U.S. Department of the Interior
Notes to Principal Financial Statements
as of September 30, 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of the Interior is a Cabinet agency of the Executive Branch of the United States Government. Created in 1849 by Congress as the Nation's principal conservation agency, 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, including the Land and Water Conservation Fund, the Historic Preservation Fund and the Reclamation Fund. The financial statements do not, however, include 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 Indian Trust Funds under separate cover. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as public borrowing or tax revenue, which may in part be attributable to Interior.

B. Organization and Structure of Interior

At September 30, 1999, Interior was comprised of the following eight operating bureaus and offices (Bureaus) and Departmental Offices:

- National Park Service
- U.S. Fish and Wildlife Service
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service
- 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 Discussion and Analysis portion of this report. In addition, more detailed information about the bureaus and offices may be found in the individual audited financial reports prepared by the bureaus and offices.

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, and budgetary resources of the U.S. Department of the Interior (Interior or the Department) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB) and Interior's accounting policies which are summarized in this note. 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.

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, Cash, and Other Monetary Assets

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

E. Investments

Interior invests funds in federal government securities on behalf of various Interior programs and for amounts held in certain escrow accounts. In addition, the Bureau of Indian Affairs is authorized by law to invest irrigation and power receipts in federal and non-federal securities. Investments in non-federal securities consist of certificates of deposit from insured institutions. Note 3 provides additional information concerning investments.

F. Accounts Receivable

Accounts Receivable consist 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 4 provides additional information concerning accounts receivable.

G. Inventory

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

H. Property, Plant and Equipment

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 and wildlife enhancement, and recreation; land acquired for general operating purposes; equipment, aircraft and vehicles; and construction in progress. The capitalization and depreciation policies for property, plant and equipment are determined individually by Interior bureaus. In general, buildings and structures are capitalized at acquisition cost and depreciated using the straight-line method over a useful life of from 20 to 50 years with the exception of dams and certain related property which is depreciated over useful lives of up to 100 years. Equipment is capitalized at acquisition cost and is depreciated using the straight-line method over the useful lives generally ranging from 5 to 20 years. Capitalization thresholds are determined by the individual bureaus and generally range from $50,000 to $500,000 for real property and from $5,000 to $15,000 for equipment.

Stewardship Assets

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," established various categories of Stewardship Assets, including stewardship land and heritage assets.

The vast majority of public lands presently under the management of the Department were acquired by the federal government as public domain land during the first century of the Nation's existence and are considered to be stewardship land. A portion of these lands have been set aside as national parks, wildlife refuges and wilderness areas, while the remainder are 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 assets 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 Statement of Financial Position excludes these assets.

The Stewardship Assets section of this report provides additional information concerning stewardship land and heritage assets.

I. Loans and Interest Receivable

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 loans 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. 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 8 provides additional information concerning loans receivable.

J. Receivable from Appropriations

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

K. Investigations and Development

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

L. Liabilities and Contingent 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 Congress, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources, or unfunded liabilities, and there is no legal certainty that the appropriations will be enacted.

Contingent liabilities are those where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. In accordance with federal accounting guidance, the liability for future clean-up 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 clean-up the contamination. Thus, expected future payments for the clean-up of environmental hazards caused by others are not recognized as liabilities by Interior. Rather, 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 performed. See Note 12 for additional information regarding contingent liabilities.

M. Personnel Compensation and Benefits

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.

The Department of Labor (DOL) administers the Workers' Compensation Program on behalf of the federal government, and all payments to workers' compensation program beneficiaries are made by DOL. At any point in time, the Department will have two types of liabilities related to workers' compensation. First, the Department will have a known, unfunded payable to DOL for the amount of actual payments made by DOL but not yet reimbursed by the Department. The Department reimburses DOL for these payments as funds are appropriated for this purpose, and, there is generally a two to three year time period between payment by DOL and receipt of appropriations by the Department. Second, the Department has an estimated, unfunded liability for future payments to existing beneficiaries as a result of past events. This estimated liability is computed by DOL 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. This unfunded liability is recognized in accordance with SFFAS No. 4, "Managerial Cost Accounting".

Unemployment compensation insurance is paid by the Department to the Office of Personnel Management annually. Sick leave and other types of leave are expensed when used, and no future liability is recognized for these amounts.

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 10 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from 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.

N. 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 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.

Exchange and Non-Exchange Revenue: In accordance with federal government accounting guidance, 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 Statement of Net Cost of Operations and serve to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenues derive from the government's sovereign right to demand payment, including fines for violation of environmental laws, and Abandoned Mine Land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of Interior's operations and are reported on the 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 departmental use are deposited in Treasury and become part of the general receipts used to fund all federal operations. 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.

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

Custodial Revenue: Interior's Royalty Management Program, administered by the Minerals Management Service, collects royalties, rents, bonuses and other receipts from 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. The amounts collected and transferred are disclosed in the Statement of Custodial Activities and are not considered to be revenue of Interior or of the Minerals Management Service.

