U.S. Department of the Interior
Notes to Principal Financial Statements
as of September 30, 1997 and 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of the Interior ("Interior" or "the Department") is a Cabinet agency of the Executive Branch of the United States Government. Created in 1849 by Congress as the Nation's principal conservation agency, the Department has responsibility for most of the nation's publicly-owned lands and natural resources. The Department'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 U.S. Government with respect to American Indians and Alaska Natives.

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

B. Organization and Structure of the Department

At September 30, 1997, the Department of the Interior was comprised of nine bureaus or operating entities and the Office of the Secretary ("Bureaus"). For purposes of presentation, the bureaus and activities of the Department have been broadly classified into the following categories:

Natural Resources:	*National Park Service* *U.S. Fish and Wildlife Service* *Bureau of Land Management* *Bureau of Reclamation* *The Office of Surface Mining Reclamation and Enforcement* *Minerals Management Service*
Science:	*U.S. Geological Survey*
Indian Affairs:	*Bureau of Indian Affairs*
Other:	*Office of Insular Affairs* *Office of the Secretary*

The specific responsibilities and accomplishments of the bureaus are discussed in the Natural Resources, Science, Indian Affairs, Insular Affairs, and Departmental Management sections of this report. In addition, more detailed information about the above bureaus and offices may be found in the individual audited financial reports prepared by bureau and office.

Two Bureaus were closed during fiscal year 1996. The National Biological Service is now the Biological Research Division of the U.S. Geological Survey. The U.S. Bureau of Mines was eliminated, however, its Helium Program was transferred to the Bureau of Land Management and its remaining programs and functions have been transferred to the U.S. Geological Survey, other federal agencies or eliminated.

C. Basis of Presentation

These consolidated financial statements have been prepared to report the financial position, the net cost of operations, the custodial activities, and the changes in net position of the Department 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 the Department in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget.

The accounting structure of Federal Government 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.

The accounting principles and standards applied in preparing the financial statements and described in this note are in accordance with the following hierarchy of accounting principles:

- Statements of Federal Financial Accounting Standards (SFFAS). These statements reflect the accounting principles, standards, and requirements recommended by the FASAB and approved by the Comptroller General of the United States, the Director of the Office of Management and Budget ("OMB") and the Secretary of the Treasury;

- Interpretations of Statements of Federal Financial Accounting Standards;

- Form and content requirements for financial statements, as presented in OMB Bulletin No. 97-01, "Form and Content of Agency Financial Statements"; and

- The accounting principles and standards established by other authoritative standard setting bodies and other authoritative sources (a) in the absence of other guidance, and (b) if the use of such guidance improves the meaningfulness of the financial statements.

D. Elimination of Intra-Department Transactions

All identified intra-Department transactions have been eliminated from the Department's consolidated financial statements.

E. Revenues and Financing Sources

<u>Appropriations:</u> The United States Constitution prescribes that funds must be made available by Congressional appropriation before they may be expended by a Federal agency. Most of the Department's operating funds are in the form of Congressional appropriations. Additional funds are obtained through reimbursements for services

performed for other Federal agencies and the public, reimbursements for thecost of construction of capital assets and for the costs of operating and maintaining irrigation and water facilities, Abandoned Mine Land fees, land management program receipts, fish and wildlife program receipts, as well as fees and miscellaneous receipts derived from other Departmental programs.

Exchange and Non-Exchange Revenue: In accordance with Federal government accounting guidance, the Department 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, and other sales of goods and services. These revenues are presented on the Department's Statement of Net Cost of Operations and serve to reduce the reported cost of Department operations borne by the taxpayer. Non-exchange revenues derive from the government's sovereign right to demand payment, including fines for violation of environmental laws, and Abandoned Mine Land duties charged per ton of coal mined. These revenues do not reduce the cost of Department operations and are reported on the Department's Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by Federal agencies are processed through The U. S. Treasury Department's central accounting system. All receipts that are not earmarked by law for a specific purpose are deposited in Treasury's "General Fund Receipt" accounts, regardless of whether they derive from exchange or non-exchange transactions. These amounts not retained for use by the Department are reported as "transfers to other government agencies" on the Department's Statement of Changes in Net Position.

Imputed Financing Sources: In certain cases, operating costs of the Department are paid by funds appropriated to other federal agencies. For example, by law certain costs of retirement programs are paid by the Office of Personnel Management and certain legal judgements against the Department are paid from the Judgement Fund maintained by the U.S. Department of Treasury. When costs are paid by other agencies that are identifiable to the Department, and directly attributable to Department operations, the Department recognizes these amounts as operating expenses of the Department. In addition, the Department recognizes an "imputed financing source" on the Statement of Changes to indicate the funding of Department operations by other Fedeal agencies.

Custodial Revenue: The Department's Royalty Management Program, administered by the Minerals Management Service, collects bonuses, rents, royalties, and other receipts from Federal and Indian Leases, and distributes all proceeds to the U.S. Treasury, other Federal agencies, States, Indian Tribes, and Indian Allottees, in accordance with legislated allocation formulas. The amounts collected and transferred are disclosed in the Statement of Custodial Activities and are not considered to be revenues of the Department or of the Minerals Management Service.

F. Fund Balance with Treasury and Cash

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

G. Investments

The Department invests certain funds in U.S. Government and public securities on behalf of various Interior programs and for amounts held as custodian. Note 3 provides additional information concerning investments.

H. Accounts Receivable

Accounts Receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and 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 the Department's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances. Note 4 provides additional information concerning accounts receivable.

