic rivers, and trails. Stewardship areas such as wilderness areas may encompass land owned

by entities other than the NPS. Changes in NPS boundaries occur only when authorized by Presidential Proclamation or by an Act of Congress. While individual units of stewardship land can be improved, the condition of NPS stewardship lands as a whole is generally sufficient to support the NPS mission. The NPS conducts various activities to preserve and protect land resources and to mitigate the effects of activities conducted previously on or near parks that adversely affect the natural state of the land.

Reclamation Project Lands. The Bureau of Reclamation operates largely as a business-type entity whose primary stated mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. The BOR provides water and power throughout the 17 western states. Site reviews are performed on Reclamation project lands each year and all areas receive field reviews every five years. Reviews for hazardous waste, improper dumping, or trespass, along with on-site reviews of concessions, provide further safeguarding of the land's condition. While periodic reviews are performed, it is not feasible or cost effective to do full condition assessments of all Reclamation project lands, a large portion of which lie under water or structures. Additionally, there are often large tracts of inaccessible wilderness surrounding the upper surface of the water's edge, which would be difficult and costly to assess. This notwithstanding, the condition of the BOR's project lands as a whole is sufficient to support the mission of the agency and is consistent with the statutory purposes for which the lands were withdrawn.

Net Change in Stewardship Land Acreage from FY 2001 to FY 2002

Federally owned stewardship lands under the jurisdiction of the Department at the end of FY 2002 decreased by approximately 129,000 acres from FY 2001. *Table 35* shows the distribution of this decrease. The BLM's total federal acreage decreased by approximately 304,000 acres from FY 2001 (less than one percent). This decrease resulted from the net effect of acquisitions (purchases of lands), disposals (sales of lands), exchanges (both transfers in and out, frequently together with land equalization payments by one of the parties), withdrawals, restoration transactions, and audits/reviews of records (corrections). The FWS increased its federal acreage by approximately 37,000 acres that resulted from the Service's acquisition of fee title or other interests. These lands provide permanent protection for valuable wetland, riparian, coastal, and upland habitat for fish, wildlife, and plant species, including threatened and endangered species. The FWS also increased the number of National Wildlife Refuge System units from 537 in FY 2001 to 540 in 2002. This increase resulted from the addition of three new refuges. Reclamation's increase of approximately 32,000 acres resulted from Reclamation's improved reconciliation process for land records in FY 2002.

TABLE 35

Net Change in Stewardship Land							
Bureau	FY 1998 Acreage	FY 1999 Acreage	FY 2000 Acreage	FY 2001 Acreage	FY 2002 Acreage	Net Change FY 2001 to FY 2002	% Increase or Decrease
BLM	263,621,285	264,174,745	264,398,133	261,761,395	261,457,325	-304,070	(1%)
FWS	88,410,000	88,555,848	88,724,049	90,083,000	90,120,000	37,000	>1%
NPS	77,415,476	77,937,494	78,197,904	78,936,581	79,042,247	105,666	>1%
BOR	Not reported	5,774,376	5,774,376	5,769,422	5,801,369	31,947	>1%
URMCC	Not reported	Not reported	Not reported	Not reported	204,949	-	-
BIA	Not reported	Not reported	Not reported	Not reported	12,140	-	-
TOTAL	429,446,761	436,442,463	437,094,462	436,550,398	436,638,030	-129,457	(1%)

Natural Heritage Assets

Interior's stewardship lands, as listed in *Table 33*, include a number of assets that are of special value to America. These assets are described below.

National Wilderness Preservation System

The National Wilderness Preservation System was created by the Wilderness Act of 1964. A wilderness area is an area designated by Congress to assure that increasing populations, expanding settlement, and grow-

ing mechanization do not occupy and modify all areas of the United States. Designations ensure that some lands are preserved and protected in their natural condition. In contrast to those areas where humans and their works dominate the landscape, wilderness is where the earth and its community of life are untrammelled by human beings, where humans themselves are visitors who do not remain. These areas, which are generally greater than 5,000 acres, appear to have been affected primarily by the forces of nature, with human development substantially unnoticeable. A wilderness area provides outstanding opportunities for solitude or a primitive and unconfined type of recreation.

America’s wilderness system encompasses over 106 million acres (Figure 38). Interior manages approximately 65 percent of this wilderness system, with 43.2 million acres in NPS within 45 different wilderness areas, over 20 million acres in FWS with 82 areas in 26 states, and almost 6.3 million acres within 147 different areas in BLM. The remaining acreage is managed by the U.S. Forest Service.

In addition to the designated National Wilderness Areas, the BLM has 601 wilderness study areas encompassing over 16 million acres.

National Wild and Scenic Rivers System

From 7.5 miles of the Loxahatchee River in Florida to the 392 miles of the Fortymile River system in Alaska, the National Wild and Scenic Rivers System protects some of America’s most treasured river resources. For a river to be eligible for the National System, it must be in a free-flowing condition and possess one or more “outstandingly remarkable values.” Values to be considered are scenery, recreation, fish and wildlife, geology, history, culture, or other similar values. When evaluating rivers for possible designation, the Department also considers whether the river is suitable for designation. Suitability factors include the amount of public land acreage in the immediate environment of the river; the funds required for land acquisition, facility development, and administration; local or state interest in helping to manage the river; support for designation; and competing uses for the river. Studies to determine eligibility and suitability may be the responsibility of either Interior, the Department of Agriculture, or both Departments, depending on who manages lands adjacent to the river. Studies are submitted to Congress with a Presidential recommendation; Congress then decides whether to add the river to the National System. A second method of designation is by the Secretary of the Interior. This method requires nomination by the Governor of the state following inclusion of the river in a state system by or pursuant to state law, and agreement by the state to protect the river without cost to the federal government, other than for management of any federal lands, if such exist along the river. Only 17 of 160 rivers have entered the National System by this method.

As of December 2002, there were 160 rivers in the National Wild and Scenic Rivers System totaling 11,303 river miles. Within Interior, three agencies have river management responsibilities: the National Park Service, Fish and Wildlife Service, and Bureau of Land Management. Department of Agriculture rivers are managed by the U.S. Forest Service. Rivers are classified as either wild, scenic, recreational, or some combination thereof. Over 40% of the river miles in the National Wild and Scenic Rivers System are managed by Interior (Figure 39). There were no designations or redesignations in FY 2002.

FIGURE 38

National Wilderness Preservation System (acres in millions)

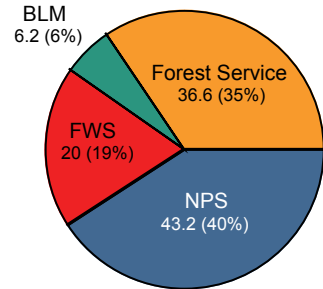
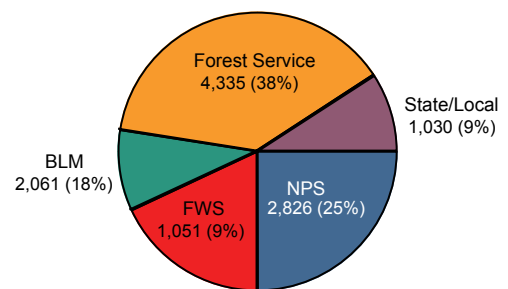


FIGURE 39

Wild and Scenic Rivers Management (in miles)



The four river-managing agencies have formed an Interagency Wildlife and Scenic Rivers Coordinating Council to promote more effective and efficient management of wild and scenic rivers. The Council works to assure consistency in management practices across agency lines, coordinates with federal regulatory agencies to assure activities do not damage National System rivers, shares expertise in river management, and provides training to agency staff. Since its inception in 1995, the Council has been a model for inter-agency cooperation.