Aquatic Resources Trust Fund: The Department derives benefits from the Aquatic Resources Trust Fund maintained by the U.S. Treasury, which collects and invests those 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 benefits from sport fish resources. 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. These statements do not reflect the amounts collected and held by Treasury in this fiscal year for reporting in subsequent years.

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

All identified intra-departmental transactions have been eliminated from Interior's consolidated financial statements.

P. 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.

NOTE 2. FUND BALANCE WITH TREASURY

A. Current Assets

Treasury performs cash management activities for all federal agencies. The Fund Balance with Treasury under Current Assets represents the right of Interior to draw on Treasury for allowable expenditures.

B. Assets Held on Behalf of Others

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

Fund Balance with Treasury

(dollars in thousands)	1999
Entity Assets	
Appropriated	$5,053,896
Revolving	496,684
Trust Funds	88,416
Subtotal	5,638,996
Restricted	
Conservation Funds	14,457,518
Reclamation Funds	2,071,844
Total Entity Assets	22,168,358
Non-Entity Assets	
Other Fund Types	
Royalty Management	433,248
Other	271,012
Total Non-Entity Assets	704,260
Total Fund Balance with Treasury	$22,872,618

NOTE 3. INVESTMENTS

A. Current Assets

1. Investments in Federal Securities

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

Treasury Securities as of September 30, 1999

(dollars in thousands)	Par Value	Unamortized Discount	Net Book Value
Office of Surface Mining	$1,764,997	($13,032)	$1,751,965
U.S. Fish and Wildlife Service	426,361	-	426,361
Departmental Offices	204,278	1,838	206,116
Bureau of Indian Affairs	2,026	(7)	2,019
Bureau of Land Management	1,358	(11)	1,347
National Park Service	65	-	65
Total Treasury Securities	$2,399,085	($11,212)	$2,387,873

Office of Surface Mining: Effective October 1, 1991, the Office of Surface Mining was authorized to invest available Abandoned Mine Land (AML) trust funds in non-marketable federal securities. The Bureau of Public Debt is the sole issuer of authorized non-marketable federal securities which are available for purchase through Treasury. 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.

A portion of the 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 $82 million was transferred to this fund in 1999.

U.S. Fish and Wildlife Service: The U.S. Treasury collects, invests, and maintains on behalf of the Fish and Wildlife Service (FWS) the Aquatic Resources Trust Fund, which includes FWS's Sport Fish Restoration Account. Amounts equal to revenues credited during the year may be used in subsequent fiscal years for specified purposes. The FWS investment amount does not include 1999 collections held by Treasury for reporting in subsequent years.

Departmental Offices: Effective 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. These amounts are invested in Treasury securities.

Bureau of Indian Affairs: The Bureau of Indian Affairs (BIA) invests irrigation and power receipts in U.S. Government and public securities until the funds are required for project operations. Federal investments are purchased under the U.S. Treasury Overnighter Program and in Treasury bills and notes. BIA's investments in public securities are discussed more fully below.

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

When previously issued Treasury bills are purchased by the Department, the unamortized discount is calculated by Treasury at the time of the purchase.

2. Investments in Non-Federal Securities

The BIA is authorized by law to invest irrigation and power receipts in federal and non-federal securities. Investments in non-federal 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 corporations. Bonds and bank notes are issued by Federal Home Loan Banks, the Federal Judiciary and the Federal Farm Credit Banks. Investments in federal securities reflect investments held by the BIA's Power and Irrigation program as of September 30, 1999, and are recorded at cost.

B. Assets Held on Behalf of Others

Pursuant to the Outer Continental Shelf Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes on federal securities. The current investment amount results from an ongoing boundary dispute with the State of Alaska dating back to 1979 regarding the location of the state/federal boundary in the Beaufort Sea. The funds are continually reinvested and will be disbursed when the boundary dispute is resolved.

During 1997, based on merits of the dispute, the Supreme Court reached a decision in favor of the federal government. The federal government is currently developing a plan for the distribution of the funds currently held in escrow. This plan will be submitted to the Court for approval, and based on distribution instructions to be included in the final decree, the escrow funds will be immediately distributed.

