LIMITATIONS OF THE FINANCIAL STATEMENT

- The financial statements have been prepared to report the financial position and results of operations of the Federal Aviation Administration, pursuant to the requirements of 31 U.S.C. 3515(b).
- While the statements have been prepared from the books and records of the FAA in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
CONSOLIDATED BALANCE SHEET
As of September 30, 1999

(Dollars in Thousands)

Assets		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$	751,507
Investments (Note 3)		12,655,469
Accounts Receivable, Net (Note 4)		42,228
Other (Note 5)		162,970
Total Intragovernmental Assets	$	13,612,174
Accounts Receivable, Net (Note 4)	$	32,383
Loans Receivables and Related		
Foreclosed Property, Net (Note 6)		381
Cash and Other Monetary Assets (Note7)		63,091
Inventory and Related Property, Net (Note 8)		910,141
General Property, Plant, and Equipment, Net (Note 9)		10,848,880
Other (Note 5)		63,378
Total Assets	$	25,530,428
Liabilities		
Intragovernmental Liabilities:		
Accounts Payable	$	33,722
Environmental Cleanup Costs (Note 10)		328,992
Debt (Note 11)		24
Other Intragovernmental Liabilities (Note 12)		298,069
Total Intragovernmental Liabilities	$	660,807
Accounts Payable	$	538,917
Loan Guarantees		-
Federal Employee and Veterans Benefits (Note 14)		965,669
Environmental Cleanup Costs (Note 10)		986,976
Other Liabilities (Note 12 &13)		1,340,474
Total Liabilities	$	4,492,843
Net Position Balances:		
Unexpended Appropriations (Note 15)	$	349,703
Cumulative Results of Operations		20,687,882
Total Net Position	$	21,037,585
Total Liabilities and Net Position	$	25,530,428

U.S.DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
CONSOLIDATED STATEMENT OF NET COST
For the Year ended September 30, 1999

Programs (Note 16 & 17)		
Air Traffic Service		
Intragovernmental	$	766,046
With the Public		4,352,951
Total		5,118,996
Less Earned Revenues		(38,256)
Net Air Traffic Service Costs	$	5,080,741
Regulations & Certification		
Intragovernmental	$	107,381
With the Public		617,080
Total		724,461
Less Earned Revenues		(1,240)
Net Regulations & Certification Costs	$	723,221
Research & Acquisition		
Intragovernmental	$	74,999
With the Public		1,204,582
Total		1,279,581
Less Earned Revenues		(30,813)
Net Research & Acquisition Costs	$	1,248,768
Airports		
Intragovernmental	$	24,665
Administration		
With the Public		
Grants Program		1,537,188
Administration		51,032
Total		1,612,885
Less Earned Revenues		(18)
Net Airports Costs	$	1,612,867
Civil Aviation Security		
Intragovernmental	$	19,985
With the Public		133,200
Total		153,185
Less Earned Revenues		(868)
Net Civil Aviation Security Costs	$	152,317
Commercial Space		
Intragovernmental	$	787
With the Public		5,512
Total		6,299
Less Earned Revenues		(180)
Net Commercial Space Costs	$	6,119
Other Programs		
Intragovernmental	$	65,942
With the Public		197,632
Total		263,574
Less Earned Revenues		(66,958)
Net Other Program Costs	$	196,616
Costs Not Assigned to Programs	$	187,333
Less Earned Revenues Not Attributed to Programs	$	(13,080)
Net Cost of Operations	$	9,194,902

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
As of September 30, 1999

(Dollars in Thousands)

Net Cost of Operations	$	(9,194,902)
Financing Sources		
Appropriations Used		1,421,564
Taxes and Other Non-Exchange Revenues (Note 18)		11,125,469
Donations (Non-Exchange Revenue)		129,266
Imputed Financing (Note 19)		354,525
Transfers-In		18,122
Transfers-Out		(19,519)
Other		-
Total Financing Sources	$	13,029,427
Net Results of Operations	$	3,834,525
Prior Period Adjustments (Note 20)		3,636,556
Net Change in Cumulative Results of Operations		7,471,081
Increase (Decrease) in Unexpended Appropriations		13,232
Change in Net Position		7,484,313
Net Position Beginning of Period	$	13,553,272
Net Position End of Period	$	21,037,585

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the year ended September 30, 1999

(Dollars in Thousands)

Budgetary Resources (Note 21)		
Budget Authority	$	13,638,200
Unobligated Balances - Beginning of Period		9,727,100
Spending Authority From Offsetting Collections		4,230,985
Adjustments		(12,729,374)
Total Budgetary Resources	$	14,866,911
Status Of Budgetary Resources		
Obligations Incurred	$	14,154,788
Unobligated Balances-Available		479,739
Unobligated Balances-Not Available		232,384
Total Status of Budgetary Resources	$	14,866,911
Outlays		
Obligations Incurred	$	14,154,788
Less: Spending Authority From Offsetting Collections and Adjustments		(4,484,097)
Obligated Balance, Net Beginning of Period		5,059,898
Obligated Balance Transferred, Net		-
Less: Obligated Balance, Net - End of Period		(5,224,006)
Total Outlays	$	9,506,583

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
COMBINED STATEMENT OF FINANCING
For the year ended September 30, 1999

(Dollars in Thousands)

Obligations and Nonbudgetary Resources		
Obligations Incurred	$	14,154,788
Less: Spending Authority for Offsetting		
Collections and Adjustments		(4,484,097)
Donations not in the Budget		129,266
Financing Sources for Cost Subsidies		354,525
Transfers-in (out)		(1,398)
Exchange Revenue not in the Budget		(6,765)
Nonexchange Revenue Not in the Entity's Budget		35,522
Less: Trust or Special Fund Receipts Related to Exchange Revenue		
in the Entity's Budget		(137,203)
Other (Year-End Accounts Payable Accruals)		150,504
Total Obligations as Adjusted, and Nonbudgetary Resources	$	10,195,142
Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services, and Benefits		
Ordered but not yet Received or Provided	$	(29,003)
Change in Unfilled Customer Orders		36,118
Costs Capitalized on the Balance Sheet		
General Property, Plant & Equipment		(3,238,387)
Loans		20
Purchase of Inventory		(96,517)
Purchases of Non-Government Investments		-
Adjustment to Cost Capitalized on the Balance Sheet		4,984
Financing Sources that Fund Costs of Prior Periods (Note 22)		(1,948,570)
Collections That Decrease Credit Program Receivables or Increase		
Credit Program Liabilities		-
Adjustment for Trust Fund Outlays that do not Affect Net Cost		
Other - Identified Prior Period Adjustments		3,718,407
Total Resources That Do Not Fund Net Cost of Operations	$	(1,552,948)
Costs That Do Not Require Resources		
Depreciation and Amortization	$	540,918
Bad Debt Related to Uncollectible Non Credit Reform Receivables		-
Fixed Price Variation		(31,699)
Revaluation of Assets and Liabilities		-
Gain on Disposition of Assets		(181,509)
Cost of Goods Sold		142,317
Other		(22,456)
Total Costs That Do Not Require Resources	$	447,571
Financing Sources Yet To Be Provided (Note 22)	$	105,137
Net Cost Of Operations	$	9,194,902

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

These consolidated financial statements have been prepared to report the financial position, the net cost of operations, the changes in net position, the status and availability of budgetary resources, and the reconciliation between proprietary and budgetary accounts of the Federal Aviation Administration (FAA). The statements are required by 31 U.S.C. 3515, the Chief Financial Officers Act of 1990, and as amended by the Federal Financial Management Act of 1994, which is Title IV of the Government Management Reform Act of 1994. They have been prepared from the books and records of FAA in accordance with (1) the hierarchy of accounting principles and standards approved by the principals of the Federal Accounting Standards Advisory Board, (2) the Office of Management and Budget's (OMB) Bulletin 97-01, Form and Content of Agency Financial Statement, and (3) the Department of Transportation (DOT) and FAA's accounting policies which are summarized in this note. These statements, with the exception of the statement of Budgetary Resources, are, therefore, different from the financial management reports, also prepared by the FAA pursuant to OMB directives that are used to monitor and control the FAA's use of budgetary resources.