National Natural Landmarks

National Natural Landmarks are management areas having national significance because they represent one of the best-known examples of a natural region's characteristic biotic or geologic features. These areas must be located within the boundaries of the United States or on the Continental Shelf and are designated by the Secretary of the Interior. To qualify as a National Natural Landmark, an area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, land forms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

The Fish and Wildlife Service manages 43 National Natural Landmarks, the Bureau of Land Management manages 45 landmarks encompassing 400,000 acres, and the National Park Service manages 18 landmarks.

Paleontological Sites

Since the early 1800s, professional and amateur paleontologists have made discoveries that helped launch the new scientific discipline of paleontology in America, filling our Nation's museums of natural history with the remains of spectacular creatures that have captured the public's imagination. Today, the public lands continue to provide paleontological resources that fuel scientific discovery and evoke public wonder. Interior bureaus manage these fragile and nonrenewable resources as a public trust not only to assure preservation of scientific values, but also to see that educational and recreational values are realized.

While Interior bureaus take paleontological resources into account on all public lands, within the Bureau of Land Management (BLM), more than 200 properties totaling more than 5 million acres, including Areas of Critical Environmental Concern, Research Natural Areas, and other special management areas, are managed wholly or in part for paleontological values. The BLM manages 11 interpreted areas for paleontological resources, including the Rabbit Valley Trail Through Time, the Dinosaur Diamond Byway, the Garden Park Fossil Area, the Kremmling Cretaceous Ammonite Locality, and the Fruita Paleontology Area in Colorado; The Warner Valley Dinosaur Track Site, the Mill Canyon Dinosaur Trail, the Cooper Ridge Sauropod Dinosaur Tracks and the Cleveland-Lloyd Dinosaur Quarry in Utah; the Melm Gulch in Idaho; and the Red Gulch Dinosaur Tracksite in Wyoming. A permit is required for the collection of vertebrate fossils. BLM permits are generally issued only to professional paleontologists for scientific research, education, and display or exhibit at a university or museum.

Several significant paleontological discoveries were made in FY 2002. In the Petersen Quarry in New Mexico there are now almost 100 jacketed specimens containing various skeletal elements of giant sauropod dinosaurs as well as a large carnivorous dinosaur. A fossil discovery of a 2-million-year-old armadillo-like creature was located in New Mexico; the intact shell of the animal was estimated to weigh about a ton.

While only eight National Park Service (NPS) units have been established primarily for paleontological resources, significant fossil resources have been documented in 150 NPS areas. Many of the fossil resources protected and interpreted within NPS units are of international significance and are critical to our understanding of the history of life on earth.

The Bureau of Reclamation has identified 117 paleontological sites, including six reservoir areas known to contain many paleontological locales. This is an increase from last year's 85 sites; the increase is due to the completion of inventory surveys.

National Trails System

The National Trails System, created by law in 1968, includes 14 National Scenic Trails; 8 National Historic Trails; over 800 National Recreation Trails; and 2 side/connecting trails. The NPS provides trailwide coordination for 16 of the 22 national scenic and historic trails; another is jointly administered by the BLM. These 22 trail corridors cover almost 40,000 miles in combined length and cross 56 NPS areas and 90 National Forests; almost 5,000 miles of trail also cross BLM lands.

The above figures were accurate as of October 2002. Since that time an additional trail, Old Spanish Historic Trail, has been created by Congress; however, the decision on who will administer this trail has not yet been finalized.

Condition of Natural Heritage Assets

Natural heritage assets represent a subset of stewardship lands. As such, the condition of these natural assets is as good as or better than that described for each land type under the Stewardship Lands section of this report.

Net Change in Natural Heritage Assets from FY 2001 to FY 2002

The number of acres designated as wilderness and the number of river miles included in the National Wild and Scenic River System that are managed by the Department experienced very little change during FY 2002. *Table 36* shows the net change in these and other selected natural heritage designations from FY 2001 to FY 2002.

Cultural Heritage Assets

Interior is steward for a large, varied, and scientifically important body of cultural heritage assets (*Tables 37 and 38*). These resources include archaeological sites, historical structures, cultural landscapes, and other resources. Many are listed on the National Register of Historic Places, acknowledging their importance to American history. Some are National Historic Landmarks that are exceptional in illustrating the heritage of the United States. Cultural landscapes are complex resources that range in size from large rural tracts to small formal gardens.

Interior's heritage assets come from public domain or acquired lands, historic properties under Interior's management, and donations. The Department has a responsibility to inventory, preserve, and interpret these resources for the benefit of the American public. The Department does not normally dispose of such property. Interior bureaus have information on the numbers and types of resources and their condition; not all resources have been inventoried and, for many resources, adequate condition information is lacking.

TABLE 36

Net Change in Selected Natural Heritage Designations												
Special Management Area	FY 1998		FY 1999		FY 2000		FY 2001		FY 2002		Net change in No.	Net change in Acres/Miles
	No.	Acres/Miles	No.	Acres/Miles	No.	Acres/Miles	No.	Acres/Miles	No.	Acres/Miles		
Areas of Critical Environmental Concern	739	13,110,029	740	13,111,829	838	14,045,540	851	13,988,608	852	13,989,373	1	765
BLM National Multiple Use Lands		178,148,368		175,795,666		172,999,844		172,436,769		173,030,496		593,727
Bureau of Indian Affairs										204,949		**
Cooperative Management & Protection Area									1	425,550	1	425,550
Headwaters Forest Reserve					1	7,400	1	7,400	1	7,400		0
Herd Management Area	201	33,168,712	200	36,069,895	200	36,069,895	209	29,888,790	208	29,732,585	-1	-156,205
International Historic Site	1	45	1	45	1	45	1	44	1	44		0
Lake Todatonten Special Management Area			1	37,579	1	37,579	1	37,579	1	37,579		0
National Back Country Byways - in miles	64	3,518	64	3,518	55	2,972	55	2,972	55	2,972		0
National Battlefield Parks	3	9,014	3	9,674	3	9,674	3	8,062	3	9,712		1,650
National Battlefields	11	13,057	11	13,123	11	13,175	11	13,187	11	13,006		-181
National Battlefield Sites	1	1	1	1	1	1	1	1	1	1		0
National Conservation Areas	8	11,692,190	8	11,692,190	9	11,796,146	13	14,353,957	12	13,927,708	-1	-426,249
National Fish Hatcheries other Fish Facilities	83	20,000	83	22,083	83	18,000	87	21,000	86	21,000	-1	0
National Historic Parks	38	162,714	38	162,889	39	162,896	39	163,293	40	163,235	1	-58
National Historic Sites	74	24,045	76	24,219	76	24,683	76	37,277	78	37,556	2	279
National Historic Trails - in miles	8	3,530	8	3,533	8	3,533	9	3,650	9	3,650		0
National Lakeshores	4	228,940	4	228,935	4	228,970	4	228,839	4	228,838		-1
National Memorials	28	8,173	28	8,531	28	8,531	28	8,532	28	8,532		0
National Military Park	9	38,241	9	38,259	9	38,723	9	38,841	9	38,875		34
National Monuments	74	3,965,059	74	3,945,653	79	5,140,833	87	7,473,804	90	7,550,495	3	76,691
National Natural Landmarks	43	599,042	43	599,042	43	599,042	45	417,429	45	417,429		0
National Parks	54	51,699,950	54	51,939,654	55	51,962,942	55	51,968,226	56	51,972,075	1	3,849
National Preserves	16	23,779,696	16	23,678,943	16	23,717,523	16	23,707,231	17	23,788,150	1	80,919
National Recreation Areas	20	4,723,897	20	4,723,800	20	4,724,061	20	4,691,862	19	4,690,851	-1	-1,011
National Recreation Trails - in miles	26	429	26	429	26	429	27	415	28	426	1	11
National Reserves	2	33,107	2	33,107	2	33,126	2	33,126	2	33,445		319
National Rivers	6	424,795	6	423,929	6	423,997	6	424,273	5	430,830	-1	6,557
National Scenic Area	1	101,000	1	101,000	1	101,000	1	101,000	1	101,000		0
National Scenic Trails - in miles	5	568*	5	226,091	5	27,837	5	31,323	5	4,205		-27,118
National Seashores	10	594,538	10	594,590	10	594,518	10	594,519	10	594,855		336
National Wild and Scenic River Segments	43	2038*	43	2038*	44	5,077	45	5,091	48	4,887	3	-204
National Wilderness Areas	136	5,243,012	136	5,243,332	138	5,279,532	148	6,253,783	147	6,254,512	-1	729
National Wildlife Refuges	516	90,414,000	521	90,645,516	530	90,859,000	537	92,056,000	540	92,104,000	3	48,000
Outstanding Natural Area	1	100	1	100	1	100	1	100	1	100		0
Parks (Other)	11	38,885	11	38,989	11	39,232	11	39,407	11	39,462		55
Parkways	4	171,251	4	171,460	4	173,558	4	174,865	4	175,179		314
Reclamation Project Lands				5,774,376		5,774,376		5,769,422		5,801,369		31,947
Refuge Coordination Areas	50	318,000	50	316,049	50	316,000	50	316,000	50	316,000		0
Research Natural Areas	152	347,214	152	347,214	152	347,214	152	347,214	152	347,214		0
Utah Reclamation Mitigation & Conservation										12,140		**
Waterfowl Production Areas	199	2,560,000	200	2,644,200	201	2,765,000	202	2,866,000	203	2,940,000	1	74,000
Wilderness Study Areas	622	17,298,430	622	17,298,430	618	18,017,211	604	17,191,707	601	16,328,238	-3	-863,469

