U.S. Department of the Interior
Notes to Principal Financial Statements
as of September 30, 2001 and 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The accompanying financial statements include all federal funds under Interior's control 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 Aquatic Resources Trust Fund. The financial statements do not, however, 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 tax revenue, which may in part be attributable to Interior.

B. Organization and Structure of Interior

On September 30, 2001, the Department was comprised of the following nine operating bureaus and Departmental Offices (Bureaus):

- National Park Service (includes Land and Water Conservation Fund and Historic Preservation Fund)
- U.S. Fish and Wildlife Service (includes Aquatic Resources Trust Fund)
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service (includes 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 2001 and 2000 financial statements and notes.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, custodial activities, changes in net position, budgetary resources and reconciliation of net cost of operations 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 U.S. generally accepted accounting principles (GAAP), Office of Management and Budget (OMB) Bulletin 97-01, "*Form and Content of Agency Financial Statements*," as amended, and applicable provisions of OMB Bulletin 01-09. 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 2001 require the presentation of comparative financial statements for some but not all of the principal financial statements. Interior has presented comparative 2000 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 appropriated, revolving, and trust 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 to be 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

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.

The public securities include marketable securities issued by other federal agencies and government-sponsored entities and consist mainly of various mortgage instruments, bonds and bank notes.

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.

For certain bureaus, the market value is estimated as the sales price of the security multiplied by the bid price as of September 30, 2001. For the remainder, the market value is reported as net of investments.

Note 4 provides additional information on Investments.

F. Accounts Receivable, Net

Accounts Receivable consists of amounts owed to Interior by other federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances.

Note 5 provides additional information on Accounts Receivable.

G. Loans - Public, 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.

H. Inventory and Operating Materials, Net

Interior's inventory is primarily composed of maps, map products and hydrologic equipment held for sale, helium for sale, and helium stockpile inventory.

The U.S. Geological Survey has inventories of supplies and materials used for normal agency operations and inventories of maps, map products, and hydrologic equipment held for sale. 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 hydrologic equipment inventory is located at the Hydrologic Instrumentation Facility (HIF) at the Stennis Space Center in Mississippi. Products located at the HIF can only be sold to Federal agencies. HIF 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 Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatizing of Interior's Federal Helium Refining Program. Under this law, Interior ceased the production, refining, and marketing of refined helium as of April 1, 1998. Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment.

The helium inventory held for sale is the actual above ground refined helium at the end of the fiscal year, plus the stockpile helium. The helium stockpile inventory 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.

Interior may also enter into agreements with private parties for the recovery and disposal of helium on federal lands. 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 for sale.

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

Note 7 provides additional information on Inventory and Operating Materials.

I. Investigations and Development

Investigations and development costs represent funds specifically appropriated by the U.S. Congress that have been expended for such activities as general engineering studies and surveys that are directly related to water management projects that are not yet under construction, or that will likely result in a structural solution. 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 that will not be undertaken are written off.

Note 8 provides additional information on Investigations and Development.

J. 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 other general property, plant and equipment. 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.

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 nine projects located in California, Colorado, and North 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.

Software. The Department implemented 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 ($10,000 or more in 2000). 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.

Stewardship Property, Plant and Equipment. Statement of Federal Financial Accounting Standards (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 was 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 9 provides additional information on Property, Plant and Equipment.

K. 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.

Environmental 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 16 provides additional information on Environmental and Contingent Liabilities.

L. 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 of Operations and serve to reduce the reported cost of operations borne by the taxpayer. 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 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 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 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 Minerals Revenue Management Program to fund its operating costs.

The methodology for accruing revenues is based on review of average monthly transactions as a basis for estimated activity at the end of the year. However, this methodology is continually evolving for custodial activity.

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 Minerals Management Service 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. 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.

M. 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 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 Contribution 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 Federal Employee Compensation Act 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 11 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from Interior.

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

N. 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 of Operations, and the Consolidated Statement of Changes in Net Position. As provided for by OMB Bulletin No. 97-01, *"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. 97-01, intradepartmental 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 Statements of Custodial Activity, however, the amounts are reported separately on the statement.

O. 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.

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

The Restricted Fund Balance with Treasury consists of amounts related to the Land and Water Conservation Fund, the Historic Preservation Fund and the Aquatic Resources Trust Fund. However, no fund assets are available for use by Interior until appropriated by Congress.

The Land and Water Conservation Fund and the Historic Preservation Fund are administered by the National Park Service. 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 Reclamation Fund is a special receipt fund into which a substantial portion of Reclamation's revenue (mostly repayment of capital investment costs) and deposits by other federal agencies (mostly revenues from certain federal mineral royalties and hydropower transmission) are made. No expenditures are made directly from the Reclamation Fund; a specific appropriation is required from the Congress in order to transfer funds out of the Reclamation Fund into one or several funds.

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.

Fund Balance with Treasury by fund type as of September 30, 2001 and 2000 consists of the following:

Fund Balance with Treasury by Fund Type

(dollars in thousands)	2001	2000
General		
Appropriated	$ 6,538,400	$ 5,284,742
Revolving	717,824	503,355
Trust	93,544	107,439
Fund Balance Held on Behalf of Others	107,055	244,690
Total General	7,456,823	6,140,226
Restricted		
Land and Water Conservation Fund	12,856,417	12,799,225
Reclamation Fund	2,993,679	2,319,831
Historic Preservation Fund	2,222,437	2,152,798
Aquatic Resources Trust Fund	17,671	8,541
Total Restricted	18,090,204	17,280,395
Total Fund Balance with Treasury	$ 25,547,027	$ 23,420,621

Status of Fund Balance by Fund Type

Unobligated Balance		
Available	$ 2,208,343	$ 1,788,596
Unavailable	18,272,883	17,555,832
Obligated Balance not yet Disbursed	5,065,801	4,076,193
Total	$ 25,547,027	$ 23,420,621

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, 2001 and 2000 consists of the following:

Cash

(dollars in thousands)	2001	2000
Cash	$ 46,614	$ 5,837
Imprest Fund	692	1,014
Cash Not Yet Deposited to Treasury	736	-
Foreign Currency	45	45
Total Cash	$ 48,087	$ 6,896

NOTE 4. INVESTMENTS, NET

A. Investments in Treasury Securities

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

The Investments as of September 30, 2001 and 2000 consist of the following:

Investments

2001

(dollars in thousands)	Investment Type	Par Value	Unamortized Premium/(Discount)	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Office of Surface Mining	Non-Marketable, par value	$ 1,866,451	$ (3,063)	$ 1,863,388	$ 1,863,388
Minerals Management Service - Conservation	Non-Marketable, market-based	961,779	(12,929)	948,850	952,482
Minerals Management Service - Custodial	Non-Marketable, market-based	28,451	(41)	28,410	28,410
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
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Marketable	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	8,500	62	8,562	8,562
	Non-Marketable, market-based	4,415	113	4,528	4,528
Bureau of Land Management	Non-Marketable, market-based	102,987	(476)	102,511	102,511
Bureau of Indian Affairs	Marketable	63,562	0	63,562	63,562
National Park Service	Non-Marketable	65	0	65	65
Total U.S. Treasury Securities		5,094,293	(25,028)	5,069,265	5,073,108
Public Securities					
Departmental Offices - Tribal Trust and Special Funds	Marketable	134,955	(524)	134,431	134,956
Bureau of Indian Affairs	Marketable	1,746	0	1,746	1,834
Total Public Securities		136,701	(524)	136,177	136,790
Total Investments		$ 5,230,994	$ (25,552)	$ 5,205,442	$ 5,209,898

2000

(dollars in thousands)	Investment Type	Par Value	Unamortized Premium/(Discount)	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Office of Surface Mining	Non-Marketable, par value	$ 1,847,088	$ (14,917)	$ 1,832,171	$ 1,832,171
Minerals Management Service - Conservation	Non-Marketable, market-based	956,488	(51,159)	905,329	905,329
Minerals Management Service - Custodial	Non-Marketable, market-based	23,198	7	23,205	23,205
U.S. Fish and Wildlife Service	Non-Marketable, market-based	406,632	(395)	406,237	406,338
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,191,880	(442)	1,191,438	1,189,502
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Marketable	110,339	582	110,921	110,921
National Resources Damage Assessment and Restoration Fund	Non-Marketable, market-based	76,982	(1)	76,981	76,982
Tribal Trust and Special Funds	Marketable	14,500	(926)	13,574	13,574
	Non-Marketable, market-based	23,955	17	23,972	23,972
	Marketable	6,350	4	6,354	6,354
Bureau of Land Management	Non-Marketable, market-based	17,694	(331)	17,363	17,363
Bureau of Indian Affairs	Marketable	37,734	(6)	37,728	37,728
National Park Service	Non-Marketable	65	0	65	65
Total U.S. Treasury Securities		4,712,905	(67,567)	4,645,338	4,643,504
Public Securities					
Departmental Offices - Tribal Trust and Special Funds	Marketable	128,465	(621)	127,844	128,465
Bureau of Indian Affairs	Marketable	27,795	0	27,795	30,000
Total Public Securities		156,260	(621)	155,639	158,465
Total Investments		$ 4,869,165	$ (68,188)	$ 4,800,977	$ 4,801,969

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 Bureau of Public Debt. The Office of Surface Mining has authority to invest AML trust funds in Treasury bills, notes, bonds, par value special issues, and one-day certificates.