The FAA applies accounting principles and standards and complies with operating policies and procedures established, issued, and implemented by the General Accounting Office (GAO), the OMB, and the Department of Treasury, as recommended by the Federal Accounting Standards Advisory Board (FASAB), which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish the Generally Accepted Accounting Principles (GAAP) for the Federal Government. The financial statements have been prepared in accordance with the following hierarchy of accounting principles and standards, which constitutes another comprehensive basis of accounting:

1. Individual Standards agreed to by the Director of OMB, the Comptroller General, and the Secretary of the Treasury and published by OMB and the General Accounting Office;

2. Interpretations related to the Statement of Federal Financial Accounting Standards (SFFAS) issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards";

3. Requirements contained in OMB Bulletin 97-01, Form and Content, and its amendments in effect for fiscal year 1998;

4. The Department of Transportation (DOT) accounting policies and reporting requirements;

5. FAA accounting policies summarized in this note and FAA Order No. 2700.31, Uniform Accounting Systems Operations Manual, and related documentation containing the FAA-specific accounting policy; and

6. Accounting principles published by authoritative standard-setting bodies and other authoritative sources (1) in the absence of other guidance in the first five parts of this hierarchy and (2) if the use of such accounting standards improves the meaningfulness of these financial statements.

B. Reporting Entity

The FAA was created in 1958. The FAA's mission is to operate the Nation's air traffic control system and to regulate the aviation's safety and security. FAA is responsible to provide U.S. air travelers with an efficient, safe, secure, and technically advanced airspace system.

The FAA activities as per Treasury designation can be grouped into four funds.

Entity	Title
1. Trust Fund	Airport and Airway Trust Fund Cash and Investments
	Grants-in-Aid
	Facilities and Equipment
	Research and Development
	Programs Administered by Other Agencies
2. Revolving Fund	Aviation Insurance Program
3. Franchise Fund	Administrative Services
4. All Others	Operations
(Unsegmented)	Facility and Equipment Development

	Aircraft Purchase Loan Guarantee - Borrowing Authority for Program Expenses - Appropriation to Liquidate Borrowed Funds and Accrued Interest
	General Fund Miscellaneous Receipts
	Suspense Clearing Accounts
	Items Not Classified by Financing Source

The Airport and Airway Trust Fund (Trust Fund) financed approximately 74 percent of the fiscal year (FY) 1999 total budget. The only appropriations receiving General Fund financing are the Operations appropriation and, when enacted, the appropriation to liquidate debts to the Treasury incurred for the Aircraft Purchase Loan Guarantee Program. (No such liquidating appropriation was enacted in FY 1999.) Approximately 26 percent of the FY 1999 funding of the Operations appropriation was financed by the General Fund, and the remainder was funded by the Trust Fund. Infusing funds from the Trust Fund to the Operations appropriation is accomplished by periodic transfers. Once a transfer is made, the corresponding portion of the Operations account derived from the Trust Fund is accounted for under the General Fund Operations appropriation symbol, thus losing the identity of the source.

C. Budgets and Budgetary Accounting

Congress annually enacts appropriations to permit the FAA to incur obligations for specified purposes. For FY 1999, the FAA was accountable for Trust Fund appropriations, General Fund appropriations, a Revolving Fund, a Franchise Fund, and borrowing authority. The FAA recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through Treasury General Fund warrants and Trust Fund transfers. See paragraph B above.

D. Basis of Accounting

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Trust Fund revenues derived from excise taxes are treated differently. They are recorded on the basis of cash transferred from the General Fund to the Trust Fund. Transactions are also classified by fund account. This is accomplished by assigning to each transaction a unique attribute (Treasury symbol) identifying the corresponding appropriation and its period of availability.

Budgetary accounting facilitates complying with legal controls on the use of Federal funds.

E. Revenues and Other Financing Sources

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service fees (e.g., landing and registry fees) and through reimbursements for services performed for domestic and foreign governmental entities.

The Trust Fund is sustained by excise taxes collected by the Internal Revenue Service (IRS) from airway system users. The IRS records excise tax revenues deposited in the General Fund on a cash basis; Treasury transfers an equivalent amount from the General Fund to the Trust Fund. The Trust Fund also earns interest from investments in Treasury securities. Interest income is recognized as revenue on the accrual basis.

Appropriations are recognized as a financing source when expended. Revenues from service fees and reimbursements are recognized concurrently with the recognition of accrued expenditures for performing the services.

F. Fund Balances with the U.S. Treasury and Cash

The U.S. Treasury processes cash receipts and disbursements. Funds at the Treasury are available to pay agency liabilities. The FAA maintains petty cash (imprest funds) outside the Treasury to facilitate small purchases. The FAA does not maintain cash in commercial bank accounts. The FAA does not maintain any foreign currency balances. Foreign currency payments are made either by the Treasury or the Department of State and are reported by the FAA in the U.S. dollar equivalent.

G. Investment in U.S. Government Securities

Unexpended funds in the Trust Fund and Aviation Insurance Revolving Fund are invested in U.S. Government securities. A portion of the Trust Fund investments is liquidated semi-monthly in amounts needed to provide cash for the FAA appropriation accounts. The Revolving Fund investments are usually held to maturity. Investments, redemptions, and reinvestments are controlled and processed by the Treasury.

H. Accounts and Loans Receivable

The FAA's financial statement includes the activities and balances of relevant Treasury General Fund Miscellaneous Receipt accounts. The FAA maintains accountability for defaulted loans under the Aircraft Purchase Loan Guarantee Program. Upon default, the FAA established accounts receivable in the General Fund Miscellaneous Receipts account to reflect the amount due from the borrower for principal and interest. The FAA also established an intragovernmental liability to offset the accounts receivable which represents an asset of the Treasury, not the FAA.

I. Operating Materials and Supplies

Operating materials and supplies consist primarily of unissued materials and supplies that will be consumed in normal operations. In FY 1998, the FAA discontinued the use of standard cost and began valuing materials and supplies using moving weighted average. Other classifications of materials and supplies are valued on the basis of actual prices paid.

Adjustments for the proper valuation of reparable, excess, obsolete, and unserviceable items are made to the appropriate allowance account at fiscal yearend. The allowance for reparable items is recognized as a current period expense. The allowance for excess, obsolete, and unserviceable items is recognized as a gain or a loss. Operating materials and supplies are reclassified as expenses or work in progress when consumed or issued.

J. Property, Plant and Equipment (PP&E)

FAA capitalizes an acquisition if its costs exceed $25,000 and has a useful life exceeding 2 years. The FAA reports general PP&E at original acquisition cost.

Depreciation expense is calculated using the straight-line method. No depreciation expense is recognized on an asset during the fiscal year it is put in service.

A full year's depreciation will be recognized during the asset's final year of use. The FAA does not recognize residual value of its PP&E, except for aircraft, which are depreciated to a 25% salvage value. The FAA adopted this depreciation policy in FY 1998 and, at that time, recognized accumulated depreciation for prior years as well. The useful life classifications for capitalized assets are as follows:

Asset Classification	Useful Life (years)
Offices, Buildings, Warehouse Buildings, Residential Properties, Air Traffic Control Towers, and En Route Air Traffic Control Centers	40
Mobile Homes, Aircraft	20
Original Roads, Sidewalks, Parking Lots, and All Other Structures	15
Printing, Photographic, and Projection Equipment	13
Capital Improvements, Facility Modifications, Leasehold Improvements (or expiration of lease whichever comes first), Portable and Installed Communications Equipment Excluding Air Navigation and Air Traffic Control Facilities, and Avionics Equipment	10
Office Furniture and Equipment including the following categories: Prototype and Experimental, Research and Development Test, Shop, Emergency Readiness, Training, Portable Test and Rack Mounted Test Equipment for Air Navigation and Air Traffic Control Facilities, Aircraft Test Equipment, and Other Nonclassified Equipment	7
Vehicles and Automatic Data Processing Equipment	5

The FAA has established the following categories of economic service life for some of its personal property and facilities and equipment assets.

Functional Area	Economic Service Life (Range)
Decision Support Systems	4-20
Communications	10-20
Weather	15-20
Navigation/Landing	20
Surveillance	20
Facilities	40
Facilities' Support Equipment	20
Mission Support	20
User Equipment	10-20

Buildings acquired under capital leases are amortized over the lease term. If the lease agreement contains a bargain purchase option or otherwise provides for transferring title of the asset to the FAA, the building is depreciated over a 40-year service life.

Construction in progress is valued at actual (direct) costs, plus applied overhead and other indirect costs as accumulated by the regional project materiel system.

The General Services Administration (GSA) receives payment for real property that is under its control and is used by the FAA. Payments are made from an appropriation to the Office of the Secretary of Transportation (OST), part of which (corresponding to the FAA costs) is derived from the Trust Fund.

K. Prepaid and Deferred Charges

Advance payments are generally prohibited by law; there are some exceptions, such as subscriptions. When permitted, payments made in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

L. Liabilities

A liability represents the amount to be paid by the FAA as the result of a transaction or event that has already occurred. The FAA, absent of an appropriation, cannot liquidate any liabilities. Liabilities for which an appropriation has not yet been enacted are, therefore, classified as unfunded liabilities, and there is no certainty that such appropriation will be enacted.