* NPS reported in acres
 ** Not reported in previous years

Interior conducts the World Heritage Sites program for the federal government under applicable law (1980) and program regulations (1982). Sites, including non-federal properties nominated with their owners' support, are nominated by the Assistant Secretary for Fish and Wildlife and Parks in a public process and approved by the International World Heritage Committee. Eighteen of the 20 World Heritage Sites in the United States are located within the National Park Service. Several examples include Carlsbad Caverns National Park, New Mexico; Everglades National Park, Florida; Grand Canyon National Park, Arizona; the Statue of Liberty, New York; and Yosemite National Park, California.

TABLE 37

Types of Cultural Heritage Assets	
Type	Description
National Register of Historic Places	The National Register of Historic Places is America's official listing of sites important to history and prehistory. Properties listed in the National Register include districts, sites, buildings, structures, and objects that are significant in American history, architecture, archaeology, engineering, and culture. These resources contribute to an understanding of the historical and cultural foundations of the Nation.
Historic Structures	Historic structures are constructed works consciously created to serve some human activity or purpose. Structures are historic because they individually meet the criteria of the National Register of Historic Places or are contributing elements of sites or districts that meet National Register criteria. As such, historic structures are significant at the national, state, or local level and are associated with the important people and history of this Nation. Structures that do not meet National Register criteria may be considered historic due to management responsibilities established by legislation or through management planning processes. Such structures include moved, reconstructed, or commemorative structures as well as structures that have achieved significance within the last 50 years.
National Historic Landmarks	National Historic Landmarks are districts, sites, buildings, structures, or objects possessing exceptional value in commemorating or illustrating the history of the United States. The Historic Sites Act of 1935 authorizes the Secretary of the Interior to designate National Historic Landmarks as the federal government's official recognition of the national importance of historic properties. These places possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archaeology, technology, and culture as well as possessing a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association.
Cultural Landscapes	A cultural landscape is a geographic area, including both natural and cultural resources, associated with an historic event, activity, or person. Cultural landscapes are complex resources that range from large rural tracts covering several thousand acres to formal gardens of less than an acre. The Department of the Interior recognizes four cultural landscape categories: historic designed landscapes, historic vernacular landscapes, historic sites, and ethnographic landscapes. These landscapes individually meet the criteria of the National Register of Historic Places, are contributing elements of sites or districts that meet National Register criteria, or have value to associated communities.
Archeological Sites	Archeological sites are locations that contain material remains or physical evidence of past human activity of various sorts. Archaeological sites include prehistoric structures, middens, and roadways, such as those found on many of the lands managed by the Department of the Interior in the Southwest. Sites also include the ancient earthen mounds in the Midwestern and southern parts of the Nation, many of them managed by Interior bureaus. Other archaeological sites come from historic times and are associated with the settlement of the United States by Euroamericans, African-Americans, and Asian Americans.
World Heritage Sites	The preservation of uncommon world heritage is the objective of the International Convention Concerning the Protection of the World Cultural and Natural Heritage. This international agreement, signed to date by more than 150 nations, was adopted by the General Conference of the United Nations Educational, Scientific, and Cultural Organization (UNESCO) in 1972. Its primary mission is to (a) define and conserve the world's heritage by drawing up a list of sites whose outstanding values should be preserved for all humanity; and (b) ensure protection through a closer cooperation among nations.

TABLE 38

Number, Net Change, and Condition of Cultural Heritage Assets (Excluding Museum Collections)							
Type of Asset	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Net Change in Assets FY 2001 to FY 2002	Condition
Bureau of Land Management							
National Register of Historic Places	248 Listings 3,625 Contributing Properties	255 Listings 3,610 Contributing Properties	263 Listings 4,107 Contributing Properties	272 Listings 4,177 Contributing Properties	277 Listings 4,206 Contributing Properties	+5 Listings +29 Contributing Properties	Acceptable
Archaeological and Historical Properties	220,800 Properties	227,993 Properties	235,574 Properties	245,977 Properties	255,225 Properties	+9,248 Properties	Acceptable
National Historic Landmarks	22 Landmarks	22 Landmarks	22 Landmarks	22 Landmarks	22	--	Acceptable
Fish and Wildlife Service							
National Register of Historic Places	93 Listings	99 Listings	81 Listings	84 Listings	84 Listings	--	Poor
Archaeological and Historical Properties	11,000 Properties	11,000 Properties	11,000 Properties	11,000 Properties	11,500 Properties	+500 Properties	Not available
National Historic Landmarks	9 Landmarks	9 Landmarks	9 Landmarks	9 Landmarks	9 Landmarks	--	Poor
National Park Service							
Historic and Prehistoric Structures	23,167 Structures	24,225 Structures	25,727 Structures	26,233 Structures	26,896 Structures	+663 Structures	Good 47% Fair 38% Poor 14%
Archaeological Sites	60,000 Sites	60,000 Sites	63,000 Sites	63,000 Sites 1/	63,000 sites	--	Good 41% Fair 39% Poor 15%
National Historic Landmarks	178 Landmarks	193 Landmarks	2,300 Landmarks	2,300 Landmarks	2,341 Landmarks	+41 Landmarks	Good 30% Fair 49% Poor 21%
Inventoried Cultural Landscapes	1,593 Landscapes	359 Landscapes	2,743 Landscapes	2,921 Landscapes	2,930 Landscapes	+9 Landscapes	
Bureau of Reclamation							
National Register of Historic Places	61 Listings	61 Listings	49 Listings	48 Listings	59 Listings	+11 Listings	Safeguarded
Archaeological and Historical Properties		10,724 Properties	10,936 Properties	12,182 Properties	13,385 Properties	+1,203 Properties	Safeguarded
National Historic Landmarks		5 Landmarks	5 Landmarks	5 Landmarks	5 Landmarks	--	Safeguarded
Bureau of Indian Affairs							
National Register of Historic Places	31 Listings	35 Listings	35 Listings	46 Listings	32 Listings	-14 Listings	Unclassified

1/ NPS estimates that as many as 1.5 million archeological sites may exist within units of the NPS; about 63,000 have been identified and 55,800 are recorded in the Archaeological Sites Management Information System.