I. Inventory

The Department's inventory is comprised primarily of maps for sale, helium for sale, and helium stockpile inventory. See Note 5 for information concerning inventory valuation and accounting methods.

J. Property, Plant and Equipment

Property, Plant and Equipment consists of land and buildings (used in operations); structures, facilities and improvements for power, irrigation, municipal and industrial water management, fish and wildlife enhancement, recreation, and flood control; automated data processing software; equipment and vehicles; bridges, trails and roads (Bureau of Indian Affairs); and construction in progress. In general, bureau policies state that equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold for equipment is generally $5,000.

Certain bureaus made significant changes to their property accounting and capitalization policies during fiscal years 1997, 1996 and 1995 in order to implement Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." Note 6 provides additional information concerning the Department's property, plant and equipment.

K. Land

The vast majority of public lands under the management of the Department were acquired by the Federal government as public domain land during the first century of the nation's existance. In accordance with SFFAS No. 6, the Department assigns no financial value to the public land it administers. The Stewardship Assets section of this report and Note 7 provide additional information concerning land.

L. Loans and Interest Receivable

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated prior to October 1, 1991, 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. For loans obligated on or after October 1, 1991, loans receivable are reduced by an allowance for estimated uncollectible amounts which is equal to the present value of the subsidy costs (using the interest rate differential between loans receivable and Treasury borrowings), estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows associated with these loans. Note 8 provides additional information concerning loans receivable.

M. Available from Contract Authority

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

N. Unmatured Timber Sales Contracts

Unmatured Timber Sales Contracts represent the obligation and the right of contractors to cut specific quantities of timber within a defined time period at a set price. These contracts between contractors and the Bureau of Land Management represent potential revenue to the U.S. Government that will materialize in future accounting periods as contracts are fulfilled.

O. General Investigation Costs

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

P. Liabilities and Contingent Liabilities

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

Contingent liabilities are those where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Department recognizes contingent liabilities when the liability is probable and reasonably estimable. In accordance with government accounting guidance, the liability for future clean-up of environmental hazards is “probable” only when the government is legally responsible for creating the hazard. Thus, expected future payments for the clean-up of environmental hazards caused by others are not recognized as liabilities by the Department. Rather, these payments ariseout of the Department’s sovereign responsiblity to protect the health and safety of the public, and are recognized in the accounting records as remediation work is performed. See Note 12 for additional information regarding contingent liabilities.

Q. Personnel Compensation and Benefits

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits 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 the Department as of the date of the financial statements. Sick leave and other types of leave are expensed when used, and no future liability is recognized for these amounts.

Office of Worker’s Compensation Program Chargeback and unemployment compensation insurance are funded from current appropriations when paid. An unfunded liability is recognized for amounts to be paid in the future for current worker’s compensation and unemployment compensation insurance.

Department of the Interior employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. Most Department 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.

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

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

R. Federal Government Transactions

The Department'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 the Department 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 the Department, including settlement of claims and litigation paid by the Department of Treasury's Judgment Fund and the partial funding of employee benefits by the Office of Personnel Management.

S. Undistributed Royalty Collections

These amounts represent the custodial liability of Minerals Management Service to royalty recipients for cash, accounts receivable and investments held pending distribution.

T. Undistributed Special Receipt Fund Collections

The Bureau of Land Management's undistributed special receipt fund collections are not available for use except by appropriation or other statutory authority. These receipts are earmarked by law for a specific purpose and typically arise from sales of public lands, sales of timber, fees and commissions and other charges for services provided to users of public lands. They will be distributed as specified by law.

U. Income Taxes

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

V. Comparative Data

Audited comparative data for fiscal year 1996 has been presented in order to provide an understanding of changes in financial position and operations of the Department. Certain prior year amounts have been restated to conform to current year presentation. See Note 15 for additional information.

NOTE 2. FUND BALANCE WITH TREASURY

A. Current Assets

The U.S. Department of the Treasury performs cash management activities for all government agencies. The Fund Balance with Treasury under Current Assets represents the right of the Department to draw on the U.S. Treasury for allowable expenditures. Obligated funds are designated either for goods and services ordered but not received, or for goods received and not yet paid. Unobligated funds are available for new obligations, however there may be restrictions placed on their availability.

Fund Balance with Treasury

(dollars in thousands)	Obligated	Unobligated Available	Unavailable	1997	1996
Natural Resources:					
National Park Service	$ 554,633	$ 388,158	$ 69,928	**$ 1,012,719**	$ 877,432
U.S. Fish and Wildlife Service	290,424	156,832	309,966	**757,222**	664,457
Bureau of Land Management	214,337	243,744	179,656	**637,737**	611,797
Burean of Reclamation	320,698	375,047	-	**695,745**	611,190
Office of Surface Mining	34,603	1,223	15,840	**51,666**	81,747
Minerals Management Service	69,838	2,634	3,561	**76,033**	56,240
Total Natural Resources	1,484,533	1,167,637	578,952	**3,231,122**	2,902,863
Science	158,902	18,320	31,320	**208,542**	187,414
Indian Affairs	411,083	417,575	(1,625)	**827,033**	883,374
Other Programs	275,789	356,645	4,120	**636,554**	589,332
Total Fund Balance with Treasury	$ 2,330,307	$ 1,960,177	$ 612,767	**$ 4,903,251**	$ 4,562,983

B. Assets Held on Behalf of Others

The Fund Balance with Treasury classified as "Assets Held on Behalf of Others" represents royalty collections received by the Minerals Management Service, and held by it as custodian, until disbursed to recipients.