M. Borrowing Payable to the Treasury

Borrowing involves loans from the Treasury to fund expenses in the Aircraft Purchase Loan Guarantee Program. Treasury renews the debt obligation until the FAA receives an appropriation to liquidate the principal and interest. No such appropriation was enacted for FY 1999.

N. Interest Payable to the Treasury

The FAA owes interest to the Treasury based on its debt to the Treasury as a result of borrowing for the Aircraft Purchase Loan Guarantee Program.

O. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At each bi-weekly pay period, the balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual leave earned but not taken. Sick leave and other types of nonvested leave are expensed when taken.

In FY 1998, under the National Air Traffic Controller Association (NATCA) agreement, Article 25, Section 13, Air Traffic Controllers covered under the Federal Employees Retirement Systems (FERS) became eligible, upon retirement, for a sick leave buy back option.

P. Accrued Workers' Compensation

A liability is recorded for estimated and actual future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The liability consists of the net present value of estimated future payments calculated by the U.S. Department of Labor (DOL) and the unreimbursed cost paid by DOL for compensation paid to recipients under FECA. The actual costs incurred are reflected as a liability because FAA will reimburse DOL 2 years after the actual payment of expenses. Future Appropriations will be used for the reimbursement to DOL.

Q. Retirement Plan

The FAA employees who participate in the Civil Service Retirement System (CSRS) are beneficiaries of the FAA's matching contribution equal to 7 percent of pay to their annuity account in the Civil Service Retirement and Disability Fund.

On January 1, 1987, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984, could elect, either to join FERS and Social Security or to remain in CSRS. FERS offers a savings plan to which the FAA automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For FERS participants, the FAA also contributes the employer's matching share for Social Security.

Beginning in fiscal year 1997, the FAA began to recognize the cost of pensions and other retirement benefits during the employees' active years of service. The Office of Personnel Management (OPM) actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the FAA for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The FAA recognized the offsetting revenue as imputed financing sources for the extent of these additional expenses that will be paid by OPM.

R. Contingencies

The FAA recognizes losses for contingent liabilities when such losses are probable and reasonably estimable.

Note 2. Fund Balances with Treasury

(Dollars in Thousands)

	Obligated	Unobligated & Available	Unobligated & Restricted	Total
Trust Fund	$ 1,999,733	$ (1,885,059)	$ (194,213)	$ (79,539)
Operations General Fund	636,346	23,103	41,114	700,563
Franchise Fund	5,214	2,212		7,426
Revolving Fund	(76,047)	125	76,113	191
Other Funds	122	122,744	-	122,866
Total	$ 2,565,368	$ (1,736,875)	$ (76,986)	$ 751,507

Unobligated and restricted fund balances represent balances of appropriations for which the period of availability for (voluntary) obligation has expired. These balances are only available for upward adjustments of obligations incurred during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriation. Pursuant to 31 USC 1552, appropriation accounts are canceled at the close of the fifth fiscal year following the last fiscal year for which they were available for obligation. Fund balances in the amount of $130.7 million in canceled appropriations at fiscal yearend were removed from the balance sheet. The amount withdrawn biweekly from the Trust Fund is based on cash outlays, not on obligational authority, to minimize interest costs. Negative unobligated balances are covered by invested funds in the Airport and Airway Trust Fund.

Note 3. Investments

(Dollars in Thousands)

	Cost	Amortization Method	Unmortized (Premium) Discount	Investments Net	Other Adjustments	Market Value Disclosure
Intragovernmental Securities:						
Nonmarketable, Par Value						
Trust Fund (1)	$ 12,413,727		$	$ 12,413,727		$ -
Nonmarketable, Market-Based						
Aviation Insurance Revolving Fund (2)	74,293	Interest Method	(2,200)	72,093	-	-
Subtotal	12,488,020		(2,200)	12,485,820	-	-
Accrued Interest	169,649			169,649		-
Total	$ 12,657,669			$ 12,655,469		$ -

A total of $12.4 billion was invested in U.S. Treasury Certificates of Indebtedness as of September 30, 1999, at a rate of 6.25 percent, maturing June 30, 2000.

(1) Nonmarketable par value Treasury securities are special series debt securities, issued by the Bureau of the Public Debt to Federal accounts, and are purchased and redeemed at par (face value) exclusively through Treasury's Finance and Funding Branch. The securities are redeemed at face value on demand; thus, investing entities recover the full amount invested, plus interest. The Trust Fund investments are made by the Fund's trustee, the Secretary of the Treasury.

(2) Nonmarketable, market-based Treasury securities are debt securities that the Treasury issues to Federal entities without statutorily fixed interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities. FAA amortizes premiums and discounts on market-based Treasury securities over the life of the security using the interest method. The following amounts are invested in market-based Treasury securities:

	Maturity Date	Effective Interest Rate	Amount
1	12/09/1999	4.25%	$ 14,107,000
2	03/30/2000	4.48%	24,615,000
3	06/22/2000	4.89%	16,727,000
4	09/14/2000	4.95%	18,844,000
			$ 74,293,000

Note 4. Accounts Receivable

(Dollars in Thousands)

	Gross Accounts Due	Allowance for Uncollectible Amounts	Net Amount Due
Intragovernmental Receivables	$ 42,228	$ -	$ 42,228
Other Receivables	39,186	(6,803)	32,383
Total Receivables	$ 81,414	$ (6,803)	$ 74,611

A delinquency notice is sent to each debtor when billings remain uncollected for 30 days after the Bill for

Reconciliation of Uncollectible Amounts:

	Intragovernmental	Other
Beginning Balance	$ -	$ (5,868)
Additions	-	(4,237)
Reductions	-	3,302
Ending balance	$ -	$ (6,803)

Collection date. A second delinquency notice is sent another 30 days later if the debtor does not respond. Salary or retirement offset action may be taken when the debtor is a current or former Federal employee. Other attempts at collection may be taken for debtors who are not current or former Federal employees. In 1997, the FAA implemented certain provisions of the Debt Collection Improvement Act of 1996, P.L.1041-34, which requires, among other things, that Federal agencies submit accounts receivable that are over 180 days delinquent to the Department of Treasury (Treasury) for collection. Treasury may take such actions as tax refund offset, consumer reporting, and referral to collection agencies. An allowance for uncollectible accounts receivable is established either based upon a monthly review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur, or when an account for which no allowance has already been established is submitted to Treasury for collection. Accounts receivable in appropriations canceled on September 30, 1999, pursuant to 31 USC 1552, are no longer FAA assets. Accordingly, accounts receivable balances totaling $466,660 in canceled appropriations at fiscal yearend were removed from the balance sheet.

Note 5. Other Assets

(Dollars in Thousands)

Other Entity Assets Intragovernmental			
Advances and Prepayments	$	97,793	(1)
Undistributed Foreign Costs		920	
Undistributed Costs - Treasury Clearing		710	
Other Assets - Undistributed		63,547	(2)
Total Other Assets Intragovernmntal	$	162,970	
Other Entity Assets			
Advances and Prepayments		63,378	(3)
Total Other Entity Assets	$	226,348	

(1) Represents advance payments to other Federal Government entities under 31 USC, 1535 for agency expenses not yet incurred or for goods or services not yet received.

(2) Includes assets transferred between FAA regions. Transferred items remain in the undistributed asset account until removed by the recipient region. Transfer transactions may include some expenses.

(3) Represents advance payments to employees for agency expenses not yet incurred.

Note 6. Loans and Loan Guarantees, Non-Federal Borrowers

(Dollars in Thousands)

Defaults on Pre-1992 Guaranteed Loans:

Aircraft Purchase Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Defaulted Guaranteed Loans Receivable, Net
	$ 711	$ 7	$ (337)	$ -	$ 381

FAA has no direct loan programs, but FAA administers the Aircraft Purchase Loan Guarantee Program. Authorization for issuing new loan guarantees expired in 1988. The only remaining program function is to maximize recoveries from defaulted loans.

Accounts receivable from debtors on account of defaulted guaranteed loans are reported net of an allowance for estimated uncollectible amounts. The Federal Credit Reform Act was enacted after the authority to issue new guarantees expired and, therefore, does not apply to FAA's loan guarantees.

Administrative expenses to maintain residual values in this program are minimal. FAA has no full-time employees administering the program.

Note 7. Cash, Foreign Currency and Other Monetary Assets

(Dollars In Thousands)

Imprest Fund	$ 54
Undeposited Collections	63,037
Total Cash, Foreign Currency, and Other Monetary Assets	$ 63,091

Note 8. Inventory and Related Property

(Dollars in Thousands)

Operating Material and Supplies:

	Value	Allowance	Net Value	Valuation Method
Items Held For Use	$ 806,539	$ -	$ 806,539	Moving Weighted Avg
Excess, Obsolete Unserviceable	31,756	(10,106)	21,650	Moving Weighted Avg
Items Held for Repair	234,153	(152,201)	81,952	Moving Weighted Avg
Total Inventory and Related Property	$ 1,072,448	$ (162,307)	$ 910,141	

Inventory and related property consist of general operating material and supplies, aircraft parts, and spare parts located at field facilities. FAA uses the moving weighted average cost method to value operating materials and supplies. In FY 1999, FAA conducted an inventory of 100 percent of its spare parts. FAA currently expenses operating materials and supplies as issued or consumed.