Presently, all earnings from AML investments are reinvested, providing a source of continuous funding to further enhance AML trust fund equity. There are no restrictions on federal agencies as to the use or convertibility of Treasury non-marketable securities.

A portion of the non-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 their dependents. A total of $182 million and $109 million was transferred to this fund in 2001 and 2000, respectively.

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, 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 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 Environmental Improvement and Restoration Fund (EIRF) for investment. Therefore, there were no Section 7 investments in 2001.

MMS is also required by regulation to invest the 1/5 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.

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 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 in investments is accrued as it is earned.

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 par value or 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 market-based securities that the Treasury issues to federal entities without statutorily determined interest rates. 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, transferred to Departmental Offices also in 1999 in accordance with OMB and FASAB guidance. The Secretary of 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.

Bureau of Land Management. The Bureau of Land Management is authorized to invest in special non-marketable par value, and market-based book entry 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.

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.

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.

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 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 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 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 long term agreements, which will be billed in the future at the completion of the project or at agreed upon milestones. In general, receivables arising from the sales of products and services are paid more promptly and with fewer uncollectible accounts than those arising from fines and penalties.

Accounts Receivable Due from the Public

			Past Due Accounts			Allowance for Doubtful	
(dollars in thousands)	Unbilled	Current	1-180 days	181-365 days	Over 1 yr	Accounts	2001
Minerals Management Service	$ -	$ 238,484	$ -	$ -	$ -	$ -	$ 238,484
Minerals Management Service - Custodial	-	1,342,531	20,066	16,542	111,979	(270,281)	1,220,837
Bureau of Reclamation	27,107	7,936	6,290	5,326	10,649	(15,605)	41,703
U.S. Geological Survey	63,066	12,580	9,120	1,129	3,984	(14,168)	75,711
Bureau of Indian Affairs	19,929	12,151	7,108	460	3,657	(23,212)	20,093
Bureau of Land Management	3,796	5,129	656	275	1,576	(1,237)	10,195
National Park Service	758	3,063	1,471	1,986	1,139	(1,447)	6,970
U.S. Fish and Wildlife Service	-	3,281	3,902	316	488	(490)	7,497
Office of Surface Mining	23,328	811	949	90	2,346	(1,372)	26,152
Departmental Offices & Other	3,137	1,892	248	173	127	(2)	5,575
Total Accounts Receivable - Public	$ 141,121	$ 1,627,858	$ 49,810	$ 26,297	$ 135,945	$ (327,814)	$ 1,653,217

			Past Due Accounts			Allowance for Doubtful	
(dollars in thousands)	Unbilled	Current	1-180 days	181-365 days	Over 1 yr	Accounts	2000
Minerals Management Service	$ 353	$ 171,415	$ 3	$ -	$ 46	$ -	$ 171,817
Minerals Management Service - Custodial	-	927,413	16,122	5,793	191,592	(297,288)	843,632
Bureau of Reclamation	72,847	9,785	4,043	460	13,300	(11,008)	89,427
U.S. Geological Survey	64,081	13,620	7,555	1,204	4,395	(5,719)	85,136
Bureau of Indian Affairs	20,132	3,291	9,657	2,162	14,474	(30,613)	19,103
Bureau of Land Management	6,950	4,279	1,436	272	3,502	(3,791)	12,648
National Park Service	688	6,753	616	246	1,677	(844)	9,136
U.S. Fish and Wildlife Service	-	4,166	16	62	503	(340)	4,407
Office of Surface Mining	-	747	1,102	364	3,444	(3,165)	2,492
Departmental Offices & Other	2	2,703	2,115	4	74	(1)	4,897
Total Accounts Receivable - Public	$ 165,053	$ 1,144,172	$ 42,665	$ 10,567	$ 233,007	$ (352,769)	$ 1,242,695

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 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. 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.

Accounts Receivable Due from Federal Agencies

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts	2001
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	84,626	(19)	84,607
Minerals Management Service	35,176	-	35,176
Minerals Management Service - Custodial	66,783	-	66,783
Bureau of Reclamation	212,622	(776)	211,846
National Park Service	9,318	-	9,318
Bureau of Land Management	7,869	-	7,869
Bureau of Indian Affairs	59,313	7	59,320
Office of Surface Mining	196	-	196
Departmental Offices and Other	50,710	(488)	50,222
Intra-Departmental Eliminations	(304,484)	-	(304,484)
Total Accounts Receivable - Federal	$ 255,616	$ (1,276)	$ 254,340

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts	2000
U.S. Fish and Wildlife Service	$ 28,015	$ -	$ 28,015
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	23,172	-	23,172
U.S. Geological Survey	80,802	-	80,802
Minerals Management Service	24,543	-	24,543
Minerals Management Service - Custodial	65,784	-	65,784
Bureau of Reclamation	23,315	-	23,315
National Park Service	13,717	-	13,717
Bureau of Land Management	13,600	-	13,600
Bureau of Indian Affairs	43,912	-	43,912
Office of Surface Mining	10	-	10
Departmental Offices and Other	46,368	(488)	45,880
Intra-Departmental Eliminations	(100,725)	-	(100,725)
Total Accounts Receivable - Federal	$ 262,513	$ (488)	$ 262,025

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.

The typical repayment contract is up to 40 years but may extend to 50 years or more if authorized by the Congress. Prior to 2001, Reclamation recognized the amount of unmatured receivables (asset) and corresponding deferred revenue from unmatured receivables (liability).

For the 2001 and the comparative 2000 (as restated) financial statements, unmatured repayment contracts have been removed from the balance sheets and are not recognized 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, 2001 and 2000, the amounts owed to Reclamation under unmatured repayment contracts were $2.6 billion and $2.8 billion, respectively.

NOTE 6. LOANS - PUBLIC, NET

Direct loans and loan guarantees made during and after 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.

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

The Bureau of Reclamation and the Bureau of Indian Affairs administer loan programs while the National Park Service and Departmental Offices 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 Receivable - Public, Net (in thousands)

A. Direct Loan and Loan Guarantee Program Names	FY2001	FY2000
Bureau of Indian Affairs - Direct Loan Program	$ 42,889	$ 49,692
Bureau of Indian Affairs - Loan Guarantee Program	2,503	-
Bureau of Indian Affairs - Liquidating Fund	1,270	14,665
Bureau of Reclamation - Credit Reform Loans	80,096	90,678
Bureau of Reclamation - Liquidating Fund	60,873	74,178
National Park Service - Wolf Trap Foundation	5,037	5,397
Departmental Offices - Virgin Island	13,420	15,017
Departmental Offices - American Samoa Government	10,721	-
Total Loans - Public, Net	$ 216,809	$ 249,627

Direct Loans (dollars in thousands)

B. Direct Loans Obligated Prior to FY 1992:

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

	Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
	Bureau of Reclamation - Liquidating Fund	$ 73,366	$ -	$ (12,493)	$ -	$ 60,873
	Bureau of Indian Affairs - Direct Loan Program	34,795	9,399	(14,654)	-	29,540
	Departmental Offices - Virgin Island	13,114	306	-	-	13,420
	National Park Service - Wolf Trap Foundation	5,037	-	-	-	5,037
FY2001	Total	$ 126,312	$ 9,705	$ (27,147)	$ -	$ 108,870
	Bureau of Reclamation - Liquidating Fund	$ 86,934	$ -	$ (12,756)	$ -	$ 74,178
	Bureau of Indian Affairs - Direct Loan Program	38,928	9,851	(15,076)	-	33,703
	Departmental Offices - Virgin Island	14,679	338	-	-	15,017
	National Park Service - Wolf Trap Foundation	5,397	-	-	-	5,397
FY2000	Total	$ 145,938	$ 10,189	$ (27,832)	$ -	$ 128,295

C. Direct Loans Obligated After FY 1991:

	Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
	Bureau of Indian Affairs - Direct Loan Program	$ 23,363	$ 4,453	$ -	$ (14,467)	$ 13,349
	Bureau of Reclamation - Credit Reform Loans	117,030	-	-	(36,934)	80,096
	Departmental Offices - American Samoa Government	12,432	331	-	(2,042)	10,721
FY2001	Total	$ 152,825	$ 4,784	$ -	$ (53,443)	$ 104,166
	Bureau of Indian Affairs - Direct Loan Program	$ 27,662	$ 6,209	$ -	$ (17,881)	$ 15,990
	Bureau of Reclamation - Credit Reform Loans	132,053	-	-	(41,375)	90,678
FY2000	Total	$ 159,715	$ 6,209	$ -	$ (59,256)	$ 106,668

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

Direct Loan Programs	FY2001	FY2000
Departmental Offices - American Samoa Government	$ 10,721	$ -
Bureau of Reclamation - Credit Reform Loans	9,685	18,985
Total	$ 20,406	$ 18,985

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 Collections	Other	Total
	Departmental Offices - American Samoa Government	$ (28)	$ 2,070	$ -	$ -	$ 2,042
FY2001	Total	$ (28)	$ 2,070	$ -	$ -	$ 2,042