NOTE 3. INVESTMENTS

A. Current Assets

1. Investments in Treasury Securities

The Office of Surface Mining, the Fish and Wildlife Service, the Bureau of Indian Affairs, the Office of the Secretary and the National Park Service invest funds in certain U.S. Government and public securities on behalf of various Department of the Interior programs.

Treasury Securities as of September 30, 1997

(dollars in thousands)	Face Value	Unamortized Discount	Net Book Value
Office of Surface Mining	$ 1,554,515	$ (29,152)	$ 1,525,363
U.S. Fish and Wildlife Service	471,973	(729)	471,244
Office of the Secretary	61,749	(1,851)	59,898
Bureau of Indian Affairs	11,695	(155)	11,540
National Park Service	65	-	65
Total Treasury Securities	2,099,997	(31,887)	2,068,110

Treasury Securitities as of September 30, 1996

(dollars in thousands)		Face Value		Unamortized Discount		Net Book Value
Office of Surface Mining	$	1,426,350	$	(25,776)	$	1,400,574
U.S. Fish and Wildlife Service		501,919		(14,578)		487,341
Office of the Secretary		45,459		(1,145)		44,314
Bureau of Indian Affairs		12,445		(17)		12,428
National Park Service		65		0		65
Total Treasury Securities	$	1,986,238	$	(41,516)	$	1,944,722

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

Presently, all earnings from AML investments are reinvested, providing a source of continuous funding to further enhance AML trust fund equity. However, effective in fiscal year 1996, the Office of Surface Mining is required to transfer annually up to $70 million in interest earned from the invested AML trust funds to the United Mine Workers of America Combined Benefit Fund. These investment proceeds are then used to provide health benefits for certain eligible retired coal miners and their dependents.

U.S. Fish and Wildlife Service: The U.S. Treasury collects, invests, and maintains on behalf of the Fish and Wildlife Service (FWS) the Aquatic Resources Trust Fund, which includes FWS's Sport Fish Restoration Account. The Appropriations Act of 1951 authorizes amounts equal to revenues credited during the year to be used in the subsequent fiscal year and recorded as "permanent appropriations to remain available until expended." The FWS investment amount does not include fiscal year 1997 collections held by Treasury for reporting in subsequent years.

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

Bureau of Indian Affairs: The Bureau of Indian Affairs (BIA) invests Irrigation and Power receipts in U.S. Government and public securities until the funds are required for project operations. Federal investments are purchased under the U.S. Treasury Overnighter Program and in U.S. Treasury Bills and Notes.

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

When previously issued Treasury Bills are purchased by the Department, the unamortized premium or (discount) is calculated by Treasury at the time of the purchase.

2. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in U.S. Government and public securities. Investments in Public Securities consist of Certificates of Deposit from insured institutions and other securities consisting mainly of various mortgage instruments, bank notes and bonds. Mortgageinstruments are issued by the

Federal National Mortgage Association (Fannie Mae) and similar government corporations. Bonds and bank notes are issued by Federal Home Loan Banks, the Federal Judiciary and the Federal Farm Credit Banks. Investments in public securities reflect investments held by the BIA's Power and Irrigation program as of September 30, 1997 and 1996 and are recorded at cost.

B. Assets Held on Behalf of Others

Pursuant to Section 7 of the Outer Continental Shelf Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes in government securities. The current investment amount results from an ongoing boundary dispute with the State of Alaska dating back to 1969.

Escrow Investments Held by Minerals Management Service

(dollars in thousands)	1997	1996
Cost	$ 1,621,472	$ 1,497,561
Amortized Discount	45,876	39,970
Net Book Value	$ 1,667,348	$ 1,537,531

NOTE 4. ACCOUNTS RECEIVABLE

A. Current Assets

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

Accounts Receivable -- Public

			Past Due Accounts			Allowance for Doubtful		
(dollars in thousands)	Unbilled	Current	1-90 days	91-1yr	Over 1 yr	Accounts	1997	1996
Natural Resources:								
National Park Service	$ 1,820	$ 6,452	$ 389	$ 28	$ 1,406	$ (894)	**$ 9,201**	$ 8,001
U.S. Fish and Wildlife Service	3,210	3,612	454	664	134	(22)	**8,052**	6,063
Bureau of Reclamation	(1,128)	38,452	1,408	73,204	72,337	(84,763)	**99,510**	93,765
Bureau of Land Management	1,337	1,583	441	1,064	2,055	(3,474)	**3,006**	1,801
Minerals Management Service	-	327	-	-	-	-	**327**	1,663
Office of Surface Mining	-	1,256	1,158	2,053	19,077	(20,218)	**3,326**	14,286
Total Natural Resources	5,239	51,682	3,850	77,013	95,009	(109,371)	**123,422**	125,579
Science	54,635	9,898	4,635	3,904	5,928	(8,926)	**70,074**	66,426
Indian Affairs	-	1,192	1,297	982	26,966	(19,027)	**11,410**	12,874
Other Programs	-	25,726	8	34	62	-	**25,830**	1,628
Total Accounts Receivable - Public	$ 59,874	$ 88,498	$ 9,790	$ 81,933	$ 127,965	$ (137,324)	**$ 230,736**	$ 206,507

Accounts Receivable Due from Federal Agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the conduct of environmental and scientific services, and the provision of administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal government resulting in a lower cost of Federal programs and services. All receivables from other Federal agencies are considered to be collectible. Unbilled receivables reflect work performed to date on long term agreements. The receivable will be billed either at the completion of the project or at agreed upon milestones.