Items are considered for repair based on condition levels and if the maximum repair cost does not exceed 65 percent of the original cost. The allowance method is used to account for operating materials and supplies held for repair, reducing the net carrying value of such items to 35 percent of their original cost. Current period expenses are recognized for the amount of the annual increase or decrease to the allowance account. In FY 1999, FAA recognized $12.3 million increase in the allowance for items held for repair.

Scrap and salvage items are written down to zero value and may be sold for nominal amounts. FAA transfers excess items for disposal into the Governmentwide automated disposal system. Disposal proceeds may go to the General Fund or to an FAA appropriation, depending on the nature of the item and the disposal method. FAA may not donate items.

Note 9. Property, Plant and Equipment, Net

(Dollars in Thousands)

Class of Fixed Assets	Deprec Method	Services Life	Acquis Value	Accum. Deprec	Net Book Value FY 1999
Land	None	None	$ 77,445	$ -	$ 77,445
Buildings & Structures	SL	15-40	3,062,081	(1,426,948)	1,635,133
Leasehold Improvements	SL	*	32,612	-	32,612
Aircraft	SL	20	406,180	(139,027)	267,153
Aircraft Engines	SL	7	2,761	-	2,761
ADP Software	None	*	28,451	-	28,451
Equipment	SL	5-20	9,328,273	(3,081,140)	6,247,133
Assets Under Capital Lease	SL	Term-40	154,039	(51,033)	103,006
Construction in Progress	None	None	2,401,710	-	2,401,710
Property Not in Use	*	*	53,476	-	53,476
			$ 15,547,028	$ (4,698,148)	$ 10,848,880

(1) In FY 1999, FAA validated and documented the historical cost basis of its Buildings and Structures primarily through the use of cost estimation models, based on dates placed in service, size, and support documentation. The cost basis of Buildings and Structures was decreased by $43.2 million (a prior period adjustment) as a result of this analysis.

(2) In FY 1999, FAA performed “top-down” analyses of the budgets, contracts, and expenditures for its major systems of the NAS acquired during the past two decades. These analyses identified the capitalizable costs of each system, resulting in a revised valuation for each major system in use. The restated Equipment asset costs are now supported by documentation compiled through this “top-down” study. The cost basis of Equipment assets was increased by $4.0 billion as a result of these analyses.

(3) FAA established performance measures for its Construction in Progress (CIP) portfolio in FY 1999 and identified 17,000 project records (with costs of $1.5 billion) due to be closed out to in-service assets by yearend. All such records have been closed out by September 30, 1999, and the yearend CIP balance represents only active projects. For these remaining 9,000 projects, FAA has established central documentation files that substantiate these costs.

(4) In FY 1999, FAA recognized a gain on fixed assets of $10 million for excess and surplus property in Utilization Screening and Disposition (USD) system.

(5) Based on these revised property balances, FAA recalculated accumulated depreciation as of September 30, 1999. The accumulated depreciation for Buildings and Structures was increased $97 million as of that date (a prior period adjustment) to reflect a new balance of $1.4 billion. The accumulated depreciation for Equipment was increased by $565 million to reflect a new balance of $3.1 billion. Depreciation expense was determined for 1999 on these assets, based on the new property values.

Note 10. Environmental and Disposal Liabilities

(Dollars in Thousands)

	Intragovernmental	Other	Total
Environmental Remediation	$ 26,392	$ 79,176	$ 105,568
Environmental Cleanup and Decommissioning	302,600	907,800	1,210,400
Total Environmental Liabilities	$ 328,992	$ 986,976	$ 1,315,968

In FY 1999, FAA reviewed all its environmental liabilities. It concluded that OSHA/Environmental Compliance and Air Traffic Control (ATC) at DOD base closures are not a liability to the agency. This resulted in a decrease of $515.4 million; $512.2 million for OSHA/Environmental Compliance and $3.2 million for Air Traffic Control (ATC) at DOD base closures. The environmental remediation and decommissioning cleanup costs computed for FY 1999 included a restatement and correction of amounts previously reported by FAA program offices. Because of the changes in approach to handling both environmental and decommissioning cost, the past cost estimates were reduced in FY 1999 and would not be properly included in current calculation of fees.

(1) In FY 1999, FAA revised its procedures for estimating its environmental remediation liability by basing the estimates on known cleanup sites, not budget projections. FAA's liability for environmental cleanup and decommissioning as of September 30, 1999, is $105.6 million. This resulted in a $723.3 million decrease, of which $700.2 million is a prior period adjustment and $23.1 million is a current year expense. The $700.2 million is the difference between the FY 1998 $828.9 million reported amount and the revised amount of $128.7 million. The $23.1 million is the difference between the revised $128.7 million amount and the $105.6 million.

(2) FAA's liability for environmental cleanup and decommissioning costs as of September 30, 1999, was $1.2 billion. The decrease of $.7 billion was based on changes in assumptions previously used for the investment analysis of the Satellite Navigation program.

(3) In FY 1999, FAA complied with Statement of Federal Financial Accounting Standards #6, Chapter 4, by implementing the Option #2 method, i.e., recognizing the annual change in environmental liabilities as a current year cost associated with assets placed in service in the current year. When FAA is able to collect new aviation user fees and the portion of environmental costs expected to be recovered is material, FAA will convert to the Option 1 method, i.e., amortize the environmental costs over the life of the asset.

Note 11. Debt

(Dollars in Thousands)

	Beginning Balance	Net Borrowing	Ending Balance
Other Debt:			
Aircraft Purchase Loan			
Guarantee Program			
Debt to the Treasury	$ 24	$ -	$ 24
Total Debt	$ 24	$ -	$ 24

Note 12. Other Liabilities

(Dollars in Thousands)

Other Intragovernmental Liabilities	Non-Current Liability	Current Liability	Total
Advances from Others	$ -	$ 16,447	$ 16,447
Accrued Payroll & Benefits to Other Agencies	-	46,002	46,002
Proceeds From Replacement of Property	-	12	12
Other	-	47,745	47,745
Liabilities Covered by Budgetary Resources	$ -	$ 110,206	$ 110,206
Federal Employees Compensation Act	$ 104,035	$ 83,828	$ 187,863
Liabilities Not Covered by Budgetary Resources	$ 104,035	$ 83,828	$ 187,863
Total Other Intragovernmental Liabilities	$ 104,035	$ 194,034	$ 298,069
Other Intragovernmental Liabilities			
Advances from Others, Unclassified	$ -	$ 3,007	$ 3,007
Accrued Payroll & Benefits to the Employees	-	193,171	193,171
Liability for Unapplied Collections	-	28,010	28,010
Other Accrued Liabilities	-	118,088	118,088
Liabilities Covered by Budgetary Resources	$ -	$ 342,276	$ 342,276
Accrued Unfunded Annual Leave & Assoc. Benefits	$ 374,754	$ -	$ 374,754
Sick Leave Compensation Benefits for Air Traffic Controllers	37,684	-	37,684
Capital Leases *(Note 13)*	89,104	-	89,104
Contingent Liabilities for Legal Claims	470,756		470,756
Contingent Liabilities for Return Rights	17,300	8,600	25,900
Liabilities Not Covered by Budgetary Resources	$ 989,598	$ 8,600	$ 998,198
Total Other Liabilities	$ 989,598	$ 350,876	$ 1,340,474

(1) Accrued payroll and employee benefits represent the unpaid pay period September 23 through September 30, 1999.

(2) An unfunded liability is recorded for unreimbursed actual cost to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA) to the Department of Labor (DOL), which administers the Federal Employees' Compensation Fund. Funding for the amount charged to FAA is normally appropriated for the fiscal year ending 2 years after the FAA accounting period in which the expense was incurred. Therefore, FAA's FY 1999 accrued liability includes workers' compensation benefits paid by DOL for the periods July 1, 1997, through June 30, 1998; July 1, 1998, through June 30, 1999; and July 1, 1999, through September 30, 1999.

(3) The estimated liability for accrued wages include annual, home, and military and compensatory hours plus the agency's cost of employee benefits associated with such compensated absences for the period ending September 30, 1999.