Modifications and Reestimates

	Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Direct Loan Program	$ -	$ 3,252	$ -	$ 3,252
	Bureau of Reclamation - Liquidating Fund	-	6,800	-	6,800
FY2001	Total	$ -	$ 10,052	$ -	$ 10,052
	Bureau of Indian Affairs - Direct Loan Program	$ -	$ 79	$ -	$ 79
	Bureau of Reclamation - Liquidating Fund	-	7,900	-	7,900
FY2000	Total	$ -	$ 7,979	$ -	$ 7,979

Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY2001	FY2000
Bureau of Indian Affairs - Direct Loan Program	$ 3,252	$ 79
Bureau of Reclamation - Liquidating Fund	6,800	7,900
Departmental Offices - American Samoa Government	2,042	-
Total	$ 12,094	$ 7,979

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 Collections	Other	Total
	Departmental Offices - American Samoa Government	-0.21%	15.79%	0.00%	0.00%	15.58%
FY2001	Total	-0.21%	15.79%	0.00%	0.00%	15.58%

	Direct Loan Programs					
		0.00%	0.00%	0.00%	0.00%	0.00%
FY2000	Total	0.00%	0.00%	0.00%	0.00%	0.00%

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

	FY2001	FY2000
Beginning balance of the subsidy cost allowance	$ 59,256	$ 71,230
Add: Subsidy expense for direct loans disbursed during the reporting years by component:	-	-
(a) Interest rate differential costs	(28)	-
(b) Default costs (net of recoveries)	6,866	5,781
(c) Fees and other collections	(10,976)	-
(d) Other subsidy costs	-	4
Total of the above subsidy expense components	55,118	77,015
Adjustments:		
(a) Loan modification	-	-
(b) Fees received	-	-
(c) Foreclosed property acquired	-	-
(d) Loans written off	(4,700)	(42)
(e) Subsidy allowance amortization	(1,257)	(20,241)
(f) Other	(836)	319
Ending balance of the subsidy cost allowance before reestimates	48,325	57,051
Add or subtract subsidy reestimates by component:	-	-
(a) Interest rate reestimate	755	-
(b) Technical/default reestimate	4,363	2,205
Total of the above reestimate components	5,118	2,205
Ending balance of the subsidy cost allowance	$ 53,443	$ 59,256

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
	Bureau of Indian Affairs - Liquidating Fund	$ 26,262	$ 16,062	$ -	$ (41,054)	$ 1,270
FY2001	Total	$ 26,262	$ 16,062	$ -	$ (41,054)	$ 1,270
	Bureau of Indian Affairs - Liquidating Fund	$ 27,116	$ 14,842	$ -	$ (27,292)	$ 14,666
FY2000	Total	$ 27,116	$ 14,842	$ -	$ (27,292)	$ 14,666

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
	Bureau of Indian Affairs - Loan Guarantee Program	$ 23,851	$ 2,538	$ -	$ (23,886)	$ 2,503
FY2001	Total	$ 23,851	$ 2,538	$ -	$ (23,886)	$ 2,503
	Bureau of Indian Affairs - Loan Guarantee Program	$ 36,914	$ 6,575	$ -	$ (43,489)	$ -
FY2000	Total	$ 36,914	$ 6,575	$ -	$ (43,489)	$ -

Loan Guarantees (dollars in thousands)

J. Guaranteed Loans Outstanding as of September 30, 2001:

Guaranteed Loans Outstanding

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Pre-1992	$ 17,052	$ 14,896
FY1992	7,905	7,030
FY1993	8,817	7,823
FY1994	19,036	17,061
FY1995	8,975	7,762
FY1996	11,679	10,311
FY1997	11,312	9,999
FY1998	10,148	8,702
FY1999	42,459	37,876
FY2000	47,304	42,217
FY2001	16,045	13,946
Total	$ 200,732	$ 177,623

New Guaranteed Loans Disbursed (Current reporting year):

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Bureau of Indian Affairs - Loan Guarantee Program	$ 16,045	$ 13,946
Total for FY2001 Programs	$ 16,045	$ 13,946
Bureau of Indian Affairs - Loan Guarantee Program	$ 13,841	$ 12,084
Total for FY2000 Programs	$ 13,841	$ 12,084

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
FY2001	Bureau of Indian Affairs - Loan Guarantee Program	$ -	$ (47,975)	$ (47,975)
	Total	$ -	$ (47,975)	$ (47,975)
	Bureau of Indian Affairs - Loan Guarantee Program	$ -	$ (23,553)	$ (23,553)
FY2000	Total	$ -	$ (23,553)	$ (23,553)

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
FY2001	Bureau of Indian Affairs - Loan Guarantee Program	$ 3,121	$ 69	$ (921)	$ -	$ 2,269
	Total	$ 3,121	$ 69	$ (921)	$ -	$ 2,269
FY2000	Bureau of Indian Affairs - Loan Guarantee Program	$ 1,557	$ 616	$ (892)	$ -	$ 1,281
	Total	$ 1,557	$ 616	$ (892)	$ -	$ 1,281

Modifications and Reestimates:

	Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Loan Guarantee Program	$ -	$ -	$ (1,681)	$ (1,681)
FY2001	Total	$ -	$ -	$ (1,681)	$ (1,681)
	Bureau of Indian Affairs - Loan Guarantee Program	$ -	$ -	$ (19,040)	$ (19,040)
FY2000	Total	$ -	$ -	$ (19,040)	$ (19,040)

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Programs	FY2001	FY2000
Bureau of Indian Affairs - Loan Guarantee Program	$ 588	$ (17,759)
Total	$ 588	$ (17,759)

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
	Bureau of Indian Affairs - Loan Guarantee Program	3.53%	5.00%	-1.80%	0.00%	6.73%
FY2001	Total	3.53%	5.00%	-1.80%	0.00%	6.73%
	Bureau of Indian Affairs - Loan Guarantee Program	2.79%	6.71%	-1.96%	0.00%	7.54%
FY2000	Total	2.79%	6.71%	-1.96%	0.00%	7.54%

N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY2001	FY2000
Beginning balance of the loan guarantee liability	$ 23,553	$ 28,071
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	1,570	1,536
(b) Default costs (net of recoveries)	3,209	3,574
(c) Fees and other collections	(992)	(996)
(d) Other subsidy costs	-	-
Total of the above subsidy expense components	27,340	32,185
Adjustments:		
(a) Loan guarantee modification	-	-
(b) Fees received	921	892
(c) Interest supplements paid	(3,121)	(1,557)
(d) Foreclosed property and loans acquired	-	-
(e) Claim payments to lenders	(69)	(616)
(f) Interest accumulation on the liability balance	2,539	68
(g) Other (recovery, revenue, and prior period adjustments)	21,735	6,905
Ending balance of the loan guarantee liability before reestimates	49,345	37,877
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	-	-
(b) Technical/default reestimate	(1,370)	(14,324)
Total of the above reestimate components	(1,370)	(14,324)
Ending balance of the loan guarantee liability	$ 47,975	$ 23,553

O. Administrative Expense:

	Direct Loan Programs		Loan Guarantee Programs	
	Departmental Offices - American Samoa Government	$ 685	Bureau of Indian Affairs - Loan Guarantee Program	$ 500
	Bureau of Reclamation - Credit Reform Loans	216		
	Bureau of Indian Affairs - Direct Loan Program	-		
	Bureau of Indian Affairs - Liquidating Fund	-		
	National Park Service - Wolf Trap Foundation	-		
	Bureau of Reclamation - Liquidating Fund	-		
	Departmental Offices - Virgin Island	-		
FY2001	Total	$ 901		$ 500
	Bureau of Reclamation - Credit Reform Loans	$ 274	Bureau of Indian Affairs - Loan Guarantee Program	$ 950
	Bureau of Indian Affairs - Direct Loan Program	-		
	Bureau of Indian Affairs - Liquidating Fund	-		
	Bureau of Reclamation - Liquidating Fund	-		
	National Park Service - Wolf Trap Foundation	-		
	Departmental Offices - Virgin Island	-		
	Departmental Offices - American Samoa Government	-		
FY2000	Total	$ 274		$ 950

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; and 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.

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.

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 Foundation for the maintenance of structures, facilities, and equipment of the park.

Departmental Offices. Departmental Offices has two types of loans, one pre-credit reform loan to the 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 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 will be made available to the ASG bearing interest at a rate equal to the U.S. Treasury cost of borrowing for obligations of similar duration.

NOTE 7. INVENTORY AND OPERATING MATERIALS, NET

Inventory and Operating Materials as of September 30, 2001 and 2000 consists of the following:

Inventory and Operating Materials

(dollars in thousands)	2001	2000
Helium Held in Reserve for Future Sale	$ 355,075	$ 357,620
Published Maps and Hydrologic Equipment Held for Current Sale	13,674	13,801
Other Inventory Held for Current Sale	1,487	2,196
Operating Materials Held for Use	315	26
Total Inventory and Operating Materials	$ 370,551	$ 373,643

NOTE 8. INVESTIGATIONS AND DEVELOPMENT

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, 2001 and 2000 was $95 million and $84 million, respectively.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT, NET

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.

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 $566 million and $654 million as of September 30, 2001 and 2000, 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.

Property, Plant and Equipment categories, with corresponding accumulated depreciation, as of September 30, 2001 and 2000, are shown in the following tables.