Accounts Receivable -- Federal

(dollars in thousands)	Unbilled	Current	Past Due Accounts 1-90 days	91-1yr	Over 1 yr	Allowance for Doubtful Accounts	**1997**	**1996**
Natural Resources:								
National Park Service	$ 10,325	$ 3,949	$ 1,198	$ 501	$ 403	$ -	**$ 16,376**	$ 17,794
U.S. Fish and Wildlife Service	1,900	336,168	1,374	358	110	-	**339,910**	257,451
Bureau of Reclamation	18,787	797	134	28	85	-	**19,831**	18,263
Bureau of Land Management	8,463	213	271	231	2	-	**9,180**	13,818
Minerals Management Service	-	2,905	-	-	-	-	**2,905**	154
Office of Surface Mining	-	8,569	-	-	-	-	**8,569**	12,147
Total Natural Resources	39,475	352,601	2,977	1,118	600	-	**396,771**	319,627
Science	58,450	10,678	2,737	2,659	6,135	(1,899)	**78,760**	96,384
Indian Affairs	1,252	27	-	-	-	-	**1,279**	3,837
Other Programs	-	20,772	-	-	-	-	**20,772**	30,116
Total Accounts Receivable - Federal	$ 99,177	$ 384,078	$ 5,714	$ 3,777	$ 6,735	$ (1,899)	**$ 497,582**	$ 449,964

B. Other Assets and Assets Held on Behalf of Others

Non-Current and Unmatured Receivables represent amounts due at future dates to the Bureau of Reclamation from the beneficiaries of large water and irrigation projects. The reimbursable costs of multiple-purpose water projects are recovered from project beneficiaries. That portion which will be returned to Treasury is reported as "held on behalf of others" (See Note 10).

NOTE 5. INVENTORY

Inventory

(dollars in thousands)	**1997**	**1996**
Natural Resources		
Helium Held for Sale	$ 3,900	$ 6,072
Seized Property for Sale	5,027	5,036
Other Natural Resources Inventory	-	2,229
Science		
Published Maps Held for Sale	15,478	9,241
Hydrologic Equipment	-	5,180
Other Science Inventory	2,068	1,584
Other	645	709
Total Inventory	$ 27,118	$ 30,051

A. Current Assets

The U.S. Geological Survey (USGS) publishes maps and map products for sale to the public and other Federal agencies, which are stored primarily in the USGS Rocky Mountain Mapping Center in Denver, Colorado. This inventory consists of approximately 85 thousand map titles as well as books and similar products.

With the closure of the Bureau of Mines, the Department's helium inventory was transferred to the Bureau of Land Management. Helium held for sale includes above-ground refined helium plus that portion of helium in underground storage estimated to be sold in the following fiscal year.

B. Other Assets

The helium stockpile inventory is stored underground in a partially depleted natural gas reservoir. 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 native gas and the stockpiled helium.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

The capitalization and depreciation policies for property, plant and equipment are determined by individual Department Bureaus. In general, equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold for equipment is generally $5,000.

Certain bureaus made significant changes to their property accounting and capitalization policies during fiscal years 1997, 1996 and prior in order to implement Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." This standard established two broad classifications of Federal property. General Property, Plant and Equipment, which is presented in the following table, consists of that property which is used in operations and, with some exceptions, consumed over time. Stewardship property, described in Note 7 and the section on Stewardship Assets at page 115, consists of public domain land and heritage assets, such as national monuments and historic sites, which are expected to be maintained by the Department in perpetuity for the benefit of current and future generations. The impact of these changes includes reducing the reported financial value of public domain land and other stewardship assets to zero and implementing depreciation of property, especially real property, not previously depreciated. See Note 14 for additional discussion of these changes.

Property, Plant, and Equipment

(dollars in thousands)	Land & Buildings	Dams & Other Structures	Vehicles Equipment & Aircraft	Other Plant & Euipment	Accumulated Depreciation	**1997**	1996
Natural Resources:							
National Park Service	$ 273,945	$ 1,086,681	$ 287,553	$ -	$ (371,452)	**$ 1,276,727**	$ 1,241,435
U.S. Fish and Wildlife Service	394,963	540,923	117,390	-	(411,003)	**642,273**	680,639
Bureau of Land Management	101,846	86,088	256,473	2,987	(220,215)	**227,179**	273,939
Bureau of Reclamation	28,124	20,331,243	159,815	-	(7,353,593)	**13,165,589**	13,260,660
Office of Surface Mining	-	-	10,166	-	(4,617)	**5,549**	5,393
Minerals Management Service	-	-	28,291	-	(11,080)	**17,211**	13,251
Total Natural Resources	798,878	22,044,935	859,688	2,987	(8,371,960)	**15,334,528**	15,475,317
Science	98,836	13,071	336,230	-	(263,639)	**184,497**	134,220
Indian Affairs	1,492,720	761,775	160,743	-	(1,160,168)	**1,255,070**	918,852
Other Programs	-	110,710	26,798	-	(8,168)	**129,340**	23,751
Net Property, Plant and Equipment	$ 2,390,433	$ 22,930,491	$ 1,383,459	$ 2,987	$ (9,803,935)	**$ 16,903,435**	$ 16,552,140

NOTE 7. STEWARDSHIP 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. Currently, Federal civil and defense agencies administer about 657 million acres, or about 29 percent of the total 2.3 billion acres in the United States. Of the 657 million acres under Federal control, approximately 429 million acres are administered by the Department of Interior, principally by the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service.