Museum Collections (Non-Library)

Department of the Interior museum collections contain nearly 140 million museum objects, including 74 million artifacts and specimens and 66 million documents (*Tables 39 and 40*). Disciplines represented include art, ethnography, archeology, documents, history, biology, paleontology, and geology. Archeology (46%) and documents (47%) account for 93% (130 million items) of the total when documents are reported in number of objects. If converted to linear feet, the 66 million documents reported this year are equivalent to 41,000 linear feet of archival documents. The growth in the total number of objects is due primarily to improved reporting rather than to new acquisitions. Numbers are relatively stable for all disciplines as bureaus continue to refine estimates; National Park Service archival document collections account for most of the increase. Museum collections managed by Interior bureaus are important both for their intrinsic value and for their associations with federal lands and resources managed by Interior bureaus.

Departmental Manual Chapter 411, Section 3.4A (Managing Museum Property), states that bureaus may accession museum property by donation, transfer, or field collections, and, depending on bureau-specific authority, through exchange.

Collections may be deaccessioned due to loss, theft, destruction or repatriation to tribes in compliance with the Native American Graves Protection and Repatriation Act (NAGPRA). Only the National Park Service, Interior Arts and Crafts Board (IACB), and National Business Center (NBC) have specific authority for voluntary deaccessions, so most Interior bureaus do not dispose of museum property items. Reported collection sizes may also decrease as best-guess estimates are converted to precise numbers when items are cataloged.

Highlights for FY 2002 include documenting more than 5.7 million objects, improving accountability, and increasing the availability for public access. Information on accessions, deaccessions, and conditions is incomplete. Available information is provided below in individual bureau discussions.

TABLE 39

FY 2002 and FY 1998 Baseline Data on Interior Museum Collections that are Catalogued or Part of the Backlog						
	Total Collection Size*	Held Within Interior	Held in Other Institutions	Number of Objects Catalogued (1998 Baseline)**	Number of Objects Catalogued (2002 Baseline)	Estimated Cataloguing Backlog
Bureau of Indian Affairs	5,057,000	177,000	4,880,000	0	345,127	4.7m
Bureau of Land Management	23,842,000	5,900,000	17,942,000	2,157,134	2,461,782	>21 m
Bureau of Reclamation	10,004,000	5,542,000	4,462,000	1,960,745	7,827,865	2.2m
Fish and Wildlife Service	4,488,000	798,000	3,690,000	1,200,000	1,538,000	2.9m
National Park Service	96,181,000	94,524,000	1,657,000	31,018,410	42,463,000	53.7m
National Business Center	4,065	2,107	1,958	1,600	4,065	0
Minerals Mgmt Service	54	54	0	0	54	0
U.S. Geological Survey	39,788	322	39,466	63	39,788	0
Office of Trust Funds Mgmt	67	67	0	0	67	0
Other Interior Museum Collections						
Indian Arts and Crafts Board	11,050	11,050	0	13,943	10,888	162
Interior Totals	139,627,024 (100%)	106,954,600 (76%)	32,672,424 (24%)	36,351,895	54,690,636 (39%)	84,936,000 (61%)

*Survey-level estimates for large bureaus rounded to nearest 1,000

**Baseline data were first collected in FY 1998 with the goal of increasing that number by at least 5% per year.

TABLE 40

FY 1998 – 2002 Interior Museum Net Change in Collections						
Bureau	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Net Change FY 2001 to FY 2002
Bureau of Indian Affairs	681,961	453,275	252,000	3,983,000	5,057,000	1,074,000
Bureau of Land Management	23,842,413	23,842,413	23,842,000	23,842,000	23,842,000	-
Bureau of Reclamation	7,027,484	8,427,502	8,274,000	9,391,000	10,004,000	613,000
Fish and Wildlife Service	4,445,736	4,096,210	4,430,000	4,713,000	4,488,000	-225,000
National Park Service	73,395,486	76,494,942	80,356,000	90,259,000	96,181,000	5,922,000
National Business Center	4,763	4,759	4,000	3,982	4,065	83
Minerals Management Service	54	54	54	54	54	-
U.S. Geological Survey	64	39,227	39,000	39,527	39,788	261
Office of Trust Funds Management	-	-	-	19	67	48
Other Interior Museum Collections						
Interior Arts and Crafts Board	19,805	12,396	12,000	11,184	11,050	-134
Interior Totals	109,417,766	113,370,778	117,209,054	132,242,766	139,627,024	5.6%

Management of the Interior Museum Program is divided between two offices. The Office of Acquisition and Property Management staff develop departmentwide policies and strategies and provides oversight for the museum programs in all Interior bureaus and offices. The Branch of Museum Services staff, in the Department’s National Business Center, provide departmentwide training and technical assistance to bureaus and offices and manage operations of the Interior Museum and interpretation of the art and architecture of the headquarters building.

The number of objects reported as cataloged is a minimum number based on available data. More than 18.2 million objects have been cataloged since baseline data were collected in FY 1998 (*Table 41*).

Beyond basic accountability, the Department encourages increasing public access to and use of museum collections in support of the Department’s missions. FY 2002 museum program highlights are summarized in *Table 52*.

TABLE 41

Interior Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size	109,418,000	113,371,000	117,209,000	132,243,000	139,627,000
Number of items cataloged	36,375,629	41,675,134	45,877,443	48,899,199	54,528,305

The Bureau of Indian Affairs (BIA) reports 5,057,000 museum objects, 4,880,000 (96%) of which are housed in 62 non-federal institutions (*Table 42*). The remainder is distributed among 108 units in the Bureau where the items support BIA relationships with tribes. The BIA continues to identify previously unreported collections and to clarify data based on previous estimates. Data on FY 2002 indicate the addition of 10 items via gifts and the withdrawal of 10 items via loss or theft (Boards of Survey were completed). All other changes reflect clarification through reporting for the first time or revising previous estimates.

TABLE 42

BIA Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	682,000	453,000	252,000	3,983,000	5,057,000
Number of items cataloged	0	116,718	128,241	238,587	345,127

The Bureau of Land Management (BLM) administers most of its collections through partnerships with more than 165 non-federal repositories. Total collection size was last estimated at nearly 24 million objects from the public lands; survey numbers need to be revised (*Table 43*). Approximately 18 million objects are reported to be at non-federal repositories, while 5.9 million objects and documents have been reported in bureau facilities. The Department is continuing to work with the BLM to collect revised data from all BLM field units and from non-federal institutions holding BLM collections.

TABLE 43

BLM Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	23,842,000	23,842,000	23,842,000	23,842,000	23,842,000
Number of items cataloged	2,181,064	2,219,080	2,299,451	2,378,428	2,461,782

The Bureau of Reclamation (BOR) reports more than 10 million museum objects and documents (*Table 44*). Of these, 5.5 million (55%) are in 19 Bureau facilities and 4.5 million (45%) are in 62 non-federal institutions. The reduction in number of Bureau facilities (41 to 19) reflects a consolidation of collections held in multiple locations within a single BOR unit. The reduction in number of non-federal institutions (68 to 62) is due to changes in status of the repositories, loans returned, or laboratory processing completed. Most adjustments to collection size reflect improved reporting and clarifications achieved through cataloging the collections. The BOR exceeded documentation targets by cataloging 1.7 million museum objects and documents during FY 2002.

TABLE 44

BOR Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	7,027,000	8,428,000	8,274,000	9,391,000	10,004,000
Number of items cataloged	1,960,745	3,272,444	4,804,510	6,112,143	7,828,000

The Fish and Wildlife Service (FWS) collections consist of 4.5 million objects and documents, of which 0.8 million (18%) are managed at 150 FWS units, while 3.7 million (82%) are managed at 226 non-federal institutions (*Table 45*). Data on accessions are not available. The condition of FWS museum collections is estimated to be generally adequate to good. The FWS estimates that it will require a minimum of 8 years to identify and confirm its collections, 15 years to catalog 80% of their collections, and at least 20 years to meet Departmental storage standards.