Property, Plant, and Equipment

(dollars in thousands)	Buildings, Structures, Facilities and Land	Construction in Progress	Equipment, Vehicles, and Aircraft	Other Property and Equipment	2001
Bureau of Reclamation	$ 19,019,327	$ 1,110,014	$ 99,879	$ 28,361	$ 20,257,581
Bureau of Indian Affairs	2,449,233	150,991	203,363	17,124	2,820,711
National Park Service	924,465	70,695	276,333	662	1,272,155
U.S. Fish and Wildlife Service	1,036,811	85,390	216,469	-	1,338,670
Bureau of Land Management	213,081	20,250	232,053	11,794	477,178
U.S. Geological Survey	120,517	-	217,553	6,077	344,147
Minerals Management Service	-	-	22,031	22,219	44,250
Office of Surface Mining	-	-	5,722	-	5,722
Departmental Offices & Other	56,122	271,564	49,556	8,196	385,438
Gross Property, Plant and Equipment	$ 23,819,556	$ 1,708,904	$ 1,322,959	$ 94,433	$ 26,945,852
Accumulated Depreciation	(9,687,673)	-	(745,957)	(24,056)	(10,457,686)
Net Property, Plant, and Equipment	$ 14,131,883	$ 1,708,904	$ 577,002	$ 70,377	$ 16,488,166

(dollars in thousands)	Buildings, Structures, Facilities and Land	Construction in Progress	Equipment, Vehicles, and Aircraft	Other Property and Equipment	2000
Bureau of Reclamation	$ 19,202,888	$ 1,115,641	$ 93,758	$ 26,277	$ 20,438,564
Bureau of Indian Affairs	2,434,896	115,651	183,531	-	2,734,078
National Park Service	824,972	148,412	356,752	721	1,330,857
U.S. Fish and Wildlife Service	996,450	82,829	189,979	-	1,269,258
Bureau of Land Management	208,672	16,764	219,920	8,449	453,805
U.S. Geological Survey	120,517	-	215,330	-	335,847
Minerals Management Service	-	-	19,854	-	19,854
Office of Surface Mining	-	-	6,073	-	6,073
Departmental Offices & Other	42,142	234,356	45,091	7,137	328,726
Gross Property, Plant and Equipment	$ 23,830,537	$ 1,713,653	$ 1,330,288	$ 42,584	$ 26,917,062
Accumulated Depreciation	(9,573,727)	-	(754,379)	(20,589)	(10,348,695)
Net Property, Plant, and Equipment	$ 14,256,810	$ 1,713,653	$ 575,909	$ 21,995	$ 16,568,367

NOTE 10. OTHER ASSETS - PUBLIC, NET

Other Assets primarily consists of the Bureau of Reclamation (BOR) costs for power rights and the Bureau of Indian Affairs Fractional Land Rights Interests Pending Disposition.

In 1969, the Bureau of Reclamation entered into an agreement with five other entities for the construction of the Navajo Generating Station, in Page, Arizona. This agreement entitled Reclamation to a firm 24.3 percent of the generation of electricity for the Central Arizona Project for a term of 42 years. The BOR's costs of $101.8 million and $100.8 million for 2001 and 2000, respectively, associated with the Navajo Generating Station, were subject to respective annual amortization amounts of $10.8 million and $10.7 million.

Fractional Land Interest Pending Disposition includes 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, 2001 and 2000, are shown in the following table.

Other Assets, Net

(dollars in thousands)	2001	2000
Bureau of Reclamation	$ 229,712	$ 245,482
Bureau of Indian Affairs	8,778	3,697
U.S. Geological Survey	5,967	-
Total Other Assets	$ 244,457	$ 249,179

NOTE 11. 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 12. ASSETS ANALYSIS

Assets of the Department include entity assets, restricted and non-entity assets. Entity assets are those currently available for use by the Department. Restricted assets consist of the Land and Water Conservation Fund, Historic Preservation Fund, Aquatic Resources Trust Fund, and the Environmental Improvement and Restoration Fund. Restricted assets cannot be used until appropriated by Congress. Non-entity assets are currently held by the Department but will be forwarded to Treasury or other agencies at a future date. These assets are not available for use by the Department.

Interior's assets as of September 30, 2001 and 2000 are summarized into the following categories:

Assets Analysis

(dollars in thousands)	Entity	Restricted *	Non-Entity	2001
Fund Balance with Treasury	$ 7,349,768	$ 18,090,204	$ 107,055	$ 25,547,027
Cash	47,600	-	487	48,087
Investments, Net				
Treasury Securities	2,765,849	2,242,574	60,842	5,069,265
Public Securities	136,177	-	-	136,177
Accounts Receivable, Net				
Public	418,625	3,777	1,230,815	1,653,217
Due from Federal Agencies	175,381	8,121	70,838	254,340
Advances and Prepayments				
Public	35,134	-	-	35,134
Due from Federal Agencies	2,370	-	-	2,370
Loans - Public, Net	155,944	40,373	20,492	216,809
Inventory and Operating Materials, Net	370,551	-	-	370,551
Investigations and Development	95,227	-	-	95,227
Property, Plant and Equipment, Net	16,488,166	-	-	16,488,166
Other Assets - Public, Net	244,457	-	-	244,457
Total Assets	$ 28,285,249	$ 20,385,049	$ 1,490,529	$ 50,160,827

(dollars in thousands)	Entity	Restricted *	Non-Entity	2000
Fund Balance with Treasury	$ 5,895,536	$ 17,280,395	$ 244,690	$ 23,420,621
Cash	6,896	-	-	6,896
Investments, Net				
Treasury Securities	2,525,366	2,096,767	23,205	4,645,338
Public Securities	155,639	-	-	155,639
Accounts Receivable, Net				
Public	337,864	58,525	846,306	1,242,695
Due from Federal Agencies	170,596	25,643	65,786	262,025
Advances and Prepayments				
Public	39,992	-	-	39,992
Due from Federal Agencies	3,427	-	-	3,427
Loans - Public, Net	175,457	42,242	31,928	249,627
Inventory and Operating Materials, Net	373,643	-	-	373,643
Investigations and Development	84,115	-	-	84,115
Property, Plant and Equipment, Net	16,568,367	-	-	16,568,367
Other Assets - Public, Net	249,179	-	-	249,179
Total Assets	$ 26,586,077	$ 19,503,572	$ 1,211,915	$ 47,301,564

* In general, restricted assets are entity assets. However, a portion of the Aquatic Resources Trust Fund has been earmarked for the U.S. Coast Guard and U.S. Army Corps of Engineers, totaling $335 million and $299 million as of September 30, 2001 and 2000, respectively. These amounts are considered Non-Entity Assets.

NOTE 13. DEFERRED REVENUE

The majority of the 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. The majority of the deferred revenue received from federal agencies represents the upfront funding payments to the Interior Franchise Fund, which provides shared administrative services and commonly required products to federal agencies, that reduces the overall cost of the government.

Deferred Revenue as of September 30, 2001 and 2000 are shown below:

Deferred Revenue

(dollars in thousands)	2001	2000
Received from the Public	$ 103,001	$ 82,128
Received from Federal Agencies	288,614	121,298
Total Deferred Revenue	$ 391,615	$ 203,426

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 of approximately $663 million and $585 million as of September 30, 2001 and 2000, respectively. This estimated liability is computed 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 5.21 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	Cost of Living Adjustment	Consumer Price Index Medical Adjustment
1990	4.43%	8.40%
1991	5.03%	9.36%
1992	5.00%	7.96%
1993	2.83%	6.61%
1994	2.77%	5.27%
1995	2.57%	4.72%
1996	2.63%	3.99%
1997	2.77%	3.11%
1998	2.70%	2.77%
1999	1.53%	3.50%
2000	1.97%	3.70%
2001	2.93%	4.42%
2002	3.33%	4.44%
2003	3.00%	4.15%
2004	2.56%	4.09%
2005 and thereafter	2.50%	4.09%

NOTE 15. LOANS DUE TO TREASURY

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.

Loans due to Treasury activity for the years ended September 30, 2001 and 2000 is summarized as follows:

Loans Due Treasury

(dollars in thousands)	2000 Beginning Balance	Net Borrowing	2000 Ending Balance	Net Borrowing	2001 Ending Balance
Helium Fund	$ 1,339,204	$ (10,000)	$ 1,329,204	$ (10,000)	$ 1,319,204
Credit Reform Borrowings	107,690	21,627	129,317	(4,046)	125,271
Federal Financing Bank	16,509	(1,492)	15,017	(1,904)	13,113
Total Loans Due to Treasury	$ 1,463,403	$ 10,135	$ 1,473,538	$ (15,950)	$ 1,457,588

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.

Loans Due Treasury from Helium Fund

(dollars in thousands)	2001	2000
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	$ 1,040,211	$ 1,050,211
Repayments	(10,000)	(10,000)
Ending Balance	1,030,211	1,040,211
Loan Due to Treasury - Helium Fund	$ 1,319,204	$ 1,329,204

B. Loan Due Treasury under Credit Reform

The Bureau of Indian Affairs, the Bureau of Reclamation, and Departmental Offices (Office of Insular Affairs) have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs. See Note 6, Loans - Public, Net for more information.

Bureau of Indian Affairs. 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 an 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 loan has a final payment date of September 30, 2027.

C. Loan Due 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 period of July - September. The loan has a final payment due date of January 2, 2007. (See also Note 6, Loans - Public, Net.)