(4) In FY 1998, under the National Air Traffic Controllers Association (NATCA) agreement, Article 25, Section 13, Air Traffic Controllers covered under the Federal Employees Retirement Systems (FERS) became eligible, upon retirement, for a Sick Leave Buy Back Option. Under this option, an employee who attains the required number of years of service for retirement shall receive a lump sum payment for forty (40) percent of the value of his or her accumulated sick leave as of the effective date of their retirement. The total estimated sick leave buy back contingency for FAA for those air traffic controllers eligible for retirement, based on current sick leave balances, for FY 1999 is $37.6 million.

(5) In FY 1999, FAA recognized $470.8 million for legal claims that have been asserted and are pending. Of this amount, $56.2 million was estimated to be paid from agency appropriations and $414.6 million to be paid from the permanent appropriation for judgments, awards, and compromise settlements (Judgment Fund) administered by the Department of Justice. The $470.8 million is $37.4 million higher than the $433.4 million that was recognized in FY 1998. The $37.4 million difference was recognized as an FY 1999 expense. FAA's maximum exposure for loss for contingent liabilities associated with legal claims is $14.8 billion.

Effective in FY 1999, the Office of Management and Budget initiated a change in the standard for recognizing loss contingencies for pending or threatened litigation and asserted claims. The change, which was contained in Statement of Recommended Accounting Standards Number 12, dated December 1998, amended paragraph 38 of Statement of Federal Financial Accounting Standards (SFFAS) No. 5 by replacing the phrase "more likely than not" in the second bullet, with the word "likely."

(6) Contingent Liabilities for the Return Rights Program decreased by $6 million from $31.9 million in FY 1998 to $25.9 million in FY 1999. Because of evidence that the FY 1998 liability may have been overstated, the $6 million decrease was treated as a prior period adjustment. The program covers temporary assignments for 2 to 4 years. At the beginning of FY 1999, approximately 518 employees who previously had accepted transfers to overseas or certain domestic locations were contractually entitled to a future return move at Government expense. The typical cost per move is $50,000. The liability may be overstated because not every employee remaining in the program will exercise his or her right. If every employee in the program did exercise his or her right, the liability would be as follows:

FY 2000	$	8,600,000
FY 2001	$	11,900,000
FY2002	$	5,350,000
FY2003	$	50,000
	$	29,900,000

Note 13. Leases

FAA as Lessee

(Dollars in Thousands)

Summary of Assets Under Capital Leases:

Land & Buildings:	$ 154,039
Less: Accumulated Amortization	51,033
Net Assets Under Capital Lease	$ 103,006
Future Payments Due	
Fiscal Year	
Year 1 (FY 2000)	$ 16,182
Year 2 (FY 2001)	14,823
Year 3 (FY 2002)	14,620
Year 4 (FY 2003)	14,398
Year 5 (FY 2004)	14,339
After 5 Years (FY 2005 to Contract End)	82,748
Total Future Lease Payments	157,110
Less: Imputed Interest	68,006
Total Capital Lease Liability	$ 89,104
Liabilities not covered by budgetary resources	$ 89,104

Capital Leases

Capital leases cover land and buildings at the MMAC in Oklahoma City, Oklahoma and at the WJHTC in Pomona, New Jersey. (Operating leases discussed in the following section cover other real property.) FAA leases the MMAC land and buildings from the Oklahoma City Airport Trust at $12 million per year. FAA leases real property, including the WJHTC technical building, from the Atlantic County Improvement Authority at $4.8 million per year.

FAA's capital lease payments are funded annually. The following represents capital lease accounting treatment under generally accepted accounting principles:

(1) Capital lease assets are recorded at the net present value of the total minimum lease payments over the lease duration, valued at the lease inception.

(2) In FY 1996, FAA implemented the depreciation/amortization provision of SFFAS No. 6, which is applicable to assets acquired under capital lease. The total assets, valued at $154 million under capital lease for FY 1999, is $38 million less than the $192 million reported in FY 1998. The $38 million asset reduction is attributable to a correction in the method for computing leased assets. The $38 million was treated as a prior period adjustment.

(3) Amounts due within the current fiscal year corresponding to the principal portion of the lease payments are recorded as current year obligations. The remaining principal payments are recorded as unfunded lease liabilities. The imputed interest is funded and expensed annually. Interest amounts imputed to subsequent years (aggregating $68 million) are not recorded as unfunded liabilities in the Departmental Accounting and Financial Information System (DAFIS).

Operating Leases:

(Dollars in Thousands)

Future Payments Due

Fiscal Year	Land & Buildings	Mach & Equipment	Other	Total
Year 1 (FY 2000)	$ 56,075	$ 0	$ 324	$ 56,399
Year 2 (FY 2001)	46,235	0	324	46,559
Year 3 (FY 2002)	38,635	0	248	38,883
Year 4 (FY 2003)	31,164	0	201	31,365
Year 5 (FY 2004)	24,001	0	201	24,202
After 5 Years (FY 2005 to Contract End)	116,487	0	4,535	121,022
Total Future Operating Lease Payments	$ 312,597	$ 0	$ 5,833	$ 318,430

FAA leases property, aircraft, equipment, and telecommunications under operating leases. Such leases are funded annually and expensed as recurring charges in DAFIS. Unfunded liabilities and future funding requirements for operating lease payments due in future years are not recorded in DAFIS.

The cumulative amount due on operating leases after 5 years does not include estimated payments for leases with annual renewal options. Estimates of the lease termination dates are subjective, and any projection of future lease payments would be arbitrary.

FAA as Lessor:

Operating Leases

(In Thousands of Dollars)

Future Payments Due

Fiscal Year	Land & Buildings	Mach & Equipment	Other	Total
Year 1 (FY 2000)	$ 4,295	$ 90	$ 0	$ 4,385
Year 2 (FY 2001)	4,380	90	0	4,470
Year 3 (FY 2002)	4,466	90	0	4,556
Year 4 (FY 2003)	4,554	90	0	4,644
Year 5 (FY 2004)	4,622	90	0	4,712
After 5 Years (FY 2005 to Contract End)	150,401	0	0	150,401
Total Future Operating Lease Payments	$ 172,718	$ 450	$ 0	$ 173,168

FAA leases Ronald Reagan Washington National Airport and Washington Dulles International Airport to the Metropolitan Washington Airports Authority, the airports' sponsor. The lease took effect in March 1987 at $3 million per year for a 50-year term. Subsequent annual rental payments are adjusted by applying the Implicit Price Deflator for the Gross National Product published by the Department of Commerce. Additionally, the parties may renegotiate the level of lease payments attributable to inflation costs every 10 years. Upon lease expiration, the airports and facilities, originally valued at $244 million, together with any improvements thereto, will revert to the Federal Government. In addition, FAA leases equipment to foreign governments and leases parcels of Government-owned land, generally for agriculture.

Note 14. Federal Employee and Veterans Benefits Payable

Dollars in Thousands

Other Post-Employment Benefits	
Federal Employees Compensation Act:	
Actuarial Liabilities	$ 965,669
Total	965,669

Note 15. Unexpended Appropriations

(Dollars in Thousands)

	Operations General Fund	Other Funds	Total
(1) Unobligated			
(a) Available	$ 23,103	$ 44	$ 23,147
(b) Unavailable	41,114	967	42,081
(2) Undelivered Orders	320,859	910	321,769
Sub-total	$ 385,076	$ 1,921	$ 386,997
Other Differences	(37,294)	-	(37,294)
Total Unexpended Appriopprations	$ 347,782	$ 1,921	$ 349,703

The differences represent the amount of undelivered orders and accounts payable that exceed the total amount of unrequisitioned cash authority, the Treasury cash balance and the unobligated authority, and other differences carried forward from prior years.

Note 16. Total Cost and Earned Revenue by Budget Functional Classification

(Dollars in Thousands)

	Total Cost	Earned Revenue	Net Cost
Functional Classification:			
Transportation Programs	$ 9,316,209	$ (123,115)	$ 9,193,094
Community and Regional Development Programs	1,794	-	1,794
General Government Programs	14	-	14
Total Cost	$ 9,318,017	$ (123,115)	$ 9,194,902

Note 17. Net Cost by Programs

FAA's six lines of business represent the programs reported on the Statement of Net Cost. Assigned cost centers to each line of business permit the direct accumulation of costs. Other costs that are not directly traced to each line of business, such as agency overhead, are allocated by applying ratios representing the cost for each line of business cost compared to total expenses, excluding grants.

Note 18. Taxes and Other Nonexchange Revenue

(Dollars in Thousands)

Passenger Ticket Tax	$ 7,486,262
Waybill Tax	411,791
International Departure Tax	1,484,443
Fuel Taxes	1,012,870
Tax Refunds and Credits	(3,887)
Investment Income	733,990
Other Nonexchange Revenue	-
Total Taxes and Other Nonexchange Revenue	$ 11,125,469

Taxes are collected by the Department of the Treasury (Treasury) Internal Revenue Service for FAA's Airport and Airway Trust Fund. These taxes can be withdrawn only as authorized by various FAA appropriations. The amounts reflected above are taxes reported to FAA by Treasury. Treasury estimates taxes to be collected each quarter and adjusts the estimates by actual collections.