Investments Held by Minerals Management Service

(dollars in thousands)	1999
Cost	$1,699,809
Amortized Discount	37,217
Net Book Value	$1,737,026

NOTE 4. ACCOUNTS RECEIVABLE

A. Current Assets

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

Accounts Receivable Due from Public

			Past Due Accounts			Allowance for Doubtful	
(dollars in thousands)	Unbilled	Current	1-180 days	181-365 days	Over 1 yr	Accounts	1999
U.S. Geological Survey	$50,009	$12,053	$9,770	$2,031	$5,728	($5,524)	$74,067
Bureau of Reclamation	10,689	586	539	10,945	667	(449)	22,977
Bureau of Indian Affairs	6	5,037	1,829	4,217	18,865	(17,804)	12,149
National Park Service	645	5,967	875	282	1,436	(885)	8,320
Bureau of Land Management	3,335	3,157	767	684	2,785	(2,557)	8,172
U.S. Fish and Wildlife Service	(11)	3,187	95	1,854	492	(351)	5,266
Office of Surface Mining	-	558	279	834	26,223	(26,571)	1,323
Minerals Management Service	182	445	15	19	160	-	820
Departmental Offices and Other	38	5,561	305	91	102	(10)	6,086
Total Accounts Receivable - Public	$64,892	$36,551	$14,473	$20,956	$56,459	($54,151)	$139,180

Due from Federal Agencies: Accounts Receivable Due from Federal Agencies arise from the sale of products and services to other federal agencies, including the sale of maps, the conduct of environmental and scientific services, and the provision of administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the federal government resulting in a lower cost of federal programs and services. All receivables from other federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts may be used occasionally to recognize billing disputes. 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.

Accounts Receivable Due from Federal Agencies

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts	1999
U,S, Fish and Wildlife Service	$ 416,916	$ -	$ 416,916
U.S. Geological Survey	82,213	(1,932)	80,281
Bureau of Indian Affairs	22,612	-	22,612
Bureau of Land Management	14,250	-	14,250
National Park Service	14,226	22	14,248
Minerals Management Service	7,219	-	7,219
Bureau of Reclamation	2,014	-	2,014
Office of Surface Mining	34	-	34
Departmental Offices and Other	30,239	-	30,239
Intra-Departmental Eliminations	(64,394)	-	(64,394)
Total Accounts Receivable - Federal	$525,329	($1,910)	$523,419

B. Other Assets and Assets Held on Behalf of Others

Non-Current, Unmatured, and Other Receivables: These receivables represent amounts due at future dates to the Bureau of Reclamation from the beneficiaries of large water and irrigation projects. The reimbursable costs of multiple-purpose water projects are recovered from project beneficiaries. That portion which will be returned to Treasury is reported as held on behalf of others while the remainder is reported as Reclamation Fund Accounts Receivable (see Note 9).

The federal government and the Central Arizona Water Conservation District (CAWCD) have been engaged in litigation regarding several issues related to the Central Arizona Project (CAP). As a result of the litigation, the federal government and the CAWCD are prepared to enter into a stipulated settlement agreement that would fix CAWCD's repayment obligation at $1.65 billion of the Water Supply System and the New Waddell and Modified Roosevelt Dams Stages of the Central Arizon Project. This represents a reduction of the expected repayment obligation of the CAWCD from what was calculated under the Master Repayment Contract for the Central Arizona Project. Under the agreement, CAWCD will pay about $1.67 billion with a fixed interest bearing portion of 73 percent and will reallocate a block of 200,000 acre feet of annual water supply from reimbursable non-federal purposes to non-reimbursable federal purposes. The reallocated federal water is intended for use in settling Indian water rights claims with tribes in central Arizona. The settlement itself does not require congressional approval; however, its implementation will require congressional approval and the settlement is conditioned upon several Indian water rights settlements and other legislation being approved and implemented.

NOTE 5. INVENTORY

The U.S. Geological Survey (USGS) publishes maps and map products for sale to the public and other federal agencies, which are stored primarily in the USGS Rocky Mountain Mapping Center in Denver, Colorado. The inventory is valued at historical cost.

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 stockpile inventory is stored underground in a partially depleted natural gas reservoir. The volume of helium is accounted for on a perpetual inventory basis.

Interior may also enter into agreements with private parties for the recovery and disposal of helium on federal lands and may grant leasehold rights to any such helium. 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. The sale of stockpile crude helium will commence no later than January 1, 2005, and will continue until January 1, 2015, at which time the helium reserves should be reduced to 600 million cubic feet.

Inventory

(dollars in thousands)	1999
Helium	$364,131
Published Maps Held for Sale	16,597
Seized Property for Sale	5,027
Other Inventory	536
Operating Materials	321
Total Inventory	$386,612

NOTE 6. PROPERTY, PLANT, AND EQUIPMENT

The Department complies with the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." This standard established two broad classifications of federal property. General Property, Plant and Equipment, which is presented in the following table, consists of that property which is used in operations and, with some exceptions, consumed over time. Stewardship property, described in Note 7 and in the Stewardship Assets section of the report, consists of public domain land and heritage assets, such as national monuments and historic sites, which are expected to be maintained by Interior in perpetuity for the benefit of current and future generations.

Construction In Progress is used for the accumulation of the 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 entire project is completed, regardless of the status of individual sub-phases of the project.