NOTE 16. ENVIRONMENTAL AND CONTINGENT LIABILITY DUE TO THE PUBLIC

The Department has responsibility to clean up its sites with environmental contamination, and it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the federal government. Interior has accrued liabilities where losses are determined to be probable and the amounts can be estimated. 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 and Contingent Liability Due to the Public as of September 30, 2001 and 2000 is summarized in the categories below:

Environmental and Contingent Liabilities Due to the Public

			Potential Liabilities			
	Accrued Liabiltiies		2001		2000	
(dollars in millions)	2001	2000	Lower	Upper	Lower	Upper
Contingent Liabilities	$ 480	$ 698	$ 1,001	$ 2,121	$ 1,093	$ 1,317
Estimated Cleanup Cost	268	269	119	297	188	561
Total Environmental and Contingent Liabilities	$ 748	$ 967	$ 1,120	$ 2,418	$ 1,281	$ 1,878

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

Interior has recognized an estimated liability of $268 million and $269 million for 2001 and 2000, 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 its hazardous sites, secure the affected areas, and begin remediation in priority areas. However, the vast expanse of Interior lands prevents an acre-by-acre review, so the exact total number of sites and a firm statement of cleanup costs are not determinable. Once a site has been identified, it may take several years to perform an evaluation of the site and determine the potential cost of remediation. 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 $119 million to $297 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 management. Interior places a high priority on comprehensive Indian trust reform efforts, including implementation of vital improvements to systems, policies, and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals. Currently, there are claims and potential claims relating to past trust fund management for both tribal accounts and Individual Indian Monies (IIM) accounts. Several years ago, in accordance with congressional directives and the American Indian Trust Fund Management Reform Act of 1994, the Department and the Bureau of Indian Affairs contracted with a national accounting firm to reconcile tribal trust fund account activity over a 20-year period. Their report indicated that, while there was no evidence that tribal trust funds had been lost or stolen, the method of recordkeeping was not sufficient to reconstruct all activity or to permit a complete reconciliation of the tribal accounts. Documentation to support the accuracy of some transactions could not be located. Pursuant to the 1994 Reform Act, the Department presented to Congress a report that outlined proposed legislative settlement options for resolving disputed tribal trust account balances in 1996. However, to date no settlement process has been established to resolve tribal trust fund account balances in dispute. Several tribes have initiated litigation based on the reconciliation results.

In 1996, a number of individual Indians brought a class action lawsuit against the Interior Secretary, the Assistant Secretary-Indian Affairs, and the Secretary of the Treasury, alleging breach of trust in handling IIM trust fund accounts. The court bifurcated the case into prospective ("fixing the system") and retrospective ("correcting the accounts") relief. In February 1999, the court found defendants in contempt of court for failure to timely 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 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 system architecture, and staffing. The court, which retained jurisdiction for at least five years, directed the Defendants to file a revised High-Level Implementation Plan (HLIP) for trust reform and quarterly status reports on steps taken to remedy the court-identified breaches and to carry out trust reform. 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 appellants' compliance with their fiduciary obligations." The appeals court indicated that it is proper for the district court to monitor whether the Department "takes steps so defective that they would necessarily delay rather than accelerate the ultimate provision of an adequate accounting." Also, the Court appointed a Special Master (to oversee discovery and records retention) and a Court Monitor (to review trust reform activities and report his findings to the court). The court has asked the Secretary and the Assistant Secretary - Indian Affairs why they should not be held in contempt for failing to comply with the December 1999 order to initiate a historical accounting and for committing a fraud on the court by concealing information and filing false and misleading information.

Regarding retrospective relief, the plaintiffs seek an accounting, not damages in this case. Although the plaintiffs assert that potential liability is over $20 billion, the Office of the Solicitor states that an accurate estimate of the range of potential loss cannot currently be made. Resolution of this case could support a future claim for money. The Office of Historical Trust Accounting has been established to oversee the historical accounting to IIM beneficiaries. This office will develop a comprehensive plan analyzing options for accomplishing the historical accounting with timetables and projected costs for implementation.

No estimate is 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.

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, $480 million and $698 million has been accrued in the financial statements as of September 30, 2001 and 2000, 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 $1,001 million to $2,121 million. Interior is the defendant in certain litigation where the damage award being sought could amount to $1 billion or more. In an MMS breach of contract case, the plaintiffs who are lessees under federal oil and gas leases claim damages of over $1.2 billion, and legal counsel considers the likelihood of an unfavorable outcome to be reasonably possible. There is another pending breach of contract lawsuit brought by a lessee of certain oil and gas leases administered by MMS. This case is in the discovery phase, and MMS and other federal agencies intend to contest it vigorously. However, if liability is found, legal counsel believes that there is reasonable possibility of an unfavorable outcome of up to $500 million. The ultimate outcome cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

NOTE 17. DEFERRED CREDITS AND OTHER LIABILITIES

The funded and unfunded portions of Deferred Credits and Other Liabilities as of September 30, 2001 and 2000 are shown below. See Note 19, Liabilities Not Covered by Budgetary Resources, for that portion which is unfunded.

Deferred Credits and Other Liabilities

(dollars in thousands)	Current	Non-Current	2001
Due to the Public			
Deferred Credits	$ 117,409	$ 144,876	$ 262,285
Loan Guarantee Liability	-	47,975	47,975
Other Liabilities	347,326	45,279	392,605
Total Due to the Public	$ 464,735	$ 238,130	$ 702,865
Due to Federal Agencies			
Deferred Credits	$ (1,272)	$ 14,204	$ 12,932
Receipts Transferable to Treasury	37,000	-	37,000
Other Liabilities	153,533	-	153,533
Total Due to Federal Agencies	$ 189,261	$ 14,204	$ 203,465

(dollars in thousands)	Current	Non-Current	2000
Due to the Public			
Deferred Credits	$ 130,011	$ 139,886	$ 269,897
Loan Guarantee Liability	-	23,553	23,553
Other Liabilities	187,409	60,863	248,272
Total Due to the Public	$ 317,420	$ 224,302	$ 541,722
Due to Federal Agencies			
Deferred Credits	$ (6,529)	$ 44,575	$ 38,046
Receipts Transferable to Treasury	57,487	-	57,487
Other Liabilities	248,154	-	248,154
Total Due to Federal Agencies	$ 299,112	$ 44,575	$ 343,687

As of September 30, 2001, Other Liabilities Due to the Public primarily consists of payments to the States ($238 million) and payables under the Rural Schools Act ($94 million); Other Liabilities Due to Federal Agencies primarily consists of Treasury judgment fund liability ($101 million) and undistributed collections ($48 million). As of September 30, 2000, Other Liabilities Due to the Public primarily consists of payments to the states ($171 million); Other Liabilities Due to Federal Agencies primarily consists of undistributed collections ($140 million) and the Treasury judgment liability ($84 million).

NOTE 18. 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 the table below, federally-owned leases are included in years 2002 through 2006.

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 the table below, these leases are included according to the stated expiration date.

All GSA leases assume a 2002 lease escalation in accordance to 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 2002.

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 2002 is based on a 3 percent increase over the 2001 actual personal property expense amount for 2001. For subsequent years up to 2006 the amounts are inflated each year at 3 percent over the previous year.

The aggregate of the Department's future payments due under noncancellable 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
(dollars in thousands)

Fiscal Year	GSA Real Property	Other Real Property	Personal Property	Total
2002	$ 188,011	$ 57,541	$ 19,892	$ 265,444
2003	185,336	58,851	20,409	264,596
2004	182,818	59,086	20,444	262,348
2005	179,886	59,519	20,467	259,872
2006	180,851	60,612	21,010	262,473
Thereafter	212,865	134,686	-	347,551
Total Future Lease Payments	$ 1,129,767	$ 430,295	$ 102,222	$ 1,662,284

NOTE 19. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

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.

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 and the environmental and contingent liability when they are needed for disbursements. The accrued benefit and payroll due to the public represents annual leave. Budgetary resources are generally provided for annual leave when it is taken.

Interior's liabilities not covered by budgetary resources as of September 30, 2001 and 2000 are as follows:

Liabilities Not Covered by Budgetary Resources

(dollars in thousands)	2001	2000
Environmental and Contingent Liability Due to the Public	$ 748,359	$ 966,952
Federal Employees Compensation Act Liability Due to the Public	663,468	584,827
Accrued Payroll and Benefits - Unfunded Portion Only		
Due to the Public	285,347	268,022
Due to Federal Agencies	110,809	106,332
Deferred Credits and Other Liabilities - Unfunded Portion Only		
Due to the Public	347,131	185,218
Due to Federal Agencies	92,227	83,610
Total Liabilities Not Covered by Budgetary Resources	$ 2,247,341	$ 2,194,961
Total Liabilities Covered by Budgetary Resources	4,864,920	4,417,091
Total Liabilities	$ 7,112,261	$ 6,612,052

NOTE 20. NET COST BY RESPONSIBILITY SEGMENT

During the year ended September 30, 2001, the Department revised the presentation of the Consolidated Statement of Net Cost of Operations and related disclosures to present gross costs, earned revenues, and net costs 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.

The Department restated the Consolidated Statement of Net Cost of Operations and related disclosures for the year ended September 30, 2000 to conform to the current year presentation. The restated Consolidated Statement of Net Cost of Operations and disclosures for the year ended September 30, 2000 have not been audited.

