United States Government Notes to the Financial Statements for the Years Ended September 30, 2002 and September 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

This *Financial Report* includes the financial status and activities of the executive branch, the legislative branch (the U.S. Senate and the U.S. House of the Representatives report on a cash basis), and the judicial branch (also reports on a cash basis) of the Government. This includes corporations that are part of the Government. The Appendix contains a list of significant Government entities included in these financial statements, as well as a partial list of entities excluded. The financial reporting period ends September 30 and is the same used for the annual budget.

Material intragovernmental transactions were eliminated in consolidation, except as described in Note 16—Unreconciled Transactions Affecting the Change in Net Position.

B. Basis of Accounting and Revenue Recognition

This *Financial Report* is based on Generally Accepted Accounting Principles (GAAP). These principles typically recognize:

- Expenses when incurred.
- Non-exchange (unearned) revenues on a modified cash basis of accounting. Non-exchange revenues arise primarily from the exercise of the Government's power to tax and levy duties, fines and penalties. Remittances of non-exchange revenue are recognized when received. Related receivables are recognized when measurable and legally collectible. Refunds and other offsets are recognized when measurable and legally payable and are netted against non-exchange revenue.
- Exchange (earned) revenues when earned. Exchange (earned) revenues arise when a Government entity provides goods and services to the public for a price. Earned revenue represents revenue earned from user charges, such as admission fees to Federal parks and insurance premiums that are recognized when the Government provides the goods or services.

This basis of accounting differs from that used for budgetary reporting, which is primarily on a cash basis according to accepted budget concepts and policies. (See Reconciliations of Net Operating Cost and Unified Budget Surplus (or Deficit) on page 56.

This *Financial Report* presents comparative fiscal 2001 data. Some balances previously reported for fiscal 2001 are reclassified. Interest accrued by Treasury on debt held by the public, which was included in prior years in Note 9—Accounts Payable, is now reported in Note 10—Federal Debt Securities Held by the Public and Accrued Interest.

New for fiscal 2002 is the implementation of SFFAS No. 24. Under the provisions of SFFAS No. 24, two new principal statements are included in the *Financial Report*: Reconciliations of Net Operating Cost and Unified Budget Surplus (or Deficit) and Statements of Changes in Cash Balance from Unified Budget and Other Activities. These Statements reconcile net operating cost with the President's budget surplus (or deficit) and explain how the annual budget surplus (or deficit), which is derived from the Treasury Central Accounting and Reporting System, relates to the change in the Government's operating cash.

In addition, SFFAS No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, was also implemented at the Governmentwide reporting level for fiscal 2002. SFFAS No. 21 amends SFFAS No. 7 to require that reporting entities restate prior period financial statements for material errors discovered in the current period, if such statements are provided for comparative purposes, and if the effect of error would be material to the financial statements in either period.

C. Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after fiscal 1991 are reported based on the present value of the net cashflows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during a year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before fiscal 1992 are valued under two different methodologies within the Government: the allowance-for-loss method and the present-value method. Under the allowance-for-loss method, the outstanding principal of direct loans is reduced by an allowance for uncollectible amounts; the liability for loan guarantees is the amount the agency estimates would more likely than not require future cash outflow to pay default claims.

Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cashflows. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.

D. Accounts and Taxes Receivable

Accounts receivable represents claims to cash or other assets from entities outside the Government that arise from the sale of goods or services, duties, fines, certain license fees, recoveries, or other provisions of the law.

The category taxes receivable consists primarily of uncollected tax assessments, penalties, and interest when taxpayers have agreed the amounts are owed, or a court has determined the assessments are owed. The Balance Sheets do not include unpaid assessments when neither taxpayers nor a court have agreed that the amounts are owed (compliance assessments) or the Government does not expect further collections due to factors such as the taxpayer’s death, bankruptcy, or insolvency (writeoffs). Taxes receivable are reported net of an allowance for the estimated portion deemed to be uncollectible.

E. Inventories and Related Property

Inventories within the Government are valued using historical cost, net realizable value, and latest acquisition cost (see Note 6—Inventories and Related Property, Net). Historical cost methods include first-in-first-out, weighted average, and moving average. Estimated repair costs reduce the value of inventory held for repair. Excess, obsolete, and unserviceable inventories are valued at estimated net realizable values. When latest acquisition cost is used to value inventory held for sale, it is adjusted for holding gains and losses in order to approximate historical cost.

The related property portion of the inventory and related property line includes operating materials and supplies, stockpile materials, commodities, seized and monetary instruments, and forfeited property. Operating materials and supplies are valued at historical cost, latest acquisition cost, and standard price using the purchase and consumption method of accounting. Operating materials and supplies that are valued at latest acquisition cost and standard pricing are not adjusted for holding gains and losses.