Fiscal year 1999 accumulated depreciation related to buildings, structures and facilities; vehicles, equipment, and aircraft; and other plant and equipment totals $9,392 million, $738 million, and $24 million, respectively. Buildings, structures, and facilities includes approximately $1,750 million of land.

Property, Plant, and Equipment

(dollars in thousands)	Buildings, Structures, and Facilities	Construction in Progress	Equipment, Vehicles and Aircraft	Other Plant and Equipment	Accumulated Depreciation	1999
Bureau of Reclamation	$18,658,691	$1,987,723	$91,409	$77,289	($7,356,491)	$13,458,621
Bureau of Indian Affairs	2,296,230	84,965	162,278	(0)	(1,390,167)	1,153,306
National Park Service	747,869	183,536	341,157	412	(490,105)	782,869
U.S. Fish and Wildlife Service	931,902	131,966	163,778	-	(469,640)	758,006
Bureau of Land Management	176,398	26,248	252,711	5,186	(229,261)	231,282
U.S. Geological Survey	113,779	-	212,983	-	(189,950)	136,812
Minerals Management Service	-	-	20,080	-	(7,373)	12,707
Office of Surface Mining	-	-	5,822	-	(2,791)	3,031
Departmental Offices & Other	487	197,265	44,354	4,098	(18,190)	228,014
Net Property, Plant and Equipment	$22,925,356	$2,611,703	$1,294,572	$86,985	($10,153,968)	$16,764,648

NOTE 7. STEWARDSHIP ASSETS

Stewardship Assets consist of land and other assets that have been entrusted to the Department to maintain in perpetuity for the benefit of 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. Currently, federal civil and defense agencies administer about 645 million acres, or about 28 percent of the total 2.3 billion acres in the United States. Of the 645 million acres under federal management, approximately 436 million acres are administered by Interior.

The Bureau of Land Management (BLM) has exclusive jurisdiction for about 41 percent, or 264 million acres, of the federally owned lands. Approximately one-third of this area is in the State of Alaska. Public lands under the jurisdiction of BLM are managed under the principles of multiple use and sustained yield for the benefit of all Americans. Public lands are leased to private companies providing vast amounts of oil, natural gas and other valuable minerals. Leases to ranchers allow livestock, primarily sheep and cattle, to forage on more than 170 million acres of public lands. Timber products are another valuable commodity produced from public lands. Public lands are also available for a wide variety of recreational activities, including camping, hunting, fishing, skiing, and hiking.

The Fish and Wildlife Service administers approximately 88 million acres, or about 13 percent of the federally owned lands. The majority of this land comprises 521 national wildlife refuges that provide habitat for migratory birds, endangered species, and other wildlife as well as wildlife oriented public recreation.

The National Park Service administers approximately 78 million acres, or about 12 percent of the federally owned lands. The National Park System encompasses 378 park units in 49 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and the Northern Mariana Islands.

The Bureau of Reclamation administers approximately 6 million acres, or about 1 percent of the federally owned lands. These acres comprise reclamation project lands.

For additional discussion of stewardship land, see the Stewardship Assets section of this report.

NOTE 8. LOANS AND INTEREST RECEIVABLE

The Bureau of Indian Affairs, the Bureau of Reclamation and the National Park Service administer loan programs.

The Bureau of Indian Affairs (BIA) provides direct and 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 and Indian Loan Guarantee Program under Credit Reform and a Liquidating Fund for loans made prior to 1992. For more information on the BIA loans, see the Bureau of Indian Affairs annual report.

The Bureau of Reclamation's loan programs provide federal assistance to organizations wishing to construct or improve water resources development in the western states.

The National Park Service has a single loan with a balance of $5.7 million due from the Wolf Trap Foundation for the Performing Arts. 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.

Loans and Interest Receivable

(dollars in thousands)	1999
Direct and Guaranteed Loans	
Credit Reform Loans	$187,675
Allowance for Subsidy	(113,993)
Total Credit Reform, Net	73,682
Liquidating Loans	73,291
Allowance for Doubtful Accounts	(41,452)
Total Liquidating Loans, Net	31,839
Unmatured Receivables	7,409
Interest Receivable	37,824
Other	21,887
Total Loans and Interest Receivable	$172,641

Direct loans and loan guarantees made during and after 1992 are accounted for in accordance with the requirements of the Credit Reform Act of 1990, and are referred to as credit reform loans. Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The Act provides that the present value of the subsidy costs associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives annual appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

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

NOTE 9. RESTRICTED ASSETS

The Land and Water Conservation Fund, the Historic Preservation Fund, and the Reclamation Fund are included in the financial statements of Interior. 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. In addition, 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. In addition, this fund receives monies from sales of federal assets by the General Services Administration and other sources.