The table on the following pages presents the Department's net cost of operations by program and by responsibility segment.

U.S. Department of the Interior
Consolidating Statement of Net Cost of Operations
for the year ended September 30, 2001
with comparative totals for the year ended September 30, 2000
(dollars in thousands)

	Bureau of Indian Affairs	National Park Service	Bureau of Land Management	U.S. Fish and Wildlife Service	U.S. Geological Survey
Protect the Environment and Preserve Our Nation's Natural and Cultural Resources					
Gross Cost	$ -	$ 700,335	$ 480,998	$ 1,626,897	$ -
Earned Revenue	-	120,803	78,874	134,295	-
Net Cost	-	579,532	402,124	1,492,602	-
Provide Recreation for America					
Gross Cost	-	1,761,378	86,497	164,894	-
Earned Revenue	-	172,774	11,445	11,312	-
Net Cost	-	1,588,604	75,052	153,582	-
Manage Natural Resources for a Healthy Environment and a Strong Economy					
Gross Cost	-	-	748,985	-	-
Earned Revenue	-	-	156,161	-	-
Net Cost	-	-	592,824	-	-
Provide Science for a Changing World					
Gross Cost	-	-	119,638	-	1,283,186
Earned Revenue	-	-	7,535	-	379,350
Net Cost	-	-	112,103	-	903,836
Meet Our Responsibilities to American Indians and Island Communities					
Gross Cost	2,759,751	-	332,564	-	-
Earned Revenue	250,393	-	837	-	-
Net Cost	2,509,358	-	331,727	-	-
Shared Services					
Gross Cost	-	-	18,047	-	37,975
Earned Revenue	-	-	44,991	-	41,075
Net Cost	-	-	(26,944)	-	(3,100)
Other					
Gross Cost	-	-	-	-	2,971
Earned Revenue	-	-	-	-	259
Net Cost	-	-	-	-	2,712
Elimination of Intra-Department Activity					
Gross Cost	(12,664)	-	(44,585)	(584)	(42,689)
Earned Revenue	(12,664)	-	(44,585)	(584)	(42,689)
Net Cost	-	-	-	-	-
Totals					
Gross Cost	2,747,087	2,461,713	1,742,144	1,791,207	1,281,443
Earned Revenue	237,729	293,577	255,258	145,023	377,995
Net Cost of Operations	$2,509,358	$2,168,136	$1,486,886	$1,646,184	$903,448

U.S. Department of the Interior
Consolidating Statement of Net Cost of Operations (continued)
for the year ended September 30, 2001
with comparative totals for the year ended September 30, 2000
(dollars in thousands)

Bureau of Reclamationn	Office of Surface Mining	Minerals Management Service	Departmental Offices and Other	Intra Departmental Eliminations	2001	2,000 (Unaudited)
$ 172,227	$ 224,123	$ -	$ 16,127	$ -	$ 3,220,707	$ 3,089,871
59,706	2,174	-	102,811	-	498,663	350,065
112,521	221,949	-	(86,684)	-	2,722,044	2,739,806
34,493	-	-	-	-	2,047,262	1,950,120
1,014	-	-	-	-	196,545	232,890
33,479	-	-	-	-	1,850,717	1,717,230
1,415,001	166,682	1,376,024	8,353	-	3,715,045	3,133,691
803,467	-	117,327	22,345	-	1,099,300	874,695
611,534	166,682	1,258,697	(13,992)	-	2,615,745	2,258,996
-	-	-	-	-	1,402,824	1,345,320
-	-	-	-	-	386,885	393,640
-	-	-	-	-	1,015,939	951,680
-	-	-	447,037	-	3,539,352	3,450,657
-	-	-	39,318	-	290,548	267,312
-	-	-	407,719	-	3,248,804	3,183,345
298,445	-	-	584,663	-	939,130	742,454
284,519	-	-	590,801	-	961,386	752,288
13,926	-	-	(6,138)	-	(22,256)	(9,834)
27,422	-	235,077	166,609	-	432,079	309,375
17,513	-	235,432	25,632	-	278,836	183,437
9,909	-	(355)	140,977	-	153,243	125,938
(265,663)	-	-	(107,414)	(575,507)	(1,049,106)	(893,956)
(265,663)	-	-	(107,414)	(575,507)	(1,049,106)	(855,151)
-	-	-	-	-	-	(38,805)
1,681,925	390,805	1,611,101	1,115,375	(575,507)	14,247,293	13,127,532
900,556	2,174	352,759	673,493	(575,507)	2,663,057	2,199,176
$781,369	$388,631	$1,258,342	$441,882	$ -	$11,584,236	$10,928,356

Net Cost of Operations - Activity with the Public and Federal Agencies

		Expenses Incurred with the Public		Expenses Incurred with Federal Agencies		Revenues Earned from the Public		Revenues Earned from Federal Agencies		Net Cost of Operations
Protect the Environment and Preserve Our Nation's Natural & Cultural Resources	$	2,683,077	$	537,630	$	371,594	$	127,069	$	2,722,044
Provide Recreation for America		1,653,116		394,146		158,256		38,289		1,850,717
Manage Natural Resources for a Healthy Environment and a Strong Economy		2,905,819		809,226		656,413		442,887		2,615,745
Provide Science for a Changing World		1,060,299		342,525		175,641		211,244		1,015,939
Meet Our Responsibilities to American Indians and Island Communities		3,133,364		405,988		125,192		165,356		3,248,804
Shared Services		508,185		430,946		24,574		936,813		(22,256)
Other		259,486		172,593		(28,149)		306,985		153,243
Elimination of Intra-Department Activity		-		(1,049,107)		-		(1,049,107)		-
Totals	$	12,203,346	$	2,043,947	$	1,483,521	$	1,179,536	$	11,584,236

NOTE 21. EXPENSES

By law, Interior, as an agency of the federal government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in the Department's financial condition and results. However, in certain cases, other federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by the Office of Personnel Management. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Department recognizes identified costs paid for the Department by other agencies as expenses of Interior. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Expenses paid by other agencies on behalf of Interior were $546 million and $322 million for the years ended September 30, 2001 and 2000, respectively, and are included in Salaries and Benefits and Other Expenses.

The following table reflects the classification of operating expenses recognized by the Department as of September 30, 2001 and 2000.

Expenses

(dollars in thousands)	2001	Unaudited 2000
Operating Expenses		
Salaries and Benefits	$ 4,997,052	$ 4,563,613
Contractual Services	3,331,570	3,025,674
Grant, Subsidies and Contributions	2,246,539	2,345,746
Non Production Costs	1,280,370	693,282
Rent, Communication and Utilities	555,220	479,084
Supplies and Materials	443,840	413,367
Travel and Transportation	310,740	271,643
Acquisition of Non-Capitalized Property	272,045	293,599
Cost of Goods Sold	118,254	121,470
Acquisition of Heritage Assets	92,758	26,618
Acquisition of Stewardship Property	75,622	269,437
Printing & Reproduction	26,251	26,253
Other Expenses	350,439	127,662
Inter-Bureau Eliminations	(575,507)	(428,909)
Total Operating Expenses	$ 13,525,193	$ 12,228,539
Total Non-Operating Expenses	722,100	898,993
Total Expenses	$ 14,247,293	$ 13,127,532

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

2001 Gross Cost and Earned Revenue by Budget Functional Classification

(dollars in thousands)	Gross Cost	Earned Revenue *	2001 Net Cost
Natural Resources	$ 10,515,480	$ (3,601,823)	$ 6,913,657
Transportation	254,465	-	254,465
Community and Regional Development	2,345,277	(272,873)	2,072,404
Education and Training	88,360	(220)	88,140
General Government	638,186	(23,044)	615,142
Other	1,454,631	(1,111,167)	343,464
Total, Before Eliminations	$ 15,296,399	$ (5,009,127)	$ 10,287,272
Conservation Funds, Custodial Revenues, and Other	-	1,296,964	1,296,964
Total Intra-Departmental Eliminations	(1,049,106)	1,049,106	-
Department of the Interior's Net Cost of Operations	$ 14,247,293	$ (2,663,057)	$ 11,584,236

* Earned Revenue includes $1,296,964 thousand of Conservation fund and Custodial Revenue not presented on the Department's Statement of Net Cost of Operations. To prevent double counting by Treasury, this amount excludes Custodial Revenue transferred to the Conservation Fund and certain other federal agencies.

2000 Gross Cost and Earned Revenue by Budget Functional Classification (Unaudited)

(dollars in thousands)	Gross Cost	Earned Revenue *	2000 Net Cost
Natural Resources	$ 9,544,200	$ (4,476,411)	$ 5,067,789
Transportation	270,185	(45)	270,140
Community and Regional Development	2,261,977	(229,852)	2,032,125
Education and Training	81,312	(370)	80,942
General Government	607,647	(25,770)	581,877
Other	1,262,985	(5,590,442)	(4,327,457)
Total, Before Eliminations	$ 14,028,306	$ (10,322,890)	$ 3,705,416
Conservation Funds, Custodial Revenues, and Other	(6,818)	7,268,563	7,261,745
Total Intra-Departmental Eliminations	(893,956)	855,151	(38,805)
Department of the Interior's Net Cost of Operations	$ 13,127,532	$ (2,199,176)	$ 10,928,356

* Earned Revenue includes $7,268,563 thousand of Conservation fund and Custodial Revenue not presented on the Department's Statement of Net Cost of Operations. To prevent double counting by Treasury, this amount excludes Custodial Revenue transferred to the Conservation Fund and certain other federal agencies.