Note 19. Imputed Financing:

(Dollars in Thousands)

Office of Personnel Management	$ 327,902	(1)
Dept. of Justice Judgment Fund	26,623	(2)
Total Imputed Financing	$ 354,525	

(1) In FY 1999, FAA recognized as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM.

(2) In FY 1999, amounts paid by the Judgment Fund in settlement of claims or court assessments against the FAA were recognized as imputed financing.

Note 20. Prior Period Adjustments

In FY 1999, FAA recorded the following prior period adjustments:

(Dollars in Thousands)

Reconciliation of General Ledger to Property Systems	$ (3,020,557)
Prior Period Depreciation	805,712
Revision of Environmental Remediation Cleanup Cost Estimates	(700,181)
Correction Environmental Cleanup and Disposal Costs	(471,500)
Reduction of Environmental Liability for OSHA/Environmental Compliance	(512,200)
Sick Leave Compensation Correction	(28,846)
Correction to Gain and Loss General Ledger Accounts	192,698
Airport Improvement Program - Correct Grant Current Year Expenses	155,667
Other Adjustments	(57,349)
Total Prior Period Adjustment	**$** (3,636,556)

Note 21. Statement of Budgetary Resources Disclosures

The statement accurately represents the agency's status of budgetary resources for FY 1999 and was largely prepared from the budgetary accounts in the DAFIS trial balance. Those line items required on the statement, but not supported by DAFIS, were derived from the equivalent DAFIS proprietary accounts and budgetary financial documents, e.g., the SF-132, Apportionment and Reapportionment Schedule, and the SF-133, Report on Budget Execution. In the Budgetary Resources section, Budget Authority and Unobligated Balances - Beginning of Period are derived from budgetary financial documents. In the Status of Budgetary Resource section, Unobligated Balances Available and Not Available are also derived from budgetary financial documents. In the Outlays section, Obligations Incurred and Obligated Balances are derived from budgetary and proprietary accounts. The budgetary resource documents used to support the line items, e.g., the SF-132 are certified by FAA and approved by OMB. The outlays and other budgetary balances are reconciled with Treasury and OMB monthly, quarterly, and annually.

The net amount of budgetary resources obligated for undelivered orders at the end of FY 1999 was $4.4 billion.

The Aircraft Purchase Guarantee Program is funded under the authority to borrow from the U.S. Treasury granted by Congress in the DOT and Related Agencies Appropriation Act, 1983. Borrowing authority is implemented through a blanket promissory, which provides FAA with a line of credit for the full amount of borrowing authority granted by Congress. Because authorization for issuing new loan guarantees expired in 1988, FAA has not issued any new guaranteed loans. In FY 1999, FAA had an outstanding loan which it refinanced through an advance from Treasury, which is payable with interest on September 30, 2000. Although FAA does have borrowing authority, it is seeking a liquidating appropriation to pay off the remaining note with Treasury and end the program.

Under congressional legislation, in FY 1998, FAA was authorized $1.95 billion in contract authority and liquidating authority for $1.6 billion, which are derived from the Airport and Airway Trust Fund and available until expended, for the Grants-in-Aid Programs. The contract authority available at the end of FY 1999 was $101 million.

Congress mandated permanent indefinite appropriations for the Facilities and Equipment, Grants-in-Aid, and Research, Development & Engineering in order to fully fund special projects that were ongoing and spanned several years.

FAA does not have any differences between the information reported on the statement and the amounts described as "actual" in the Budget of the United States Government for FY 1999.

FAA incurred several adjustments to its budgetary resources in FY 1999. The Facilities & Equipment Fund was increased by $20 million and the Research, Engineering and Development Fund was increased by $220,000 through funds transferred from the OMB Information Technology and Related Expenses (Y2K Emergency Fund). The Operations appropriation was reduced by $50 million for funds transferred to the Essential Air Service and Rural Airport Improvement Program Fund.

Note 22. Financing Sources yet to be Provided

(Dollars in Thousands)

Decreases:		
Other Accrued Liabilities	$	(5,123)
Environmental Liability		(1,928,332)
Capital Leases		(15,115)
Financing Sources That Fund Costs of Prior Periods	$	(1,948,570)
Increases		
Federal Employee Compensation Act (FECA Actuarial)	$	38,889
Federal Employee Compensation Act (FECA Actual)		6,799
Contingent Liabilities for Legal Claims		37,312
Other Liabilities		22,137
Total Financing Sources Yet to be provided.	$	105,137

Note 23. Custodial Activity

(Dollars in Thousands)

Revenue Activity:	
Sources of Cash Collections:	
Tax Revenues	$ -
Miscellaneous	21,831,535
Total Cash Collections	21,831,535
Accrual Adjustments (+/-)	306,585
Total Custodial Revenue	$ 22,138,120
Disposition of Collections:	
Transferred to Treasury General Fund	$ 21,831,535
Increase (Decrease in Amounts Yet to be Transferred)	306,585
Refunds and Other Payments	-
Retained by the Reporting Entity	-
Net Custodial Revenue Activity	$ -

Note 24. Other Disclosures

Contract Negotiations. FAA had a total of $131.8 million in commitments (funds reserved for possible future obligations) under unexpired Facilities and Equipment and Research, Engineering, and Development appropriations. The commitments were for purchases of goods and services for which contract negotiations have not been completed (i.e., agency obligations had not been incurred) at the end of FY 1999.

Contract Options. As of September 30, 1999, FAA had $18.8 billion in unobligated contracts. The terms of these contracts give FAA the unilateral right to purchase additional equipment or services or to extend the contract terms. Exercising this right would require the obligation of funds in future years.

Letter of Intent. FAA has authority under 49 U.S.C. 47110(e) to issue letter of intent (LOI) to enter into AIP grant obligations; but LOI's do not create obligations. FAA has issued LOI's covering FY 1988 through FY 2010 in the aggregate amount of $2.9 billion. FAA had obligated $1.8 billion of this total amount from FY 1988 through FY 1999, leaving $1.1 billion unobligated as of September 30, 1999. FAA anticipates obligating $149 million of this total amount in FY 2000.

AIP Grants. The FY 1999 AIP grant authority totaled $1.95 billion, including over $1 billion in entitlements to specific locations. The sponsors of these entitlements claimed all but $136 million. This amount will be available from unused or newly enacted contract authority to those sponsors through FY 2001 or 2002 in the case of nonhub primary airport locations.

Aviation Insurance Program. FAA is authorized to issue hull and liability insurance under the Aviation Insurance Program for air carrier operations where commercial insurance is not available on reasonable terms where the operation to be insured is necessary to carry out the U. S. Government's foreign policy. No claims for losses were pending as of September 30, 1999.

FAA may issue (1) premium insurance, for which a risk-based premium is charged to the air carrier and (2) nonpremium insurance. FAA maintains standby nonpremium war-risk insurance policies for 48 air carriers having approximately 1,050 aircraft available for Defense or State Department charter operations. No coverage was extended during 1999.

FAA normally insures only a small number of air carrier operations at any time and establishes a maximum liability for losing one aircraft. In many cases, that maximum liability for both hull loss and liability is $1 billion; but it is usually less and, because FAA can use its regulatory authority to stop flights to high-risk areas and/or terminate insurance coverage, the range of possible liability to FAA in any year is assumed to be between zero and $2 billion. Since the inception of the program (including the predecessor Aviation War Risk Insurance Program dating back to 1951) only four claims ranging between $626 and $122,469 have been paid.