TABLE 45

FWS Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	4,446,000	4,096,000	4,430,000	4,713,000	4,488,000
Number of items cataloged	1,200,000	1,200,000	1,327,000	1,537,300	1,538,000

National Park Service (NPS) collections include 36 million artifacts and specimens and 60 million archival documents (*Table 46*). Of the total 96 million objects and documents, 94.5 million objects (98%) are housed at 352 park units. A total of 1.7 million NPS museum objects are housed in 137 non-federal institutions. NPS museum management staff responded to over 35,000 public research requests and over 18,000 research requests from within the parks. Nearly 2,478 loans for over 15 million objects were initiated in FY 2002; in addition, nearly 322,000 objects, specimens, and archival documents were exhibited.

TABLE 46

NPS Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	73,395,000	76,495,000	80,356,000	90,259,000	96,181,000
Number of items cataloged	31,018,410	34,814,431	37,265,175	38,580,584	42,463,000

The Minerals Management Service (MMS) maintains a collection of 54 objects in its administrative offices at five locations (*Table 47*). There were no accessions or deaccessions during the year. The collection is fully documented and is in stable condition.

TABLE 47

MMS Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	54	54	54	54	54
Number of items cataloged	54	54	54	54	54

The National Business Center's (NBC) Interior Museum collections contain 4,065 objects, 2,107 (52%) of which are in the Main Interior Building and 1,958 (48%) of which are at a repository managed by the National Park Service (*Table 48*). The completion of cataloging aided in identifying a discrepancy of 11 objects in the item count. This discrepancy will be addressed in FY 2003. In FY 2002, 94 items were added to the collection via four accessions: one gift (1 item), one transfer (7 items), and field collections (86 items). There were no deaccessions. The condition of NBC collections is generally good, although there are concerns about deterioration from environmental threats and deferred preventive conservation measures.

TABLE 48

NBC Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	4,763	4,759	3,982	3,982	4,065
Number of items cataloged	1,600	1,711	2,058	2,298	4,065

The Office of Trust Funds Management (OTFM) maintains a collection of 67 objects in its administrative offices at two locations (*Table 49*). The increase in number from 19 reported in FY 2001 reflects more complete reporting as staff awareness has increased. The collection is fully documented and is in stable condition.

TABLE 49

OTFM Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	0	0	0	19	67
Number of items cataloged	0	0	0	19	67

Excluding the library collection, the U.S. Geological Survey (USGS) manages 39,788 artifacts and specimens; 322 objects are in five USGS facilities, while 39,466 specimens are housed in partnership with a non-federal institution (*Table 50*). During FY 2002, USGS staff added 200 biological specimens through field collections and 62 historical objects through donation and transfer. All USGS collections are fully documented and are in good condition.

TABLE 50

USGS Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	64	39,277	39,339	39,527	39,788
Number of items cataloged	63	39,216	39,339	39,527	39,788

The Indian Arts and Crafts Board (IACB) is a separate federal agency located in the Department of the Interior. It was created by Congress to promote the economic development of American Indians and Alaska Natives. The IACB holds 11,050 museum objects at three regional museums (*Table 51*). The IACB continued its efforts in FY 2002 to obtain a more accurate count of items in the collections. This resulted in the adjustment of the reported size of collections from 11,184 to 11,050. The general condition of IACB collections is stable, as documented in conservation and fire protection surveys at the three IACB museums. Of the 11,050 objects at the three IACB museums in Montana, Oklahoma, and South Dakota, 10,888 (98.5%) are cataloged. There were no accessions or deaccessions during the year.

TABLE 51

IACB Identification and Cataloging of Collections					
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Museum Collection Size (estimates)	19,805	12,396	12,000	11,184	11,050
Number of items cataloged	13,747	11,480	11,615	10,259	10,888

TABLE 52

FY 2002 Interior Museum Program Highlights	
DOI Entity	Selected Activities
Bureau of Indian Affairs	<ul style="list-style-type: none"> - Continued to review data on bureau and non-federal locations holding BIA collections, resulting in more accurate estimates of collection size, and provided technical assistance for unit-level planning. - Opened a new Cultural Center and Museum at Haskell Indian Nations University (Lawrence, Kansas). - Issued BIA policy statement for implementing the Native American Graves Protection and Repatriation Act (NAGPRA). - Completed three NAGPRA notices regarding 27 human remains and 1,579 funerary objects; an additional six notices regarding 116 human remains and 1,487 funerary objects are pending. - Began developing BIA standards and guidelines for preparing BIA archeological collections for long-term storage. - Supported the Department's Assets Management Conference with presentations on accountability and reporting requirements for museum collections and other heritage assets.
Bureau of Land Management	<ul style="list-style-type: none"> - Maintained collections management, exhibit, and public programs at the Anasazi Heritage Center in Colorado, Billings Curation Center in Montana, and National Historic Oregon Trails Interpretive Center in Oregon. - Drafted internal BLM guidance for managing museum collections. - Expanded web pages devoted to BLM museum collections information. - Partnered with several non-Federal repositories to produce exhibits and interpretive materials.
Bureau of Reclamation	<ul style="list-style-type: none"> - Drafted BOR Directives and Standards on Museum Property Management. - Increased the number of objects cataloged from 6.1 million to 7.8 million. - Purchased and customized Museum Collections Management Software in preparation for migrating existing accession and catalog data to that system. - Placed National Council For Preservation Education interns at 15 repositories in Arizona, Colorado, Kansas, Montana, Nebraska, Oklahoma, South Dakota, Texas, Utah, and Wyoming to accession, catalog, and maintain BOR museum collections. - Kicked-off BOR centennial celebrations with exhibits and events at Hoover Dam and planned additional activities for the coming year. - Increased access to BOR collections through loans, exhibits, and enhanced Web pages. - Expanded assessment, planning, and consolidation activities to improve the security and management of BOR collections at non-Reclamation repositories.
Fish and Wildlife Service	<ul style="list-style-type: none"> - Cataloged and consolidated all FWS collections and records held at the Alutiiq Museum and Archaeological Repository in Kodiak, Alaska. - Continued to cooperate with the Museum of the Rockies to locate extensive paleontology collections from FWS lands in Montana, including production of a three-volume assessment report on paleontological collections from refuges. - Hired three temporary museum technicians to assist in collection management at D.C. Booth Historic National Fish Hatchery, where the hatchery building was renamed the Hector Von Bayer Museum of Fish Culture to help celebrate 130 years of the National Fish Hatchery System. - Upgraded permanent storage conditions for the Bertrand Collection at DeSoto National Wildlife Refuge in Iowa, including arranging and housing 25,000 photos in archival-quality materials. - Accessioned two collections at the National Conservation Training Center in West Virginia: one on FWS law enforcement history and one on historic FWS films. - Entered into a multi-year cooperative agreement with the U.S. Army Corps of Engineers to conduct a national inventory and assessment of FWS museum collections.
National Park Service	<ul style="list-style-type: none"> - Cataloged 5.4 million items and corrected 1,789 planning, environmental, storage, security, and fire protection deficiencies in parks. - Issued two supplements (10 leaflets) to Conserve-O-Gram publication sold through the Government Printing Office; posted Conserve-O-Gram leaflets as PDF files on the NPS Web site. - Continued expansion of museum pages on the NPS website, including electronic exhibits, posting notices of items proposed for deaccessioning outside the federal government, and hosted over 847,000 user sessions during the fiscal year. - Obtained the commitment of 45 parks to add park catalog data to the new Web Catalog, making data available on the Internet for searches by keyword, theme, etc. - Exhibited over 322,000 objects, responded to over 35,000 public research requests and 18,000 research requests from park staff, and managed 27,000 loans for over 15 million objects. - Installed 11 major exhibits in parks.