The Bureau of Land Management (BLM) has exclusive jurisdiction for about 40 percent, or 264 million acres, of the Federally owned lands. Approximately one-third of this area is in the State of Alaska. Public lands under the jurisdiction of BLM are managed under the principles of multiple use and sustained yield for the benefit of all Americans. Public lands are leased to private companies providing vast amounts of oil, natural gas, and other valuable minerals. Leases to ranchers allow livestock, primarily sheep and cattle, to forage on more than 170 million acres of public lands. Timber products are another valuable commodity produced from public lands. Finally, most of the public lands are available for a wide variety of recreational activities, including camping, hunting, fishing, skiing, and hiking.

The Fish and Wildlife Service administers approximately 88 million acres, or about 13 percent of the Federally owned lands. The majority of this land comprises more than 500 national wildlife refuges that provide habitat for migratory birds, endangered species, and other wildlife as well as wildlife oriented public recreation.

The National Park Service administers approximately 77 million acres, or about 12 percent of the Federally owned lands. The National Park System encompasses 375 park units in 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and the Northern Mariana Islands.

For additional discussion of stewardship assets, including stewardship land, see page 115.

NOTE 8. LOANS AND INTEREST RECEIVABLE

Loans and Interest Receivable

(dollars in thousands)	1997	1996
Direct and Guaranteed Loans		
Credit Reform Loans	$ 142,633	$ 120,534
Liquidating Loans	202,194	232,391
Direct and Guaranteed Loans	344,827	352,925
Allowance for Doubtful Accounts	(133,047)	(71,231)
Loans, Net of Allowance for Doubtful Accounts	211,780	281,694
Other Interest Receivable from the Public	11,327	2,660
Loans and Interest Receivable	$ 223,107	$ 284,354

The Bureau of Reclamation, the Bureau of Indian Affairs and the National Park Service administer loan programs. Loans are accounted for as receivables after the funds are disbursed.

Reclamation's loan programs provide Federal assistance to organizations wishing to construct or improve water resources development in the West. The Bureau of Indian Affairs provides direct and guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The Indian Affairs loan program includes the Indian Direct Loan Program and Indian Loan Guarantee Program under Credit Reform and a Liquidating Fund for loans made prior to 1992.

Pursuant to the Wolf Trap Farm Park Act, the Wolf Trap Foundation for the Performing Arts and the National Park Service amended their cooperative agreement to set up a repayment schedule of loan principal to the Foundation totaling $8 million. The Wolf Trap loan balance is currently$6.5 million. The monies received for repayment may be retained until expended by the Secretary of the Interior in consultation with the Foundation for the maintenance of structures, facilities and equipment of the park.

Direct loans and loan guarantees made during and after fiscal year 1992 are accounted for in accordance with the requirements of the Credit Reform Act of 1990, and are referred to as "credit reform loans." Under credit reform, loans are comprised of two components. The first component is borrowed from the U.S. 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 annual appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

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

NOTE 9. RESTRICTED ASSETS

The Land and Water Conservation Fund, the Historic Preservation Fund, and the Reclamation Fund are included in the financial statements of the Department. However, these fund assets are not available for use by the Department until funds have been appropriated by Congress.

The Land and Water Conservation Fund and the Historic Preservation Fund are administered by the National Park Service. Both funds receive 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. In addition, the Land and Water Conservation Fund receives additional monies from sales of federal assets by the General Services Administration and other sources.

The balances in these accounts and annual year appropriations out of these accounts at September 30, 1997 and 1996 are as follows:

Restricted Assets

(dollars in thousands)	1997	1996
Conservation Funds		
Land and Water Conservation Fund	$ 11,861,426	$ 11,128,809
Historic Preservation Fund	2,210,278	2,096,890
Reclamation Fund	3,078,129	2,871,036
Total Assets - Conservation and Reclamation Funds	$ 17,149,833	$ 16,096,735

The Reclamation Fund is comprised of certain revenues received by the Bureau of Reclamation and the Department of Energy (Western Area Power Administration) from various sources including power/water sales, construction/operations and maintenance repayments, oil/mineral royalties, and sale of public lands. The Reclamation Fund is a financing resource to the Bureau of Reclamation and the Western Area Power Administration to the extent that previous year funds are appropriated by Congress to fund programs and operations.

NOTE 10. DEFERRED REVENUE

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

NOTE 11. NOTES PAYABLE TO TREASURY

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

Notes Payable to Treasury

(dollars in thousands)		**1997**		**1996**
Helium Fund	$	1,357,204	$	1,365,204
Credit Reform Borrowings		78,304		55,529
Total Notes Payable to Treasury	$	1,435,508	$	1,420,733

A. Helium Fund - Bureau of Land Management

Notes Payable to Treasury from the Helium Fund

(dollars in thousands)		**1997**		**1996**
Principal:				
Net Worth Debt	$	37,343	$	37,343
Additional Borrowing from Treasury		251,650		251,650
Total Principal		288,993		288,993
Interest:				
Beginning Balance		1,076,211		1,084,211
Repayments		(8,000)		(8,000)
Ending Balance		1,068,211		1,076,211
Notes Payable to Treasury - Helium Fund	$	1,357,204	$	1,365,204

The Helium Fund was established in the late 1950's and early 1960's to ensure that the 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 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-government nature of the loan, unless the loan is forgiven, the funds for repayment to the U.S. Treasury must come from the U.S. Treasury, either in the form of appropriations to the Helium fund to repay the loan or in the form of appropriations to other government users of helium to pay the higher prices necessary to permit loan repayment.

The Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatization of the Department's helium refining program. Under this law, the Department will cease producing, refining and marketing refined helium within 18 months of enactment. In addition, the sale of the Department's stockpile of helium will commence no later than January 1, 2005 (see also Note 17, Discontinuation of Helium Program).

Net Worth Debt reported in the table above reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund, plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. 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 are now delinquent.

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.

B. Loans from Treasury under Credit Reform

The Bureau of Indian Affairs and the Bureau of Reclamation have borrowed funds from the U.S. Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs. These amounts are repaid to Treasury as loan repayments are received from customers (see also Note 8, Loans and Interest Receivable).

NOTE 12. CONTINGENT LIABILITIES

The Department of the Interior is a party to various administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the Federal government. The Department has accrued liabilities where losses are determined to be probable and the amounts can be estimated.

Other significant contingencies exist where a loss is reasonably possible, or where a loss is probable but an estimate cannot be determined. In some cases, once losses are certain, some payments may be from the Judgment Fund maintained by the U.S. Department of Treasury rather than from amounts appropriated to the Department for Deparmental operations. These amounts are treated as liabilities or potential liabilities of the Department until such time as the payment

A. Environmental Hazards

The Department of the Interior is subject to Federal, state, and local 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 such contamination resulted. The major federal laws covering environmental contamination as related to the Department are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). Responsible parties, including Federal agencies are required to clean up releases of hazardous substances.

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

The Department has an active program to track hazardous sites, secure the affected areas, and begin clean-up of priority areas. However, the vast expense of Department 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.

The Department has recognized an estimated liability of $225 million for sites where the Department created or contributed to the hazard, and the environmental cleanup liability probable and reasonably estimable. This estimate includes either the expected future clean-up costs, or for those sites where future liability is unknown, the cost of study necessary to evaluate cleanup requirements. The Department's total contingent liability for environmental cleanup of sites, including those where liability is considered reasonably possible and cases in litigation, may be $315 million or greater. The estimated liability excludes estimates of future mineral site restorations discussed below which the Department will voluntarily undertake remediation without legal responsibility to do so.

In addition to a limited number of cases where the Department may have created or contributed to the hazard discussed above, hazardous conditions on public lands for which the Department might fund clean up may result from:

- legal mining activities by others over the past two centuries and prior to current strict environmental clean up and restoration laws

- legal mining activities subject to current standards, but where the responsible party cannot be found, has declared bankruptcy, or otherwise cannot be compelled to remove the hazard

- illegal activities, including active and abandoned narcotics laboratories, hazardous materials dumping, and illegal mining

- transportation spills, landfills, pipelines, and airports.

B. Indian Trust Funds

The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the United States Government for Indians and Indian Tribes.

At the direction of the Department and the Bureau of Indian Affairs, a national accounting firm has conducted a five-year project to reconcile tribal trust fund account activity over the 20 year period beginning in 1972. The report of this reconciliation indicates that while there is no evidence that funds have been lost or stolen, the method of record keeping over the last several decades is not sufficient to reconstruct all activity or to permit a complete reconciliation of the Tribal trust accounts. The Department has presented to Congress a report that outlines proposed legislative settlement options for resolving disputed balances in Tribal trust accounts. Consultations with Tribes are presently underway to reach a resolution of the issue.

The reconciliation project and the Department's report to Congress did not address similar issues regarding trust accounts held for individual Indians. In 1996, certain parties brought a class action lawsuit against the Secretary of the Interior, the Assistant Secretary for Indian Affairs and the Secretary of the Treasury alleging breach of trust with respect to the United States' handling of Individual Indian Money trust fund accounts. Counsel for the plaintiffs and the Government are currently negotiating the resolution of this matter.

No estimate is made at this time as to any financial liability that may result from the resolution of the Tribal reconciliation, the individual Indian class action lawsuit and any other related claims. However, it is likely that any settlement will be paid out of funds appropriated by Congress for that purpose.

C. Other Contingent Liabilities

The Bureau of Indian Affairs and the Bureau of Reclamation are each defendants in certain litigation where the amounts claimed are in excess of $1 billion. The ultimate outcome of these cases cannot be predicted at this time. Additionally, the Department is party to a number of lawsuits and other actions where monetary amounts are sought from the Department. In less than ten of these cases, judgments have been issued against the Department, totaling approximately $340 million. Although appeals are ongoing, the Department has recognized a contingent liability for this amount. Any cash settlements are expected to be paid out of the Judgment Fund maintained by the Department of the Treasury rather than from operating resources of the Department (except that any suits brought through the Contract Disputes Act of 1978 will require reimbursement of the Judgment Fund from current agency appropriations). In the opinion of management, the resolution of these other matters will not have a material impact on Department operations or financial position.