U.S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
Stewardship Investment
Non Federal Physical Property
Airport Improvement Program

For the Fiscal Year Ended September 30, 1999

(Dollars in Thousands)

State/Territory	FY 1998	FY 1999
Alabama	$ 15,556	$ 18,134
Alaska	77,949	70,802
Arizona	47,243	53,135
Arkansas	19,291	21,694
California	101,897	106,161
Colorado	44,768	43,452
Connecticut	1,348	4,971
Delaware	284	197
District of Columbia	206	54
Florida	60,752	71,746
Georgia	41,604	43,556
Hawaii	7,142	12,131
Idaho	12,532	15,578
Illinois	74,514	63,596
Indiana	21,213	27,467
Iowa	16,983	30,450
Kansas	11,250	7,451
Kentucky	43,116	32,741
Louisiana	20,338	24,442
Maine	5,505	4,943
Maryland	9,765	18,136
Massachusetts	22,615	15,259
Michigan	47,890	50,995
Minnesota	23,430	27,902
Mississippi	9,788	14,393
Missouri	35,996	30,089
Montana	13,367	16,727
Nebraska	13,015	14,240
Nevada	30,420	22,981
New Hampshire	11,743	8,789
New Jersey	9,918	25,906
New Mexico	5,327	10,149
New York	67,664	86,754
North Carolina	31,226	50,572
North Dakota	10,980	8,263
Ohio	33,843	46,374
Oklahoma	5,240	14,949
Oregon	17,682	16,138
Pennsylvania	63,025	57,544

U.S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
Stewardship Investment
Non Federal Physical Property
Airport Improvement Program

For the Fiscal Year Ended September 30, 1999

(Dollars in Thousands)

State/Territory	FY 1998	FY 1999
Rhode Island	2,692	10,813
South Carolina	15,419	22,926
South Dakota	10,112	8,893
Tennessee	34,885	36,477
Texas	98,154	103,308
Utah	12,910	8,808
Vermont	5,219	4,141
Virginia	21,733	31,069
Washington	18,405	44,454
West Virginia	19,564	12,592
Wisconsin	30,406	25,512
Wyoming	9,337	7,871
American Samoa	1,329	676
Guam	1,260	10,341
Northern Mariana Island	3,272	4,027
Puerto Rico	10,482	7,163
Trust Territory of Pacific	479	27
Virgin Islands	2,384	9,231
Administration	52,075	75,680
Grand Total……………………	**$ 1,436,541**	**$ 1,612,867**

STEWARDSHIP INVESTMENT

Non-Federal Physical Property.

Airport Improvement Program. FAA makes project grants for airport planning and development under the Airport Improvement Program (AIP) to maintain a safe and efficient nationwide system of public-use airports that meets both present and future needs of civil aeronautics. FAA works to improve the infrastructure of the Nation's airports, in cooperation with airport authorities, local and state governments, and metropolitan planning authorities. In FY 1999, FAA issued 1,489 grants to improve and expand the Nation's airports.

U.S. Department Of Transportation
Federal Aviation Administration
Stewardship Investment
Research and Development

For the Fiscal Year Ended September 30, 1999

(Dollars in Thousands)

Expenditures	**1998**	**1999**
Applied Research	$ 103,274	$ 104,544
Development	48,237	18,358
R&D Plant	11,254	14,290
Administration	54,179	36,466
Total	**$** 216,944	$ 173,658

Stewardship Investment

Research and Development.

Research. FAA conducts research and provides the essential air traffic control infrastructure to meet increasing demands for higher levels of system safety, security, capacity, and efficiency.

Research priorities in FY 1999 included aircraft structures and materials; fire and cabin safety; crash injury-protection; explosive detection systems; improved in-flight icing and ground de-icing operations; better tools to predict and warn of weather hazards, turbulence and wake vortices; aviation medicine, and human factors.

U.S. Department Of Transportation
Federal Aviation Administration
Supplementary Information
Deferred Maintenance
For the Fiscal Year Ended September 30, 1999

(Dollars in Thousands)

Category	Method	Asset Condition*	Costs to Return to Acceptable Condition FY 1998	FY 1999	
Land		-	-	-	(1)
Buildings	Condition Assessment Survey	4&5	18,214	17,539	
Other Structures and Facilities	Condition Assessment Survey	4&5	1,231	37,442	
Aircraft and Aircraft Engines		-	-	-	(2)
National Airspace System (NAS) Equipment		-	-	-	(3)
General Purpose Equipment		-	-	-	(4)
Assets Under Capital Lease		-	-	-	
Total			19,445	54,981	

* Condition Rating Scale:
1: Excellent
2: Good
3: Fair
4: Poor
5: Very Poor

Information on FAA's deferred maintenance is based on condition assessment survey (annual inspection). Standards (orders) are provided for evaluating the fixed assets condition. These standards are combined with FAA's technicians' knowledge, past experiences, and judgment to provide the following:

* Minimum and desirable condition descriptions
* Suggested maintenance schedules
* Standard costs for maintenance actions
* Standardized condition codes

There have not been material changes in the standards in recent years.

FAA recognizes maintenance expense as incurred. However, maintenance was insufficient during the past several years and resulted in deferred maintenance on Buildings and Other Structures and Facilities.

(1) No material maintenance was deferred on land.
(2) Maintenance was not deferred on the FAA aircraft. The aircraft maintenance was ensured through the aircraft maintenance, inspection, preventive maintenance, and alteration programs of the Flight Inspection Maintenance Division programs.
(3) The FAA did not defer maintenance on NAS equipment. The maintenance of the Airway Facilities (AF) systems, subsystems, and equipment in the NAS is guided by the general principle of ensuring availability and reliability of air traffic control, navigation, and communication services. In order to minimize the quantity and duration of service interruption and outages, both planned and unplanned, AF does not generally defer the maintenance of the electronic equipment. Various reasons may cause a maintenance cycle to be skipped, but the maintenance is performed during the next cycle. FAA Order 6000.30 states the minimum standards for reliability and availability of NAS equipment. AF's following initiatives ensure the highest possible levels of performance of NAS equipment:

* Periodic and preventive maintenance programs
* Maintenance of backup equipment for key services in case of equipment interruption or missed maintenance
* Competent technical maintenance staff

(4) The amount recorded as FAA's general purpose equipment was not material, therefore, no material maintenance was differed on these equipment.

U.S. Department Of Transportation
Federal Aviation Administration
Supplementary Information
Intra-Governmental Transactions
For the Fiscal Year Ended September 30, 1999

(Dollars in Thousands)

Intra-Governmental Assets

Agency	Fund Balance with	Accounts Receivable	Investments	Other
Department of the Treasury	$ 751,507	$ 778	$ 12,655,469	$ 162,970
Office of the Vice President		7		
Department of Agriculture		93		
Department of Commerce		605		
Department of the Interior		993		
Department of Justice		95		
Department of the Navy		1,096		
Department of the Army		100		
General Services Administration		27		
National Science Foundation		9		
Department of the Air Force		8,216		
Fed. Emergency Mgmt. Agcy.		221		
National Aeronautics & Space Adm		452		
Department of Energy		66		
US Trade & Development Agency		247		
Department of Defense		7,093		
Other Agencies		22,130		
Total	$ 751,507	$ 42,228	$ 12,655,469	$ 162,970

Intra-Governmental Liabilities

Agency	Accounts Payables	Debt Borrowings from Other Agencies	Environmental	Other
Other Agencies	$ 33,722	$ 24	$ 328,992	$ $110,206
Department of Labor				$187,863
Total	$ 33,722	$ 24	$ 328,992	$ $298,069

Agency	Expenses
Department of the Treasury	$ 73
Department of Justice	26,623
Office of Personnel Management	902,213
Department of Agriculture	150
Department of Commerce	275
Department of the Interior	90
Department of Justice	20
Department of the Army	8
General Services Administration	50
Department of Health & Human Services	127
Department of Defense	198
Department of Labor	84,885
Department of Transportation	16,739
Other	5,499
Total Expenses	$ 1,036,950

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
SUPPLEMENTARY STATEMENT OF BUDGETARY RESOURCES
AS OF SEPTEMBER 30, 1999

(Dollars in Thousands)

	Airport & Airway Trust Fund Corpus	Trust Fund Grants-in-Aid to Airports	Trust Fund Facilities & Equipment	Trust Fund Research, Eng. & Development
BUDGETARY RESOURCES				
Budget Authority	$ 3,365,643	$ 2,410,000	$ 2,121,255	$ 150,367
Unobligated Balances - Beginning of Period	9,151,040	-	443,040	7,940
Spending Authority From Offsetting Collections		-	27,506	4,872
Adjustments	(12,516,610)	(414,285)	139,264	8,406
Total Budgetary Resources	$ 74	$ 1,995,715	$ 2,731,066	$ 171,585
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred	$ 74	$ 1,990,171	$ 2,233,188	$ 157,042
Unobligated Balances-Available	-	5,545	362,536	13,639
Unobligated Balances-Not Available	-	-	135,343	904
Total Status of Budgetary Resources	$ 74	$ 1,995,715	$ 2,731,066	$ 171,585
OUTLAYS				
Obligations Incurred	$ 74	$ 1,990,171	$ 2,233,188	$ 157,042
Less: Spending Authority From Offsetting Collections and Adjustments	-	(45,715)	(166,771)	(13,369)
Obligated Balance, Net Beginning of Period	-	2,502,678	1,664,699	184,340
Obligated Balance Transferred, Net	-	-	-	-
Less: Obligated Balance, Net - End of Period	-	(2,882,220)	(1,535,870)	(154,355)
Total Outlays	$ 74	$ 1,564,913	$ 2,195,247	$ 173,658

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
SUPPLEMENTARY STATEMENT OF BUDGETARY RESOURCES
AS OF SEPTEMBER 30, 1999