2001 Intra-Governmental Gross Cost and Earned Revenue by BFC

(dollars in thousands)	Gross Cost	Earned Revenue	2001 Net Cost
Natural Resources	$ 2,675,124	$ (2,063,043)	$ 612,081
Transportation	8,707	-	8,707
Community and Regional Development	327,790	(160,219)	167,571
Education and Training	6,589	(96)	6,493
General Government	65,459	(5,045)	60,414
Other	9,383	(239)	9,144
Total	$ 3,093,052	$ (2,228,642)	$ 864,410
Total Intra-Departmental Eliminations	(1,049,106)	1,049,106	-
Total	$ 2,043,946	$ (1,179,536)	$ 864,410

2000 Intra-Governmental Gross Cost and Earned Revenue by BFC (Unaudited)

(dollars in thousands)	Gross Cost	Earned Revenue	2000 Net Cost
Natural Resources	$ 1,955,927	$ (1,628,445)	$ 327,482
Transportation	13,388	(202)	13,186
Community and Regional Development	287,527	(156,447)	131,080
Education and Training	10,992	(215)	10,777
General Government	35,835	(8,792)	27,043
Other	58,436	(218,161)	(159,725)
Total	$ 2,362,105	$ (2,012,262)	$ 349,843
Total Intra-Departmental Activity and Other	(863,855)	872,378	8,523
Total	$ 1,498,250	$ (1,139,884)	$ 358,366

NOTE 22. ROYALTIES RETAINED, INTEREST, AND OTHER NON-EXCHANGE REVENUE

Royalties Retained, Interest, and Other Non-Exchange Revenue includes minerals receipts transferred to the Department totaling approximately $3,148 million. These distributions include amounts transferred to the National Park Service for the Land and Water Conservation and Historic Preservation Fund and to the Minerals Management Service for distribution to states and to offset costs incurred by MMS related to royalty collections. These amounts are exchange revenue, but are presented on the Statement of Changes in Net Position in accordance with federal accounting standards. In addition, this line includes approximately $232 million of non-exchange interest revenue.

NOTE 23. 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.

(dollars in thousands)	As Originally Reported	As Restated	Net Change Increase (Decrease)
Balance Sheet			
ASSETS			
Fund Balance with Treasury			
Fund Balance with Treasury - General	$ 6,147,380	$ 6,140,226	$ (7,154)
Fund Balance with Treasury - Restricted (A, B)	17,600,471	17,280,395	(320,076)
Cash (N)	42,630	6,896	(35,734)
Investments, Net			
Treasury Securities (A, N)	3,418,166	4,645,338	1,227,172
Public Securities	155,639	155,639	0
Total Fund Balance with Treasury, Cash and Investments	27,364,286	28,228,494	864,208
Accounts Receivable , Net			
Public (P, C, M)	3,917,737	1,242,695	(2,675,042)
Due from Federal Agencies (A, B, G)	548,107	262,025	(286,082)
Advances and Prepayments			
Public	45,261	39,992	(5,269)
Due from Federal Agencies	(2,617)	3,427	6,044
Loans - Public, Net	242,833	249,627	6,794
Inventory and Operating Materials, Net	378,152	373,643	(4,509)
Investigations and Development (D)	160,288	84,115	(76,173)
Property, Plant and Equipment, Net (D, E)	16,705,049	16,568,367	(136,682)
Other Assets - Public, Net (F, G)	616,875	249,179	(367,696)
Stewardship Assets			
TOTAL ASSETS	$ 49,975,971	$ 47,301,564	$ (2,674,407)
LIABILITIES AND NET POSITION			
Liabilities			
Accounts Payable			
Due to the Public (H)	$ 577,455	$ 643,527	$ 66,072
Due to Federal Agencies (A)	25,051	325,546	300,495
Accrued Payroll and Benefits			
Due to the Public (I)	496,324	471,862	(24,462)
Due to Federal Agencies	147,550	147,550	0
Deferred Revenue			
Received from the Public (C)	2,879,393	82,128	(2,797,265)
Received from Federal Agencies	120,527	121,298	771
Federal Employees Compensation Act Liability Due to the Public	584,827	584,827	0
Loans Due to Treasury	1,473,538	1,473,538	0
Custodial Liability Due to Federal Agencies (B, P)	1,012,299	909,415	(102,884)
Environmental and Contingent Liability Due to the Public	966,952	966,952	0
Deferred Credits and Other Liabilities			
Due to the Public (F, I, J)	485,483	541,722	56,239
Due to Federal Agencies (J)	227,564	343,687	116,123
Total Liabilities	$ 8,996,963	$ 6,612,052	$ (2,384,911)
Commitments and Contingencies			
Net Position			
Unexpended Appropriations (G, L)	$ 3,553,756	$ 3,155,865	$ (397,891)
Cumulative Results of Operations (D, E, G, H, K, L, M)	37,425,252	37,533,647	108,395
Total Net Position	$ 40,979,008	$ 40,689,512	$ (289,496)
TOTAL LIABILITIES AND NET POSITION	$ 49,975,971	$ 47,301,564	$ (2,674,407)
Statement of Net Cost of Operations (Unaudited)			
Gross Cost (D, E, G, H, K)	$ 12,279,795	$ 13,127,532	$ 847,737
Earned Revenue (M)	2,199,531	2,199,176	(355)
Net Cost of Operations	$ 10,080,264	$ 10,928,356	$ 848,092
Budgetary Resources			
Unobligated Balances, Net - End of Period (O)	$ 3,071,292	$ 2,922,604	$ (148,688)
Obligated Balance, Net - End of Period (O)	$ 4,036,569	$ 4,117,936	$ 81,367
Statement of Custodial Activity			
Mineral Lease Revenue			
Rents and Royalties (P)	$ 5,683,308	$ 5,758,453	$ 75,145
Offshore Lease Sales	426,578	426,578	0
Strategic Petroleum Reserve	560,521	560,521	0
Interest Revenue	75,501	74,659	(842)
Total Mineral Lease Revenue	$ 6,745,908	$ 6,820,211	$ 74,303
Disposition of Revenue			
Transfers			
Distribution to Department of the Interior			
National Park Service Conservation Funds	$ 1,049,000	$ 1,049,000	$0
Bureau of Reclamation	542,731	542,731	0
Minerals Management Service (K)	1,020,354	1,731,909	711,555
Bureau of Land Management	83,842	83,842	0
Fish and Wildlife Service	0	1,781	1,781
Distribution to Other Federal Agencies			
Department of Treasury (B)	4,305,742	4,615,466	309,724
Department of Agriculture	20,943	20,943	0
Department of the Commerce	1,802	22	(1,780)
Department of the Energy	560,521	560,521	0
Distribution to Indian Tribes and Agencies			
Indian Tribes and Agencies	88,021	88,021	0
Distribution to States and Others			
States and Others (K)	822,547	129,883	(692,664)
Change in Untransferred Revenue (P)	(1,749,595)	(2,003,908)	(254,313)
Total Disposition of Revenue	$ 6,745,908	$ 6,820,211	$ 74,303

Explanation of Net Change

Interior's fiscal year 2000 financial statements have been reformatted to conform to the fiscal year 2001 format and have been restated for the following items:

(A) Based upon review of the relevant accounting standards and in consultation with OMB, it was determined that the Aquatic Resources Trust Fund (ARTF) should be reported as part of the financial statements of Interior and the U.S. Fish and Wildlife Service. Previously, the ARTF was reported by the Department of Transportation. In addition, Accounts Receivable – Federal have been reduced by approximately $405 million, since FWS receivables from the ARTF have been eliminated. See ARTF balances presented below.

(B) The accounting treatment for undistributed custodial receipts transferred to Treasury at year-end has been changed. Previously, all amounts transferred at year-end were presented as Fund Balance with Treasury under the premise that these funds would be returned to Interior at the start of the next fiscal year for final distribution to the appropriate recipients. Under the revised accounting model, amounts to be retained by Treasury are recorded as current year distributions and amounts to be distributed to other parties are reflected as a receivable from Treasury and a custodial liability to the recipient entities. This change resulted in a decrease in Fund Balance with Treasury of approximately $329 million, an increase in Accounts Receivable – Federal of approximately$66 million and a net decrease of Custodial Liability of approximately $263 million. On the Statement of Custodial Activity, Distributions to Treasury increased by approximately $309 million, the Change in Untransferred Collections increased by $254 million. The difference between the $309 and the $254 is the $74 million prior period adjustment (correction) and the $18 million EIRF interest Revenue.

(C) BOR has long-term, unmatured repayment contracts related to the construction of water projects, which are generally repayable over 40 years or longer when certain conditions are met. Based upon research performed, it was determined that these contracts do not meet the criteria for recognition as a receivable until the current amount becomes due each year. Consequently, Long-term Receivables and related Deferred Revenue - Public have been reduced by approximately $2,821 million.

(D) Costs related to engineering and environmental studies for future water projects are recognized as Investigations and Development until a decision is made regarding the feasibility of the project. Review of this account during fiscal year 2001 identified capitalized amounts which should have either been expensed in prior years or moved to Construction in Progress. As a result, Investigations and Development have been reduced by approximately $76 million, Construction in Progress has increased by approximately $12 million and Prior Period Adjustments and Expenses have increased by approximately $64 million.