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

The balances in these accounts at September 30, 1999, are as follows:

Restricted Assets

(dollars in thousands)	1999
Conservation Funds	
Land and Water Conservation Fund	$12,371,088
Historic Preservation Fund	2,086,430
Reclamation Fund	3,628,084
Total Assets - Conservation and Reclamation Funds	$18,085,602

NOTE 10. DEFERRED REVENUE

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

NOTE 11. NOTES PAYABLE TO TREASURY

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

Notes Payable to Treasury

(dollars in thousands)	1999
Helium Fund	$1,339,204
Credit Reform Borrowings	124,199
Total Notes Payable to Treasury	$1,463,403

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 U.S. Treasury, either in the form of appropriations to the helium fund to repay the loan or in the form of appropriations to other government users of helium to pay the higher prices necessary to permit loan repayment.

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.

Notes Payable to Treasury from the Helium Fund

(dollars in thousands)	1999
Principal:	
Net Worth Debt	$37,343
Additional Borrowing from Treasury	251,650
Total Principal	288,993
Interest:	
Beginning Balance	1,060,211
Repayments	(10,000)
Ending Balance	1,050,211
Notes Payable to Treasury - Helium Fund	$1,339,204

Interest on borrowing is compound interest on the debts described above, at rates determined by the Secretary of the Treasury taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate was determined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

B. Loans from Treasury under Credit Reform

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

NOTE 12. CONTINGENT LIABILITIES

The Department 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. Other significant contingencies exist where a loss is reasonably possible, or where a loss is probable but an estimate cannot be determined. In some cases, once losses are certain, payments may be from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior for departmental operations.

A. 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 clean up releases of hazardous substances.

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

Interior has an active program to find and monitor its hazardous sites, secure the affected areas, and begin clean-up of 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 clean-up 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.

Interior has recognized an estimated liability of $163 million for sites where the Department either caused contamination or is otherwise related to it in such a way that it may be legally liable for clean-up of the hazard, and the environmental clean-up liability is probable and reasonably estimable. This estimate includes the expected future clean-up costs, or for those sites where future liability is unknown, the cost of study necessary to evaluate clean-up requirements. Interior's total contingent liability for environmental clean-up of sites, including those where liability is considered probable and reasonably estimable, may be over $390 million. The estimated liability excludes estimates of future mineral site restorations, discussed below, for which Interior will voluntarily undertake remediation without legal responsibility to do so.

In addition to the limited number of cases discussed above where Interior may have created or contributed to the hazards, other hazardous conditions exist on public lands for which the Department might fund clean-up. These costs, which are not included in contingent liabilities, may result from:

- legal mining activities by others over the past two centuries and prior to current strict environmental clean up and restoration laws;
- legal mining activities subject to current standards, but where the responsible party cannot be found, has declared bankruptcy, or otherwise cannot be compelled to remove the hazard;
- illegal activities, including active and abandoned narcotics laboratories, hazardous materials dumping, and illegal mining; and
- transportation spills, landfills, pipelines, and airports.

B. Indian Trust Funds

The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the federal government for Indian tribes and individuals. There have been long-standing, complicated problems with Indian trust fund management. The Administration and the Secretary place 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 Money (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 conduct a five-year project to reconcile tribal trust fund account activity over a 20 year period. The report issued by the accounting firm indicated that, while there was no evidence that tribal trust funds had been lost or stolen, the method of record keeping 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. Interior presented to Congress a report that outlined proposed legislative settlement options for resolving disputed balances in tribal trust accounts. Work is underway on a legislative settlement for tribal accounts based on consultations with tribes.

In 1996, plaintiffs brought a class action lawsuit against the Interior Secretary, the Assistant Secretary-Indian Affairs, and the Secretary of the Treasury, alleging breach of trust regarding the handling of IIM trust fund accounts. The court bifurcated the case into prospective ("fixing the system") and retrospective ("correcting the accounts") relief.

Regarding prospective relief, the court held in a December, 1999 decision that the Defendants breached certain statutory trust duties under the Indian Trust Fund Management Reform Act by failing to establish written policies and procedures, which are necessary to render an accurate accounting of the IIM trust, in four areas: collecting from outside sources missing information, retention of IIM-related trust documents, computer and business system architecture, and staffing. The court, which retained jurisdiction for five years, directed the Defendants to establish the necessary written policies and procedures, and it required that quarterly status reports be filed. The federal government has filed an appeal. Regarding retrospective relief, a date for trial has not yet been set. In the meantime, on April 3, 2000, the Department began an administrative proceeding to develop a process for evaluating past losses, if any, to individual Indians. Although the plaintiffs assert that potential liability is over twenty billion dollars, the Office of the Solicitor states that neither an evaluation of the probability of an unfavorable outcome nor an accurate estimate of the range of potential loss can currently be made. Moreover, the court has held that the litigation is, itself, not a case that will result in money damages, but a claim for an accounting. The court has also noted that resolution of this case could support a future claim for money.