(Dollars in Thousands)

Aviation Insurance Revolving	Franchise Fund	Operations	Other Funds	Intra-Agency Eliminations	Consolidated Total
$ -	$ -	$ 5,590,934	$ -	$ -	$ 13,638,200
72,428	951	50,780	921	-	9,727,100
3,502	17,785	4,177,320	-	-	4,230,985
2	-	54,712	(863)	-	(12,729,374)
$ 75,932	$ 18,736	$ 9,873,745	$ 58	$ -	$ 14,866,911
$ 315	$ 17,751	$ 9,756,244	$ 4	$ -	$ 14,154,788
75,429	-	22,547	44	-	479,739
188	985	94,954	10	-	232,384
$ 75,932	$ 18,736	$ 9,873,745	$ 58	$ -	$ 14,866,911
$ 315	$ 17,751	$ 9,756,244	$ 4	$ -	$ 14,154,788
(3,504)	(17,785)	(4,236,895)	(58)	-	(4,484,097)
189	3,953	703,855	183	-	5,059,898
-	-	-	-	-	-
(141)	(5,214)	(646,088)	(118)		(5,224,006)
$ (3,142)	$ (1,294)	$ 5,577,116	$ 11	$ -	$ 9,506,583

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
AVIATION INSURANCE REVOLVING FUND
BALANCE SHEET
As of September 30, 1999

(Dollars in Thousands)

Assets		
Intragovernmental		
Fund Balance with Treasury	$	191
Investments		72,092
Total Intragovernmental Assets	$	72,283
Total Assets	$	72,283
Liabilities		
Other Intragovernmental Liabilities		3
Total Intragovernmental Liabilities	$	3
Accounts Payable	$	3
Other Liabilities		26
Total Liabilities	$	32
Net Position Balances:		
Cumulative Results of Operations		72,251
Total Net Position	$	72,251
Total Liabilities and Net Position	$	72,283

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
AVIATION INSURANCE REVOLVING FUND
STATEMENT OF NET COST
For the year ended September 30, 1999

(Dollars in Thousands)

Costs:		
Programs		
Public	$	383
Less Earned Revenues		(3,503)
Net Program Costs	$	(3,120)
Net Cost Of Operations	$	(3,120)

U.S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
AVIATION INSURANCE REVOLVING FUND
STATEMENT OF CHANGES IN NET POSITION
For the year ended September 30, 1999

(Dollars in Thousands)

Net Cost of Operations	$	3,120
Financing Sources		
Imputed Financing		13
Total Financing Sources	$	13
Net Results of Operations	$	3,133
Net Change in Cumulative Results of Operations		3,133
Change in Net Position		3,133
Net Position Beginning of Period		69,118
Net Position End of Period	$	72,251

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
FRANCHISE FUND
BALANCE SHEET
As of September 30, 1999

(Dollars in Thousands)

Assets		
Intragovernmental		
Fund Balance with Treasury	$	7,426
Accounts Receivable, Net		299
Total Intragovernmental Assets	$	7,725
Accounts Receivable, Net	$	2
General Property, Plant, and Equipment, Net		2,447
Other		4
Total Assets	$	10,178
Liabilities		
Intragovernmental Liabilities:		
Accounts Payable	$	(239)
Other Intragovernmental Liabilities		1,455
Total Intragovernmental Liabilities	$	1,216
Accounts Payable	$	2,506
Other Liabilities		1,862
Total Liabilities	$	5,584
Net Position Balances:		
Cumulative Results of Operations	$	4,594
Total Net Position	$	4,594
Total Liabilities and Net Position	$	10,178

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
FRANCHISE FUND
STATEMENT OF NET COST
For the Fiscal Year Ended September 30, 1999

(Dollars in Thousands)

Costs:		
Programs		
Intragovernmental	$	17,158
Less Earned Revenues		(16,593)
Net Program Costs	$	565
Net Cost Of Operations	$	565

U.S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
FRANCHISE FUND
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 1999

(Dollars in Thousands)

Net Cost of Operations	$	(565)
Financing Sources		
Imputed Financing		577
Total Financing Sources	$	577
Net Results of Operations	$	12
Prior Period Adjustments		28
Net Change in Cumulative Results of Operations		41
Increase (Decrease) in Unexpended Appropriations		-
Change in Net Position		40
Net Position Beginning of Period		4,554
Net Position End of Period	$	4,594

REQUIRED SUPPLEMENTARY INFORMATION

ADMINISTRATIVE SERVICES FRANCHISE FUND

Background/Fund Establishment

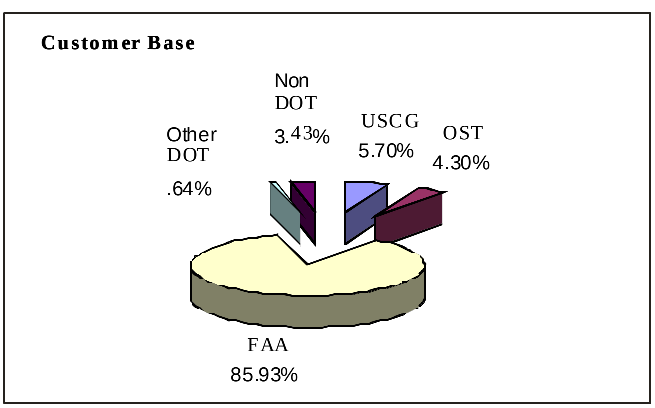
The franchise concept is designed to create competition within the public sector for the performance of a variety of support services. This allows for the establishment of an environment to maximize the use of internal resources through the consolidation and joint-use of like functions and to gain the efficiencies and economies of scale associated with the competitive offering of services to other Government agencies.

The Government Management Reform Act (GMRA) of 1994, Public Law 103-356, provided for the establishment of six franchise fund pilot programs. The six pilots were authorized by the President's Chief Financial Officers (CFO) Council prior to submission of the FAA Franchise Fund proposal. However, the CFO Council's Franchise Fund Working Group strongly endorsed the FAA proposal and recommended submission to Congress as a franchise-like operation. This endorsement resulted in congressional approval, and the Administrative Services Franchise Fund was established in FY 1997.

Services

The Administrative Services Fund offers a wide variety of services. These include international training, accounting, payroll, travel, duplicating, multi-media, information technology, and management training.

The customer base for Franchise Fund services includes DOT and non-DOT Government agencies. The FY-99 revenue percentages by customer are identified in the customer base pie chart.



Benefits/Accomplishments

Benefits from the franchise environment occur incrementally over time through efficiencies and economies of scale associated with development of partnerships and consolidation of like functions plus the addition of new customers. During the first 3 years of operation, activities within the Administrative Services Franchise Fund have identified a number of advantages, benefits, and results from participation in the fund. The general impacts/benefits are:

- A more businesslike orientation
- Customer-driven decisions
- Emphasis on the cost of doing business and the full recovery of costs
- Reduction in the delivery price of some products/services
- Flexibility of the revolving fund environment including reduction of year-end crunch
- Use of retained earnings to build a base for equipment upgrades, improved services, etc.
- Renewed employee enthusiasm and the sense of challenge
- Development and refinement of specific measurement processes
- Identification of partnering/consolidation opportunities

Specific accomplishments include:

- Centralized/consolidated international training activities at the FAA Academy at no additional cost.
- Increased FAA influence on global aviation system and improvement of overall safety through advancement of the international training program.
- Absorbed a reduction in the printing budget allocation with no commensurate reduction in service level.
- Consolidated two services (multi-media and printing) into one division with a single manager (instead of two) resulting in ability to shift resources to the working level.
- Purchased equipment upgrades in printing and multi-media to improve technology, increase capability, and replace worn-out units through use

of the retained earnings provisions of the revolving fund. This resulted in improved service delivery and would not have been possible using the annual appropriation cycle alone.

- A cost avoidance of approximately $2.8 million annually due to significantly lower prices than local quick print competitors ($0.025 versus $0.07 per impression).
- Reduced cost per impression from $0.025 to $0.023 (8%) in FY 1999 resulting from efficiencies gained through new technology and economies of scale associated with new customers and increased product output.
- Centralized permanent change of station (PCS) processing within the agency.
- Negotiated an agreement with one new customer for collections processing, one new customer for PCS processing, and one new customer for accounting services.

FY-99 Fund Activity

The fund provided services totaling $17.3 M in FY-99. The following is a graphic presentation of the distribution of customer reimbursement by service activity for FY 1999.

In addition, collections of $769K were made during FY-99 for services to be performed in FY-00. The breakdown of this $769K deferred revenue is: $67K deferred revenue collected by International & Management Training; $244K deferred revenue collected by Multimedia & Information Technology; $15K deferred revenue collected by Printing & Distribution; and $443K deferred revenue collected by Financial Services.