Library Collections (Non-Museum)

The Interior Department Library contains over 1.1 million holdings dealing with the broad range of matters related to the Department's mission to use and conserve natural resources and to meet its trust responsibilities to Native American Indians and Alaska Natives. Departmental policy dictates that copies of all publications produced for or by its bureaus and offices be deposited in the Library, thus assuring a continuing, reliable source of information.

The U.S. Geological Survey's (USGS) library collections cover all aspects of the earth sciences and related interdisciplinary subjects. The collection is comprehensive, covering as much as possible of worldwide literature in the library. There are 21 libraries within the USGS, including the Library Services Group Libraries at the National Center (the largest library) and three branch libraries. The libraries, with the exception of Library Services Group Libraries, serve USGS field office personnel, have separate administrations, and have small, specialized collections. Extensive sets of state and foreign geological survey publications, as well as publications from geological and other scientific societies, universities and institutions, and other government agencies throughout the world are included in the library's collection. Special collections include the George F. Kurt collection of books on gems and minerals, the Alvison collection on Russian geology, a minerals and mining collection, extensive photographs taken during USGS field work, field notebooks, and additional material relating to USGS projects.

The USGS library system contains 1.4 million books and periodicals and 1.6 million non-book items for a total of 3 million items. During FY 2002, 33,825 units were added and 9,932 units were withdrawn. Materials are acquired through extensive exchange agreements with institutions and agencies worldwide, as well as through research projects and purchases from a wide variety of publishers and institutions. Items are withdrawn only after the professional library staff has made a critical analysis of the collection. Approximately 35 percent of the collection is in good condition and 40 percent is in fair condition, while 25 percent is in poor condition.

Investment in Research and Development

The U.S. Geological Survey Research and Development program was authorized by the March 3, 1879, legislation that created the U.S. Geological Survey to provide for the examination of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information is used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination. The USGS provides credible, objective, and unbiased information needed by managers of the Nation's natural resources and resource managers within Interior. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods. U.S. Geological Survey research assesses and predicts the biological consequences of various policies and management practices. Examples of research projects undertaken in FY 2002 include new methods for collecting noble gases from water; the measurement of pharmaceuticals, hormones, and other chemicals in wastewater; and support for the National Fire Plan.

In preparing the information for the FY 2001 report, the automated process that was used to distribute overhead expenses was not applied correctly resulting in an understated figure for the fiscal year. The increase for FY 2002 can be attributed to the correct distribution of overhead expenses, reorganization of mapping discipline activities which included more R&D work, and to the outlays resulting from increased appropriations.

The Natural Resource Research Support Program in the NPS addresses specific questions with immediate applications for natural resource management within the NPS. At present, the NPS is primarily involved in conducting and acquiring research related to physical science investigations. The costs associated with

research for FY 2002 will not be available until late February; efforts are underway to correct the current reporting requirements to ensure that data will be available for future accountability reports.

The Bureau of Reclamation’s research and development program focuses on the improvement of water management; the development of solutions pertaining to flood hydrology, water quality, irrigation return flows; and the delivery of hydropower to the West. The information obtained through these programs provides water management solutions and techniques that yield future benefits to the Nation as a whole.

The Utah Reclamation Mitigation and Conservation Commission utilized research funds to determine the means by which mitigation measures or programs can be achieved and to determine the best method or design for an identified mitigation measure. The Central Utah Project Completion Act research funds were utilized to address local development in lieu of irrigation and drainage, water management improvement, conservation measures, Utah Lake salinity control, mitigation and conservation measures, conjunctive use of surface and ground water, and similar study topics.

USGS expenses indicated below are included in the Strategic Goal 4 expense total. The costs for the remaining bureaus are included in expense totals for Strategic Goals 1 and 3.

Interior’s investment in research and development is shown in *Table 53*.

TABLE 53

Investment in Research and Development																									
(in millions)																									
	FY 1998*					FY 1999					FY 2000					FY 2001				FY 2002					
	USGS	BOR	NPS	OS	Total	USGS	BOR	NPS	OS	Total	USGS	BOR	NPS	OS	Total	USGS	BOR	NPS	OS	Total	USGS	BOR	NPS**	OS	Total
Basic	62.6	0	0.5	0	63.1	78	0	0.5	0	78.5	63	0	0.5	0	63.5	63	0	1.6	0	64.6	82	0	**	0	82
Applied	506.6	11.5	29.1	7.5	554.7	672	13.8	22.9	15.2	723.9	656	13.6	34.2	15.2	719	572	16.3	8.3	4.6	601.2	799	16.3	**	0.1	815.4
Developmental	30.8	0	0	0	30.8	39	0	0	0	39	53	0	0	0.04	53.04	53	0	2.9	0.02	55.92	83	0	**	0.4	83.4
Total	600	11.5	29.6	7.5	648.6	789	13.8	23.4	0.2	826.4	772	13.6	34.7	0.2	820.5	688	16.3	12.8	0.1	717.2	964	16.3	**	0.5	980.8

* Obligation amounts
 ** NPS research data will not be available until late February 2003 because annual reporting of research outlays is not requested until late December or early January.

Investment in Human Capital

The Bureau of Indian Affairs (BIA) administers its trust responsibility for education with the long-range goal of promoting healthy Indian communities through lifelong learning. This goal is achieved by providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual, and cultural aspects of the people served.

Through various BIA programs, a significant investment in education has been made to benefit American Indians and Alaska Natives. Since 1995, there have been more schools operated by tribes through grants and contracts than operated by the BIA. For the 2001/2002 school year, 185 schools were provided with funding through BIA appropriations. A total of 121 of the 185 schools and dormitories were administered by tribes and tribal organizations, which is equivalent to 65 percent of the total number of schools. Approximately 48,000 students were enrolled in 2001/2002 school year, of which about 19,000 students were enrolled at BIA-operated schools and approximately 29,000 students at contract/grants schools.

The BIA provides scholarships, adult education opportunities, and a post-secondary associate and baccalaureate degree program in elementary education. In FY 2002, a total of \$834.1 million was expended for education programs benefiting American Indians and Alaska Natives. In FY 2001, a total of \$709.8 million was expended for education programs. Information concerning performance measures for the BIA invest-

ment in human capital can be found in the appendix. Goals and outputs relative to research and development expenditures can be found in Appendix D.

In FY 2002, the BIA, BOR, NPS, and FWS provided approximately \$70.9 million in residential education and job training for disadvantaged youth through the Job Corps program. In FY 2001, these bureaus provided \$61.6 million in residential education and job training for disadvantaged youth. Interior’s investment in human capital is shown in *Table 54*.

TABLE 54

Investment in Human Capital (in millions)		
	FY 2001	FY 2002
Education		
BIA	\$709.8	\$834.1
Job Corps		
BOR	27.1	28.7
FWS	11.1	12.5
NPS	13.4	14.7
BIA	10.0	15.0
Total	\$771.4	\$905.0

Note - Total investments for FY 2000, FY 1999, and FY 1998 were \$663.9 million, \$904.8 million, and \$546.5 million, respectively. These amounts are budget-based obligations rather than accrual-based expenses for BIA education programs.

Investment In Non-Federal Physical Property

The Department invests in non-federal physical property (*Table 55*). Non-federal physical property refers to expenses incurred by the federal government for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Grants for maintenance and operations are not considered investments. In FY 2002, Interior expended approximately \$607 million for non-federal physical property.