(E) Review of Construction in Progress and other Property, Plant and Equipment (PP&E) balances and clarification of capitalization policies resulted in a decrease of PP&E and increase to Prior Period Adjustments and Expenses of approximately $149 million.

(F) Based on analysis of the relevant accounting standards, Bureau of Land Management's unmatured timber sales contracts of approximately $33 million have been removed from Other Assets and Deferred Credits - Public.

(G) The Department receives contract authority from the Federal Highway Trust Fund which in prior years was treated as an asset. As a result of review of this authority during fiscal year 2001, Other Assets were reduced by approximately $334 million, Unexpended Appropriations was reduced by approximately $295 million and Accounts Receivable – Federal increased by approximately $31 million and Transfers increased by approximately $8 million.

(H) Accounts Payable accruals have been reviewed and corrected resulting in an increase to Accounts Payable - Public and Expenses of approximately $66 million.

(I) One bureau incorrectly included a $24 million liability to the public in Accrued Payroll and Benefits. Correction of this error resulted in a decrease in Accrued Payroll and Benefits and increase in Deferred Credits and Other Liabilities - Public.

(J) One bureau corrected the classification of $140 million in Deferred Credits from payable to the Public to payable to federal agencies.

(K) The Department changed its accounting for required payments to states from federal on-shore mineral revenue collections. Previously, these distributions were not treated as an expense of the federal government. Based upon review of the accounting standards and additional guidance received from FASAB, these payments are considered to be expenses of the Minerals Management Service and the Department. Accordingly, Expenses increased by approximately $721 million. On the Statement of Custodial Activity, Distributions to MMS increased by approximately $721 million and Distributions of receipts directly to states decreased by the same amount.

(L) Review and analysis of Unexpended Appropriations at one bureau resulted in a correction of $66 million which decreased that account and increased Cumulative Results of Operations.

(M) Previously, one bureau had recorded a receivable and revenue for a deficit in operations and maintenance (O&M) costs for the Central Valley Project which will be recoverable from customers. Upon further review, it was determined that since the deficit will be recovered through the rate setting process, the receivable and related revenue should be recognized as the water and power are sold rather than as a current stand-alone receivable. As a result, Accounts Receivable – Public has been reduced by approximately $205 million, Revenue decreased by approximately $15 million and beginning Cumulative Results decreased by approximately $190 million.

(N) One bureau reclassified certain investments from Other Monetary Assets to investments, resulting in a decrease to Cash and an increase to Investments with Treasury of approximately $37 million.

(O) Obligated and Unobligated budgetary resources balances changed due to corrections to Undelivered Orders and accruals.

(P) Errors in the recording of the Minerals Revenue accrual were corrected, resulting in an increase to Rents and Royalties of $75 million, an increase to Accounts Receivable – Public of $354 million, and an increase to Custodial Liability due to federal agencies of $354 million, and an increase to Change in Untransferred Revenues of $75 million.

In addition to the changes identified above, various minor errors were corrected, for example to remove approximately $7 million related to expired accounts from Fund Balance with Treasury and Unexpended Appropriations.

Aquatic Resources Trust Fund. Interior's 2001 financial statements reflect balances of the Aquatic Resources Trust Fund (ARTF), which provides funding sources to the Sport Fish Restoration Account and balances that are distributed to the U.S. Coast Guard Boat Safety Program and the Army Corps of Engineers Coastal Wetlands Program. Previously, the ARTF was reported by the Department of Transportation. The table below reflects summarized information of the ARTF as of September 2001 and 2000.

(dollars in thousands)	2001	2000
Fund Balance with Treasury	$ 17,671	$ 8,540
Investments, Net	1,293,724	1,191,438
Taxes Receivables, Net	6,352	22,833
Interest Receivables, Net	276	339
Total Assets	$ 1,318,023	$ 1,223,150
Payables for Invested Balances		
Fish and Wildlife	$ 410,832	$ 405,062
Corps of Engineers	265,321	235,661
Coast Guard	70,095	63,596
Total Payable for Invested Balances	$ 746,248	$ 704,319
Total Net Position	571,775	518,831
Total Liabilities and Net Position	$ 1,318,023	$ 1,223,150
Tax and Interest Revenue	$ 470,874	439,511
Net Transfers	(417,930)	(384,378)
Total Changes in Fund Balance	$ 52,944	55,133
Fund Balance, Beginning of Year	$ 518,831	463,697
Fund Balance, Ending of Year	$ 571,775	518,830

NOTE 24. STRATEGIC PETROLEUM RESERVE

The Department collected $62 million in 2001 and $561 million in 2000 in the form of petroleum, which was transferred to the government's Strategic Petroleum Reserve managed by the U.S. Department of Energy.

NOTE 25. 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 $19,892 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, 2001 is $3,493 million.

Borrowing authority included in the Budgetary Authority of $13,775 million for 2001 is $29.6 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, 2001 of $15,901 million includes $4,570 million for resources obligated for undelivered orders and $1,172 million for actual and accrued accounts payable.

All Interior bureaus use one or more permanent no-year appropriations to finance operating costs and the purchase of PP&E.

Interior received donations from the public in the form of financial and non-financial donations. Interior received $111 million in donations in 2001.

Interior's Budgetary Authority includes amounts with certain legal or other restrictions. These include:

• Authority Permanently Not Available Pursuant to Public Laws	$21.9 million
• Canceled Authority	$26.9 million
• Capital Transfers and Redemption of Debt	$51.3 million
• Other Authority Withdrawn	$18.8 million
Total	$118.9 million

The President's 2003 budget request reports budgetary authority of $13,533 million for 2001 that includes current and permanent authority. This amount includes $248 million for amounts added to the 2003 Administration proposal to shift the full cost of the Civil Service Retirement System and Federal Employees Health Benefits program to salary and expenses accounts. Estimates of these amounts were shown in the President's 2001 and 2002 budgets for comparability purposes. Further, the 2001 budget authority reported in the President's 2003 budget proposal includes amounts transferred to other federal agencies and other differences in reporting related to borrowing authority, contract authority, and special handling of accounts for scoring purposes under the Budget Enforcement of 1990 and other budgetary reporting requirements.

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 $2,805 million and $2,736 million as of September 30, 2001 and 2000, 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 248,000 Individual Indian Monies (IIM) accounts with a fund balance of approximately $404.1 million and $399.9 million as of September 30, 2001 and 2000, 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 on the following pages.

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, 2001 and 2000. The independent auditor's 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, 2001 and September 30, 2000. Treasury reports reflect balances less than OTFM balances.

For more information, see the Note 16 regarding Environmental and Contingent Liability Due to the Public.

Tribal and Other Special Trust Funds
Statements of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2001 and 2000
(dollars in thousands)

	2001	2000
ASSETS		
Current Assets		
Cash and cash equivalents	$ 748,467	$ 395,367
Investments	2,056,550	2,340,819
TOTAL ASSETS	$ 2,805,017	$ 2,736,186
TRUST FUND BALANCES		
Held for Indian tribes	$ 2,610,916	$ 2,558,638
Held by Department of the Interior and considered to be	-	-
U.S. Government funds	194,101	177,548
TOTAL TRUST FUND BALANCES	$ 2,805,017	$ 2,736,186

Tribal and Other Special Trust Funds
Statements of Changes in Trust Fund Balances - Cash Basis
for the years ended September 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Receipts	$ 360,435	$ 329,441
Interest Received	169,074	164,736
Gain (Loss) on disposition of investments, Net	6,602	1,647
Disbursements	(467,280)	(355,391)
Increase in trust fund balances, net	$ 68,831	$ 140,433
Trust Fund Balances - Beginning of Year	2,736,186	2,595,753
Trust Fund Balances - End of Year	$ 2,805,017	$ 2,736,186

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, 2001 and 2000
(dollars in thousands)

	2001	2000
ASSETS		
Current Assets		
Cash and cash equivalents	$ 44,140	$ 19,039
Investments	354,580	375,383
Accrued interest receivable	5,420	5,447
TOTAL ASSETS	$ 404,140	$ 399,869
TRUST FUND BALANCES, held for Individual Indians	$ 404,140	$ 399,869

Individual Indian Monies Trust Funds
Statements of Changes in Trust Fund Balances - Modified Cash Basis
for the years ended September 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Receipts	$ 199,641	$ 215,257
Interest and dividends earned	26,262	30,271
Gain (Loss) on disposition of investments, Net	84	(364)
Disbursements	(221,716)	(294,575)
Increase (decrease) in trust fund balances, net	$ 4,271	$ (49,411)
Trust Fund Balances - Beginning of Year	399,869	449,280
Trust Fund Balances - End of Year	$ 404,140	$ 399,869

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

NOTE 27. CONSOLIDATED STATEMENT OF FINANCING

The line item Costs That Will Be Financed with Budgetary Resources Received in Future Periods, shown on the Combined Statement of Financing, represents cost for 2000 that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 19. This line item does not include costs incurred in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

The imputed financing costs of $546 million for 2001 on the consolidated statement of financing are lower than the $560 million reported on the consolidated statement of changes in net position as Interior capitalized $14 million of benefits financed by the Office of Personnel Management as part of construction in progress.