NOTE 13. OPERATING EXPENSES

Operating Expenses

(dollars in thousands)	Natural Resources	Science	Indian Affairs	Other	1997	1996
Salaries and Benefits	$ 2,623,841	$ 636,082	$ 516,374	$ 104,515	**$ 3,880,812**	$ 3,436,910
Contractual Services	911,562	174,627	910,092	75,483	**2,071,764**	2,101,387
Grant, Subsidies and Contributions	1,106,741	72,911	540,285	301,542	**2,021,479**	1,882,559
Rent, Communication and Utilities	228,388	89,810	46,421	18,270	**382,889**	389,265
Supplies and Materials	250,315	39,635	54,901	-	**344,851**	291,719
Travel and Transportation	140,913	37,321	34,036	-	**212,270**	185,447
Printing & Reproduction	20,678	4,561	1,259	-	**26,498**	19,427
Acquisition of Non-Capitalized Property	120,482	46,336	54,263	728	**221,809**	223,263
Acquisition of Stewardship Property	74,345	-	-	-	**74,345**	-
Other expenses	101,601	1,048	(525)	201,770	**303,894**	304,611
Intra-Segment & Intra-Department Eliminations	(56,093)	(1,611)	-	(233,039)	**(290,743)**	(297,121)
Total	$ 5,522,773	$ 1,100,720	$ 2,157,106	$ 469,269	**$ 9,249,868**	$ 8,537,467

By law, the Department 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 the Department 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 Department operations, including payment of claims and litigation by the Department of Treasury's Judgment Fund, and the partial funding of retirement benefits by the Office of Personnel Management. In fiscal year 1997 in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Department began recognizing identified costs paid for the Department by other agencies as expenses of the Department. The funding for these costs is reflected as "imputed financing sources" on the Statement of Changes in Net Position. The table above includes approximately $287 million of expenses paid by other agencies on behalf of the Department.

NOTE 14. DEFERRED MAINTENANCE

The Department of the Interior's public buildings, structures, and other facilities include some deteriorating facilities for which maintenance and repair have not been funded and implemented efficiently and effectively. Inadequately funded maintenance may result from reduced budgets, diversion of maintenance funds for emergency responses, and competition for resources from other program needs. Deterioration of facilities can adversely impact public health and safety, reduce morale and productivity of employees, and increase the need for costly major repair or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that the facility be replaced or subjected to major reconstruction before the end of its expected useful life. Accordingly, there is a potential liability for deferred maintenance costs.

The Department, through the Bureau of Reclamation and the Bureau of Indian Affairs, is responsible for the management and maintenance of several hundred dams and reservoirs. Over half of these facilities were constructed between 1900 and 1950 and the continued safe operation of this aging infrastructure is a high priority of the Department. The Department has identified those structures that would place the public at risk if they were to fail, and has embarked on a program to detect and analyze dam safety problems, install early warning systems and make the repairs needed to mitigate structural deficiencies and risks.

NOTE 15. COMPARATIVE DATA

Audited comparative data for fiscal year 1996 has been presented in order to provide an understanding of changes in financial position and operations of the Department. Certain changes have been made to prior year data to reflect current standards and presentation These changes include the reclassification of $2.79 billion from "Decrease in Invested Capital" to "Other Changes in Equity" on the Statement of Changes in Net Position. This change reflects the adoption of new accounting standards by the Department to comply with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, "Accounting for Revenue and Other Financing Sources." Under previous accounting standards, Federal agencies identified cumulative equity related to fixed assets as a separate account in the general ledger, and reported net changes to this account on the Statement of Changes. Under new accounting standards, equity resulting from the ownership of fixed assets is not uniquely identified and "changes in invested capital" are no longer reported.

<u>Prior Period Adjustments</u> are used to reflect in the current period the retroactive impact of newly adopted accounting standards and policies. The most significant of these result from the implementation, primarily in 1996 and prior, of Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." SFFAS No. 6 changes the reporting of Stewardship Assets and requires that depreciation be recognized for all general property, plant and equipment. This standard recognizes that Stewardship Assets, including public domain land, and monuments and other heritage assets, do not have an identifiable or meaningful financial value, therefore no amount should be reported for these assets in the financial statements. This standard is required to be implemented no later than fiscal year 1998 with early implementation encouraged. See Notes 6 and 7 for additional information.

In 1997, the Department adopted SFFAS No. 5, "Accounting for Liabilities of the Federal Government." Accordingly, during 1997, the Department recognized existing contingent liabilities for litigation and environmental clean-up responsibilities that were determined to meet the criteria of "probable and reasonably measurable" as defined by the standard. See Note 12, Contingent Liabilities, for additional information.

In addition, in 1996, the Bureau of Reclamation reviewed the accounting treatment of various equity accounts, resulting in certain accounting corrections. Other restatements reflect significant changes in the presentation of prior year data to conform to the current year presentation.

Prior Period Adjustments

(dollars in thousands)	1997	1996
Changes in Accounting Policy		
Recognition of Contingent & Environmental Liabilities	$ 284,841	$ -
Accounting for Property	98,888	2,526,347
Restatement of Equity Accounts	61,683	(658,955)
Adjustments to Property	(21,469)	-
Other Changes	8,570	29,162
Total Prior Period Adjustments	$ 432,513	$ 1,896,554

NOTE 16. INDIAN TRUST FUNDS (UNAUDITED)

The Department of the Interior has fiduciary responsibility for approximately $2.9 billion dollars held in trust on behalf of over 300,000 American Indian Tribes and Individual Indian accounts. Approximately 315 Tribes have an interest in the $2.4 billion Tribal Fund which accounts for 83% of the Indian Trust Funds. The remainder of the trust funds ($499 million) are in about 317 thousand individual Indian accounts and other special trust funds, including the Alaska Native Escrow Fund. The Individual Indian Monies (IIM) Fund is primarily a deposit fund for individuals as well as estates, Tribes and other organizations which may have a fiduciary interest in the trust funds. A major portion of the Tribal Fund consist of judgment awards while IIM Fund source of income is derived from royaltieson natural resource depletion, land use agreements,enterprises having a direct relationship to the trust resources, per capital payments, and investment income. The assets held in trust for Native Americans are owned by the trust beneficiaries and are not Federal assets. Therefore, these amounts are not reflected in the Consolidated Financial Statements of the Department included in this report.