TABLE 55

Non-Federal Physical Property Investments (in millions)						
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Change from FY 2001 to FY 2002
Insular Area Capital Investment	\$64.5	\$80.0	\$32.0	\$38.3	\$40.2	\$1.9
CUPCA/Commission	0.3	6.0	2.2	1.8	4.0	2.2
FWS	*	*	*	179.0	168.7	-10.3
BOR	99.3	116.4	116.5	85.7	91.8	6.1
BIA	214.0	253.7	273.0	269.6	302.0	32.4
Total	\$378.1	\$456.1	\$423.6	\$574.4	\$606.7	\$32.3

* Since FY 1997, the FWS has reported on the purpose and monies awarded by all of its grants programs, including grant purposes and recipients. In FY 2001, FWS began separate reporting of that specific portion of its grant programs resulting in the acquisition of non-federal property.

The Office of Insular Affairs provides capital improvement grants to United States insular areas to assist the islands in developing more efficient and effective governments. The capital investment in non-federal physical property in the islands was approximately \$40.2 million in FY 2002 (*Table 56*). While the assets for the Compact Free Association are non-federal assets, the investments are in foreign countries, not state or local governments as generally understood. The use of Compact Funds is subject only to the Compact and its related agreements and not to any other federal grant or contract regulation. In addition, the Compacts of Free Association do not require these governments to report on the use of a fiscal year’s funds until the third quarter of the ensuing fiscal year. Thus, the data submitted for these two entities has not been reported since FY 1999.

The Central Utah Project Completion Act (CUPCA) expressly authorized the Utah Reclamation Mitigation and Conservation Commission to invest in fish and wildlife habitat improvements on non-federal properties because the federal reclamation projects in Utah affected fish and wildlife resources beyond the

TABLE 56

Insular Area Infrastructure Improvements (in thousands)														
	Commonwealth of the Northern Marianas		Palau		Federated States of Micronesia		American Samoa		U.S. Virgin Islands		Guam		Total	
	FY 2001	FY 2002	FY 2001	FY 2002	FY 2001	FY 2002	FY 2001	FY 2002	FY 2001	FY 2002	FY 2001	FY 2002	FY 2001	FY 2002
Public Buildings ^{1/}	\$4,487	\$4,348	\$0	\$68	\$0		\$161	\$2,010	\$590	\$4,538	\$1,549	\$2,563	\$6,787	\$13,527
Schools ^{2/}	5,693	7,485	0		0		4,587	2,242	1,004	31	0	0	\$11,284	\$9,758
Utilities ^{3/}	2,046	1,006	0		337		706	971	755	359	2,701	573	\$6,545	\$2,909
Transportation ^{4/}	2,226	1,056	0	401	0		85	485	0		5,092	1,268	\$7,403	\$3,210
Sewage ^{5/}	2,040	6,177	0		646		2,952	3,693	66	560	490	86	\$6,194	\$10,516
Other ^{6/}	0	0	0		0		83	319	0		0	0	\$83	\$319
													\$0	\$0
Total	\$16,492	\$20,072	\$0	\$469	\$983	\$0	\$8,574	\$9,720	\$2,415	\$5,488	\$9,832	\$4,490	\$38,296	\$40,239

- 1/ Includes public buildings and hospitals
- 2/ Includes schools and school gyms
- 3/ Includes electric, water, and power
- 4/ Includes transportation, roads, airports, tank farms (storage for airplane and boat gasoline)
- 5/ Includes sewage, solid waste, waste water, sewer/drainage
- 6/ Includes ports

boundaries of the BOR projects. The amount of money expended by the Commission in FY 2002 was approximately \$4 million. CUPCA has not invested in non-federal physical property for the past two years.

The BIA's investments in non-federal physical property include schools, dormitories and other infrastructures and the Indian Reservation Roads and Bridges (IRRB) program. In FY 2002, approximately \$47.5 million was expended for schools, dormitories, and other infrastructure. The BIA and the Federal Highway Administration jointly administer the IRRB program with expenditures of approximately \$245 million.

In FY 2002, the Fish and Wildlife Service provided approximately \$168.7 million in grants to state and local governments that resulted in the purchase, construction, or major renovation of physical property that they owned. These grants are awarded primarily to enhance fish and wildlife management. Since FY 1997, the FWS has reported on the purpose and monies awarded by all of its grants programs, including grant purposes and recipients. In FY 2001, an opinion was obtained from OMB stating that the FWS should identify in its annual report that specific portion of its grant programs resulting in the acquisition of non-federal property. Appropriate modifications were made to capture that subset of information for future reporting.

In the Bureau of Reclamation, regional specific programs provide for the construction or improvement of structures and facilities used in state and local irrigation projects, water management projects, and water quality improvement projects. In FY 2002, the BOR expended approximately \$91.8 million on such projects.

TABLE 57

A consolidated table for FY 2002 non-federal physical property investments by major expense area is shown in Table 57. Additional years are not available at this time; however, future reports will disclose additional year data.

FY 2002 Non-Federal Physical Property Investments						
	Facilities	Software	Roads	Bridges	Repair/Rehab	Total
Insular Areas	\$37.0	-	\$3.2	-	-	\$40.2
CUPCA	3.9	\$0.1	-	-	-	4.0
FWS	168.7	-	-	-	-	168.7
BOR	91.8	-	-	-	-	91.8
BIA	47.5	-	245.2	\$3.1	\$6.2	302.0
TOTAL	\$348.9	\$0.1	\$248.4	\$3.1	\$6.2	\$606.7

Other
Supplementary
Information
(See Auditors'
Report)

Other Supplemental Information includes the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position.

Consolidating Balance Sheet
as of September 30, 2002
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 1,232,812	\$ 983,026	\$ 4,307,839	\$ 1,077,458
Investments, Net	63,638	164,992	-	369,043
Accounts and Interest Receivable, Net	64,756	6,493	329,123	118,730
Other				
Advances and Prepayments	258	3,601	19,308	54,957
Total Intragovernmental Assets	1,361,464	1,158,112	4,656,270	1,620,188
Cash	738	53	124	-
Investments, Net	1,192	-	-	137,410
Accounts and Interest Receivable, Net	22,560	8,986	23,508	5,983
Loans and Interest Receivable, Net	46,331	-	150,630	24,193
Inventory and Related Property	-	354,265	-	482
General Property, Plant & Equipment, Net	1,374,167	283,552	12,952,120	202,313
Other				
Advances and Prepayments	79	2,617	13,663	5,840
Other Assets	15,741	-	215,970	-
Stewardship Assets				
TOTAL ASSETS	\$ 2,822,272	\$ 1,807,585	\$ 18,012,285	\$ 1,996,409
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable	\$ 21,774	\$ 12,575	\$ 13,737	\$ 104,427
Debt	25,115	1,309,204	96,674	23,970
Other				
Accrued Payroll and Benefits	27,210	27,015	20,487	6,494
Advances and Deferred Revenue	(1,413)	-	9,334	494,414
Deferred Credits	112,584	18,581	1,616	15,822
Custodial Liability	-	-	-	-
Aquatic Resource Amounts Due to Others	-	-	-	-
Judgment Fund	85,842	12,224	48,797	-
Other Liabilities	53,107	52,793	-	39
Total Intragovernmental Liabilities	324,219	1,432,392	190,645	645,166
Public Liabilities				
Accounts Payable	147,044	44,679	212,487	49,798
Loan Guarantee Liability	49,097	-	-	-
Debt Held by the Public	-	-	-	-
Federal Employees Compensation Act	121,404	83,600	83,378	20,270
Environmental Cleanup Costs	190,654	5,423	5,441	1,000
Other				
Accrued Payroll and Benefits	54,898	92,732	48,823	31,670
Deferred Credits	4,968	142,267	166,691	79,314
Contingent Liabilities	326,684	350	110,415	700
Other Liabilities	3,411	98,776	111,970	5,203
Total Public Liabilities	898,160	467,827	739,205	187,955
TOTAL LIABILITIES	1,222,379	1,900,219	929,850	833,121
Commitments and Contingencies				
Net Position				
Unexpended Appropriations	899,541	480,278	338,509	377,870
Cumulative Results of Operations	700,352	(572,912)	16,743,926	785,418
Total Net Position	1,599,893	(92,634)	17,082,435	1,163,288
TOTAL LIABILITIES AND NET POSITION	\$ 2,822,272	\$ 1,807,585	\$ 18,012,285	\$ 1,996,409