No estimate is made at this time regarding any financial liability that may result from settlement from tribal accounts, the IIM class action lawsuit, and any other related claims.

C. Other Contingent Liabilities

There are numerous claims filed against the Department and its bureaus with adjudication pending. As of September 30, 1999, $627 million has been accrued in the financial statements 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. These amounts exclude contingent liabilities reported on prior year financial statements regarding cases which were won on appeal. Cash settlements are expected to be paid out of the Judgement Fund maintained by Treasury rather than from operating resources of Interior. However, in suits brought through the Contract Disputes Act of 1978, the Department is required to reimburse the Judgement Fund from current agency appropriations.

No amounts have been accrued in the financial records for claims where the amount or probability of judgment is uncertain. Two bureaus are defendants in certain litigation where damage awards being sought could amount to $1 billion or more; however, the ultimate outcome of these cases cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of these proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

Subsequent to the end of the fiscal year, a fire in Bandelier National Monument spread to surrounding areas, including Los Alamos, New Mexico, resulting in significant property loss. Investigations are being conducted. The results of the investigations are not available and potential financial implications on the federal government are not known.

NOTE 13. UNEXPENDED APPROPRIATIONS

Unexpended Appropriations consist of obligated funds, unobligated funds, and unavailable authority. Obligated funds represent amounts designated for payment of goods and services ordered but not received (undelivered orders), or for goods received and not yet paid for. The total balance of Undelivered Orders was over $3 billion as of September 30, 1999.

Unobligated funds, depending on budget authority, are generally available for new obligations in current operations; however, there may be restrictions placed on the availability of these amounts for obligation. Unobligated funds include amounts made available for multiple fiscal years and no-year appropriations that are available for an indefinite period of time. Unavailable authority includes amounts appropriated to the Department in prior fiscal years, which may not be used for current operations.

Unexpended Appropriations

(dollars in thousands)	Obligated	Unobligated Available	Unobligated Unavailable	1999
Bureau of Indian Affairs	$524,885	$519,210	$94,934	$1,139,029
U.S. Fish and Wildlife Service	685,687	407,341	11,786	1,104,814
National Park Service	604,673	348,484	13,713	966,870
Bureau of Reclamation	367,095	159,774	-	526,869
Bureau of Land Management	167,134	181,427	-	348,561
Office of Surface Mining	260,497	53,736	7,566	321,799
U.S. Geological Survey	94,004	56,144	-	150,148
Minerals Management Service	66,294	3,167	3,687	73,148
Departmental Offices & Other	666,368	258,574	129,816	1,054,758
Total Unexpended Appropriations	$3,436,637	$1,987,857	$261,502	$5,685,996

NOTE 14. OPERATING 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 $376 million in 1999 and are included in the table on the following page.

Schedules A and B reflect data provided to the Department of Treasury by Budget Functional Classsification Code for inclusion in the Consolidated Financial Statements of the federal government, based on guidance and direction from the Department of Treasury. These Budget Functional Classification 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.

Operating Expenses

(dollars in thousands)	1999
Salaries and Benefits	$4,113,434
Contractual Services	2,914,916
Grant, Subsidies and Contributions	2,099,898
Acquisition of Stewardship Property	343,950
Rent, Communication and Utilities	383,931
Supplies and Materials	355,773
Acquisition of Non-Capitalized Property	251,737
Travel and Transportation	492,673
Printing & Reproduction	-
Acquisition of Heritage Assets	22,438
Other Expenses	196,655
Intra-Departmental Eliminations	(342,457)
Total Operating Expenses	$10,832,948

A. Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue	Net Cost
Natural Resources	$8,388,815	$2,089,530	$6,299,285
Community and Regional Development [1]	2,488,474	235,044	2,253,430
General Government	484,223	19,700	464,523
Transportation	225,744	-	225,744
Other	-	-	-
Total Gross Cost and Earned Revenue by BFC	$11,587,256	$2,344,274	$9,242,982

[1] Community and Regional Development includes the Bureau of Indian Affairs Education Program which correlates to Budget Functional Classification 500.

B. Intra-Governmental Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue	Net Cost
Natural Resources	$1,107,855	$920,981	$186,874
Community and Regional Development	117,958	56,940	61,018
General Government	10,542	29	10,513
Education and Training	6,164	3	6,161
Transportation	5,109	-	5,109
Other	-	722	(722)
Total Intra-governmental Gross Cost and Earned Revenue by BFC	$1,247,628	$978,675	$268,953

NOTE 15. PRIOR PERIOD ADJUSTMENTS

Several Interior bureaus have reviewed historic property records and have implemented new property accounting systems and procedures, resulting in adjustments to reported property and accumulated depreciation balances. Property adjustments identified in 1999 include (1) the correction of an error in which the value of certain land had been included in depreciable property, plant, and equipment accounts, and (2) the correction of certain construction-in-progress accounts where assets had not been removed from the in-progress account upon completion. In addition, property adjustments were made to remove certain heritage assets under construction from construction-in-progress accounts to correspond with a literal interpretation of SFFAS No. 6.