The Tribal and IIM Trust Funds are managed by the Department's Office of the Special Trustee. The Special Trustee reports directly to the Secretary and is accountable for management and oversight of the Indian trust fund assets.

A summary of the Tribal and Individual Indian Assets, Trust Fund Balances and Changes in Trust Fund Balances is presented on the following page. These amounts do not include trust land managed by the Department.

Tribal and Other Special Trust Funds
Statement of Assets and Trust Fund Balances (Unaudited)
as of September 30, 1997
(dollars in thousands)

ASSETS	
Current Assets	
Cash with U.S. Treasury	$ (743)
Investments	2,403,109
TOTAL ASSETS	$ 2,402,366
TRUST FUND BALANCES, held for Indian Tribes and Other Special Trust Funds.	$ 2,402,366

Tribal and Other Special Trust Funds
Statement of Changes in Trust Fund Balances (Unaudited)
for the period ending September 30, 1997
(dollars in thousands)

Receipts	$ 619,770
Disbursements	(453,014)
Receipts in Excess of Disbursements	166,756
Trust Fund Balances, beginning of year	2,235,610
Trust Fund Balances, end of year	$ 2,402,366

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances (Unaudited)
as of September 30, 1997
(dollars in thousands)

ASSETS	
Current Assets	
Cash with U.S. Treasury	$ (6,813)
Investments	505,848
TOTAL ASSETS	$ 499,035
TRUST FUND BALANCES, held for Indian Tribes and Other Special Trust Funds.	$ 499,035

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances (Unaudited)
for the period ending September 30, 1997
(dollars in thousands)

Receipts	$ 548,280
Disbursements	(547,806)
Receipts in Excess of Disbursements	474
Trust Fund Balances, beginning of year	498,561
Trust Fund Balances, end of year	$ 499,035

NOTE 17. DISCONTINUATION OF HELIUM PROGRAM

The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior shall cease producing, refining, and marketing refined helium within 18 months of enactment. Interior may store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department may also enter into agreements with private parties for the recovery and disposal of helium on Federal lands and may grant leashold rights to any such helium. The sale of stockpile crude helium will commence no later than January 1, 2005, and will continue until January 1, 2015, at which time the helium reserves should be reduced to 600 million cubic feet.

NOTE 18. WORKING CAPITAL FUNDS

The Department of Interior has four working capital funds which are 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 are established in the Bureau of Reclamation, Office of the Secretary, Bureau of Land Management, and U.S. Geological Survey and operate as revolving funds. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Department 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, financial, and accounting services. The services provided by the working capital funds are usually those which may be performed more advantageously on a reimbursable basis.

The following condensed information about assets, liabilities, and net position of the four Department working capital funds is summarized for the fiscal years ended September 30, 1997 and 1996. The financial information presented includes intra-Department transactions.

U.S. Department of the Interior
Supplemental Statement of Financial Position
Combined Working Capital Fund
at September 30, 1997
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	TOTAL
ASSETS					
Fund Balance with Treasury and Cash	$ 100,330	$ 21,603	$ 35,067	$ 30,343	$ 187,343
Accounts Receivable	5,816	264	10,295	6,563	22,938
Property Plant & Equipment	39,262	49,330	1,047	18,014	107,653
Other Assets	161	350	-	644	1,155
TOTAL ASSETS	$ 145,569	$ 71,547	$ 46,409	$ 55,564	$ 319,089
LIABILITIES AND NET POSITION					
Liabilities to the Public:					
Accounts Payable and Other	$ 15,894	$ 556	$ 1,973	$ 13,657	$ 32,080
Liabilities to Federal Agencies:					
Amounts Payable to Treasury and Other	2,265	5	6	4,242	6,518
Other Liabilities to Federal Agencies	3,727	-	29,430	6,935	40,092
Total Liabilities	21,886	561	31,409	24,834	78,690
Net Position					
Unexpended Appropriations	-	-	397	-	397
Cumulative Results of Operations	123,683	70,986	14,603	30,730	240,002
Total Net Position	123,683	70,986	15,000	30,730	240,399
TOTAL LIABILITIES AND NET POSITION	$ 145,569	$ 71,547	$ 46,409	$ 55,564	$ 319,089

U.S. Department of the Interior
Supplemental Statement of Operations
Combined Working Capital Fund
for the year ended September 30, 1997
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	TOTAL
Expenses					
Operating Expenses	$ 289,947	$ 17,295	$ 48,483	$ 85,042	$ 440,767
Depreciation and Amortization	3,547	-	155	289	3,991
Net Loss on Disposition of Assets	484	(746)	-	1,173	911
Bad Debt Expense	-	-	-	-	-
Other Expenses	-	1	10	290	301
Total Expenses	293,978	16,550	48,648	86,794	445,970
Revenues					
Sales of Goods and Services to the Public	276,184	16,037	47,363	85,201	424,785
Sales of Goods and Services to Federal Agencies	35,256	-	-	1,390	36,646
Other Revenues	50	3,136	1,726	-	4,912
Total Revenues	311,490	19,173	49,089	86,591	466,343
NET COST OF (PROFIT FROM) OPERATIONS	$ (17,512)	$ (2,623)	$ (441)	$ 203	$ (20,373)