Consolidating Balance Sheet
as of September 30, 2002
(dollars in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	Total
\$ 94,120	\$ 17,606,266	\$ 47,653	\$ 1,275,327	\$ 252,041	\$ -	\$ 26,876,542
991,890	65	1,895,100	1,863,615	-	-	5,348,343
476,965	13,254	17	24,486	79,456	(482,974)	630,306
-	5,437	-	1,505	4,345	(83,903)	5,508
1,562,975	17,625,022	1,942,770	3,164,933	335,842	(566,877)	32,860,699
-	388	-	116	3	-	1,422
-	-	-	-	-	-	138,602
1,145,894	5,078	1,235	5,594	85,224	-	1,304,062
-	4,677	-	-	-	-	225,831
-	-	-	-	8,342	-	363,089
33,307	788,610	2,682	935,384	344,634	-	16,916,769
29	9,624	-	493	2,529	-	34,874
-	-	-	-	2,151	-	233,862
\$ 2,742,205	\$ 18,433,399	\$ 1,946,687	\$ 4,106,520	\$ 778,725	\$ (566,877)	\$ 52,079,210
\$ 4,077	\$ 18,991	\$ 220	\$ 40,085	\$ 7,481	\$ (141,405)	\$ 81,962
-	-	-	-	-	-	1,454,963
3,027	60,056	1,464	19,567	16,682	-	182,002
1,245	36,322	243	19,587	35,914	(78,582)	517,064
-	3,852	-	12,968	-	(16,941)	148,482
1,150,827	-	-	-	-	(314,876)	835,951
-	-	-	371,122	-	-	371,122
-	2,007	-	-	-	-	148,870
-	2,935	-	-	-	(15,073)	93,801
1,159,176	124,163	1,927	463,329	60,077	(566,877)	3,834,217
114,122	116,032	8,023	41,364	91,619	-	825,168
-	-	-	-	-	-	49,097
-	-	-	-	-	-	-
9,560	238,313	3,460	59,032	39,484	-	658,501
-	4,730	-	15,195	16,644	-	239,087
18,533	143,560	7,001	69,002	91,409	-	557,628
24,845	4,328	463	1,903	117	-	424,896
550,000	8,907	25,049	275	-	-	1,022,380
375,002	9,268	7,909	7,644	4,836	-	624,019
1,092,062	525,138	51,905	194,415	244,109	-	4,400,776
2,251,238	649,301	53,832	657,744	304,186	(566,877)	8,234,993
6,317	961,875	36,038	478,161	248,482	-	3,827,071
484,650	16,822,223	1,856,817	2,970,615	226,057	-	40,017,146
490,967	17,784,098	1,892,855	3,448,776	474,539	-	43,844,217
\$ 2,742,205	\$ 18,433,399	\$ 1,946,687	\$ 4,106,520	\$ 778,725	\$ (566,877)	\$ 52,079,210

Consolidating Statement of Changes in Net Position
for the year ended September 30, 2002
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation
Cumulative Results of Operations			
Beginning Balances, as restated	\$ 625,959	\$ (690,478)	\$ 16,527,381
Cumulative Effect of Change in Accounting	-	-	-
Beginning Balances, as restated and adjusted	625,959	(690,478)	16,527,381
Budgetary Financing Sources			
Appropriations-Used	2,484,366	1,661,265	168,941
Royalties Retained	-	4,529	661,686
Transfers In/Out without Reimbursement	252,756	69,385	118,539
Tax Revenue	-	-	-
Abandoned Mine Fees	-	-	-
Donations and Forfeitures of Cash and Cash Equivalents	194	18	(166)
Other Non-Exchange Revenue	3,405	-	2,980
Other Budgetary Financing Sources and Adjustments	(2,746)	4,970	-
Other Financing Sources			
Imputed Financing from Financing absorbed from others	43,036	62,023	123,937
Transfers In/Out without Reimbursement	6,268	(56)	(69,456)
Donations and forfeitures of property	-	-	42
Other	-	-	-
Total Financing Sources	2,787,279	1,802,134	1,006,503
Net Cost of Operations	(2,712,886)	(1,684,568)	(789,959)
Ending Balance	\$ 700,352	\$ (572,912)	\$ 16,743,925
Unexpended Appropriations			
Beginning Balances, as restated	\$ 959,813	\$ 471,044	\$ 168,397
Cumulative Effect of Change in Accounting	-	-	-
Beginning Balances, as restated and adjusted	959,813	471,044	168,397
Budgetary Financing Sources			
Appropriations Received, General Funds	2,237,148	1,918,844	88,569
Appropriations Transferred In/Out	211,301	(247,232)	250,528
Appropriations-Used	(2,484,367)	(1,661,265)	(168,941)
Other Budgetary Financing Sources and Adjustments	(24,353)	(1,114)	(44)
Total Financing Sources	(60,271)	9,233	170,112
Net Cost of Operations			
Ending Balance	\$ 899,542	\$ 480,277	\$ 338,509

Consolidating Statement of Changes in Net Position
for the year ended September 30, 2002
(dollars in thousands)

Departmental Offices and Other	Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	TOTAL
\$ 740,422	\$ 1,008,648	\$ 16,423,825	\$ 1,752,259	\$ 2,776,948	\$ 63,653	\$ 39,228,617
-	-	(2,694)	-	-	-	(2,694)
740,422	1,008,648	16,421,131	1,752,259	2,776,948	63,653	39,225,923
711,407	152,542	2,032,544	105,471	1,044,397	871,888	9,232,821
-	823,842	1,050,178	-	891	-	2,541,126
(13,661)	6,104	(463,571)	-	102,322	879	72,753
-	-	-	-	656,923	-	656,923
-	-	-	285,580	-	-	285,580
1,069	-	15,249	3	4,090	178	20,635
15	18,424	-	36,505	85,210	283	146,822
(34,511)	-	20,567	-	7,810	-	(3,910)
10,280	125,305	83,141	4,285	39,971	49,045	541,023
(1,478)	(389)	17,682	(37)	15,422	256,841	224,797
4,422	-	-	-	-	-	4,464
-	-	-	(254)	-	-	(254)
677,543	1,125,828	2,755,790	431,553	1,957,036	1,179,114	13,722,780
(632,547)	(1,649,826)	(2,354,698)	(326,994)	(1,763,369)	(1,016,710)	(12,931,557)
\$ 785,418	\$ 484,650	\$ 16,822,223	\$ 1,856,818	\$ 2,970,615	\$ 226,057	\$ 40,017,146
\$ 438,661	\$ 8,434	\$ 896,024	\$ 40,319	\$ 466,047	\$ 211,705	\$ 3,660,444
-	-	(53,576)	-	-	-	(53,576)
438,661	8,434	842,448	40,319	466,047	211,705	3,606,868
682,582	150,667	2,105,957	102,799	1,006,867	914,003	9,207,436
(30,543)	-	56,839	-	51,135	1,446	293,474
(711,406)	(152,542)	(2,032,544)	(105,471)	(1,044,396)	(871,889)	(9,232,821)
(1,424)	(243)	(10,824)	(1,609)	(1,492)	(6,783)	(47,886)
(60,791)	(2,118)	119,428	(4,281)	12,114	36,777	220,203
\$ 377,870	\$ 6,316	\$ 961,876	\$ 36,038	\$ 478,161	\$ 248,482	\$ 3,827,071