In 1999, Interior recorded certain prior period adjustments related to revenue. These adjustments include entries by the Bureau of Reclamation to establish a receivable of approximately $190 million related to revenue earned in a prior fiscal years on the Central Valley Project and entries of approximately $100 million related to a change in the rate calculation for power revenues earned in prior fiscal years.

Prior Period Adjustments

	1999
Adoption of New Accounting Standards and Policies	
Adoption of New Capitalization Thresholds	$33,778
Adjustments and Corrections	
Adjustments to Property, Plant, and Equipment -	
Adjustments to Property and Depreciation	494,041
Adjustments to Construction in Progress	237,027
Revenue and Expense Adjustments	(370,384)
Adjustments of Equity	14,128
Other	10,997
Total Prior Period Adjustments	$419,587

NOTE 16. CUSTODIAL AND INTRA-DEPARTMENTAL ACTIVITY

Interior collects, on behalf of the federal government, amounts on offshore lease sales, mineral rents and royalties and miscellaneous collections resulting from money received in error from mineral industry payors. By law, custodial revenues are transferred to the U.S. Treasury, National Park Service Conservation Funds, states, Bureau of Reclamation, Indian tribes and agencies, and Minerals Management Service Offshore Program, and other federal agencies. In 1999, this amounted to $4.6 billion. The Statement of Custodial Activity summarizes the collections on behalf of the federal government.

Due to the nature of Interior's operations and the appropriations language authorizing the collection and use of certain receipts, there are several instances where various revenues earned or collected by Interior are first reported as Revenue or Custodial Collections and Transfers Out. They are later appropriated to the Department for use, and then are recognized as Appropriated Capital Used on the Statement of Changes in Net Position. For example:

- Conservation Fund Revenues each year consist primarily of oil and gas revenues collected by the Minerals Management Service reported as Collections of Custodial Revenue.

- Other Financing Sources on the Statement of Changes in Net Position include approximately $371 million of custodial oil and gas revenues transferred to the Bureau of Reclamation.

- Conservation Fund Transfers are primarily made available for use within the Department, including the Everglades Restoration Fund (administered by the Office of the Secretary) and the National Park Service.

NOTE 17. INDIAN TRUST FUNDS

The Department, through the Office of the Special Trustee (OST), maintains approximately 1,400 accounts for 315 tribal entities with assets in excess of $2.5 billion. Each year, more than $400 million passes through the tribal trust funds system. The OST also maintains about 280,000 Individual Indian Monies (IIM) trust fund accounts through which over $300 million pass each year.

The balances that have accumulated in the tribal trust funds have generally resulted from land use agreements, royalties on natural resource depletion, tribal enterprises related to trust resources, judgement awards, settlement of Indian claims and investment income.

The Individual Indian Monies Fund is primarily a deposit fund for Individuals. IIM account holders realize receipts primarily from royalties on natural resource depletion, land use agreements, enterprises having a direct relationship to trust fund resources and investment income.

The Tribal and Other Special Trust Funds contain the following three categories of trust funds as delineated by OMB and the Interior Solicitor:

1. Funds held on behalf of Indian tribes (considered non-federal monies).

2. Funds held on behalf of Indian tribes but pending some official action by the tribes (considered federal monies).

3. Funds which either revert back to the federal government upon certain conditions, or the corpus of the fund is non-expendable (considered federal monies).

The balances held for the above three categories are reflected as separate components of the fund balance in the summary financial statements below. Categories 2 and 3 are blended into the Department of Interior financial statements.

There are six budget clearing and suspense accounts not previously audited that are included in the current audited financial statements.

A summary of the Tribal and Other Special Trust Funds, and Individual Indian Monies Trust Fund balances is presented on the following page. These amounts do not include trust land managed by the Department. An audit report issued by an independent public accountant has been published covering 1999 Indian Trust Fund financial statements. The auditors expressed a qualified opinion on these balances due to:

- Unreconcilable differences of approximately $35,000,000 between the total cash balances reflected by the Office of Trust Fund Management (OTFM) for Tribal and Other Special Trust Funds, and Individual Indian Monies and the balances reported by Treasury as of September 30, 1999. These differences have remained constant at approximately $35,000,000 since 1995. Treasury reports reflect balances less than OTFM balances. Issue papers and proposed action plans for these differences have been shared with departmental personnel and are the subject of interdepartmental discussions.

- Inadequacies in various Indian Trust Fund accounting systems and subsystems.

- Inadequate controls and records and deficiencies in internal controls.

- Disagreement from certain trust fund beneficiaries with regard to their reported balances.

For more information, see Note 12, Contingent Liabilities.

Tribal and Other Special Trust Funds
Combined Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 1999
(dollars in thousands)

	1999
ASSETS	
Current Assets	
Cash with U.S. Treasury	$1,972
Investments	2,593,781
TOTAL ASSETS	2,595,753
TRUST FUND BALANCES	
Held for Indian Tribes and Other Special Trust Funds	2,345,668
Held for Indian Tribes and Other Special Trust Funds - Pending Action to be taken by the Tribe	135,468
Held for Department of Interior and considered to be U.S. Government Funds	114,617
TOTAL TRUST FUND BALANCES	$2,595,753

Tribal and Other Special Trust Funds
Combined Statement of Changes in Trust Fund Balances - Cash Basis
for the period ending September 30, 1999
(dollars in thousands)

	1999
Receipts	$459,975
Disbursements	323,677
Receipts in Excess of Disbursements	136,298
Trust Fund Balances - Beginning of Year	2,459,455
Adjustment for Suspense Accounts	0
Trust Fund Balances - End of Year	$2,595,753

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
as of September 30, 1999
(dollars in thousands)

	1999
ASSETS	
Current Assets	
Cash with U.S. Treasury	$615
Investments	443,397
Other Assets	
Accrued Interest Receivable	5,268
TOTAL ASSETS	449,280
TRUST FUND BALANCES, Held for Individual Indians	$449,280

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
for the years ending September 30, 1999
(dollars in thousands)

	1999
Receipts	$306,729
Disbursements	336,637
Receipts in Excess of Disbursements	(29,908)
Trust Fund Balances - Beginning of Year	479,188
Trust Fund Balances - End of Year	$449,280

NOTE 18. WORKING CAPITAL FUNDS

Interior has four working capital funds established by law to finance a continuing cycle of operations, with the receipts from the operations available for use by the funds without further action by Congress. The four working capital funds, which operate as revolving funds, are established in the Bureau of Reclamation, the Office of the Secretary, the Bureau of Land Management, and the U.S. Geological Survey. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Interior bureaus and offices and other federal agencies; however, some services are provided to states, and non-government entities. Some of the significant services provided to customers consist of central reproduction, telecommunications, aircraft services, supplies, publications, training, computer processing and related activities, engineering and technical services, and certain cross-servicing activities such as payroll, personnel, and financial and accounting services. The services provided by the working capital funds are usually those that may be performed more advantageously on a reimbursable basis. In addition, Interior manages the Interior Franchise Fund which is a part of the Franchise Fund Pilot program authorized by the Government Management Reform Act of 1994.

The following condensed information about assets, liabilities, and net position of the Interior working capital funds is summarized for the fiscal year ended September 30, 1999. The financial information presented includes intra-departmental transactions.

U.S. Department of the Interior
Supplemental Statement of Financial Position
Combined Working Capital Funds
as of September 30, 1999
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
Assets						
Fund Balance with Treasury & Cash	$56,895	$26,337	$45,683	$128,243	$15,600	$272,758
Accounts Receivable	5,805	-	5,654	14,474	10,863	36,796
Property Plant & Equipment	37,960	56,835	2,869	28,727	-	126,391
Other Assets	406	219	113	543	3	1,284
Total Assets	101,066	83,391	54,319	171,987	26,466	437,229
Liabilities and Net Position						
Liabilities to the Public						
Accounts Payable and Other	25,862	251	2,734	12,361	-	41,208
Liabilities to Federal Agencies						
Accounts Payable and Other	2,031	10	49,680	23,729	26,546	101,996
Total Liabilities	27,893	261	52,414	36,090	26,546	143,204
Net Position						
Cumulative Results of Operations	73,173	83,130	1,905	135,897	(80)	294,025
Total Net Position	73,173	83,130	1,905	135,897	(80)	294,025
Total Liabilities and Net Position	$101,066	$83,391	$54,319	$171,987	$26,466	$437,229

U.S. Department of the Interior
Supplemental Statement of Operations
Combined Working Capital Funds
as of September 30, 1999
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
Expenses						
Operating Expenses	$280,357	$8,536	$45,850	$194,939	$43,528	$573,210
Depreciation and Amortization	7,002	8,016	262	1,723		17,003
Net Loss (Gain) on Disposition of Assets	284	(702)	313	30		(75)
Bad Debt Expense	5	-	-	1		6
Other Expenses	4	(0)	3	14		21
Total Expenses	287,652	15,850	46,428	196,707	43,528	590,165
Revenues						
Sales of Goods and Services to the Public	7,622	(87)	-	(2,194)	86	5,427
Sales of Goods and Services to Federal Agencies	260,981	17,253	45,762	201,109	43,590	568,695
Other Revenues	9	2,476	-	-	-	2,485
Total Revenues	268,612	19,642	45,762	198,915	43,676	576,607
Net Cost of (Profit From) Operations	$19,040	($3,792)	$666	($2,208)	($148)	$13,558