F. Property, Plant and Equipment

Property, plant and equipment used in Government operations are carried at cost. Depreciation and amortization expense applies to property, plant and equipment reported on the Balance Sheets except for land, unlimited duration land rights and construction in progress. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. Refer to the Stewardship Information section for assets excluded in this section.

G. Federal Employee and Veteran Benefits Payable

Federal employee and veteran benefits payable are recorded during the time employee services are rendered. The related liabilities for defined benefit pension plans and post-retirement health benefits are recorded at estimated present value of future benefits, less the estimated present value of future normal cost contributions.

Normal cost is the portion of the actuarial present value of projected benefits allocated as an expense for employee services rendered in the current year. Actuarial gains and losses (and prior and past service cost, if any) are recognized immediately in the year they occur, without amortization. Due to the effect of Public Law No. 106-398 (National Defense Authorization Act) enacted October 30, 2000, TRICARE benefits are extended to military retirees and their beneficiaries eligible for Medicare.

H. Environmental and Disposal Liabilities

Environmental and disposal liabilities are recorded at the estimated current cost of removing, containing and/or disposing of hazardous waste and environmental contamination, assuming the use of current technology. Hazardous waste is a solid, liquid, or gaseous waste that, because of its quantity or concentration, presents a potential hazard to human health or the environment. Remediation consists of removal, decontamination, decommissioning, site restoration, site monitoring, closure and post-closure cost, treatment, and/or safe containment. Where technology does not exist to clean up hazardous waste, only the estimable portion of the liability, typically safe containment, is recorded.

I. Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been or scheduled maintenance that was delayed or postponed. Maintenance is the act of keeping fixed assets in acceptable condition, including preventative maintenance, normal repairs, and other activities needed to preserve the assets, so they continue to provide acceptable services and achieve their expected life. Maintenance excludes activities aimed at expanding the capacity of assets or otherwise upgrading them to serve needs different from those originally intended. Deferred maintenance information is disclosed in the Supplemental Information to the Financial Statements.

Deferred maintenance expenses are not accrued in the Statements of Net Cost or recognized as liabilities on the Balance Sheets.

J. Commitments and Contingencies

In the normal course of business, the Government has a number of unfulfilled commitments that will require the use of its financial resources. Note 18—Commitments and Contingencies describes the components of the Government's actual commitments that need to be disclosed because of their nature and/or their amount. They include long-term leases, undelivered orders, and other commitments.

Liabilities for contingencies are recognized on the Balance Sheets when both:

- A past transaction or event has occurred.

- A future outflow or other sacrifice of resources is probable and measurable.

The estimated contingent liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, then that amount is recognized. If no amount within the range is a better estimate than any other amount, then the minimum amount in the range is recognized.

Contingent liabilities that do not meet the above criteria for recognition, but for which there is at least a reasonable possibility that a loss may have been incurred, are disclosed in Note 18.

K. Social Insurance

A liability for social insurance programs (Social Security, Medicare, railroad retirement, black lung and unemployment) is recognized for any unpaid amounts due as of the reporting date. No liability is recognized for future benefit payments not yet due. For further information, see the Stewardship Information section on Stewardship Responsibilities, and Note 19—Dedicated Collections.

L. Related Party Transactions

Federal Reserve Banks (FRBs), and private banks, which are not part of the reporting entity, serve as the Government's depositary and fiscal agent. They process Federal payments and deposits to Treasury's account and service Treasury securities. FRBs owned $603 billion and $558 billion of Treasury securities held by the public as of September 30, 2002, and 2001, respectively. FRB earnings that exceed statutory amounts of surplus established for FRBs are paid to the Government and are recognized as non-exchange revenue. Those earnings totaled $23.7 billion and $26.1 billion for the years ended September 30, 2002, and 2001, respectively. The primary source of these earnings is from interest earned on Treasury securities held by the FRBs. Also, as described in Note 14—Other Liabilities, the FRB holds certificates and special drawing rights certificates.

FRBs issue Federal Reserve notes, the circulating currency of the United States. Specific assets owned by FRBs, typically Treasury securities, collateralize these notes. Federal Reserve notes are backed by the full faith and credit of the Government.

The Government does not guarantee payment of the liabilities of Government-sponsored enterprises such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, which are privately owned. These enterprises also are excluded from the reporting entity.

Note 2. Cash and Other Monetary Assets

Cash and Other Monetary Assets as of September 30

(In billions of dollars)	2002	2001
Operating cash	60.9	44.2
Other cash	28.3	14.2
Total cash	89.2	58.4
International monetary assets	41.0	38.1
Gold	10.9	10.9
Domestic monetary assets	0.5	0.6
Total cash and other monetary assets	141.6	108.0

Cash

Total cash consists of:

- Operating cash of the Government representing balances from tax collections; customs duties; other revenues; Federal debt receipts; and other various receipts, net of checks outstanding, that are held in the Federal Reserve Banks, foreign and domestic financial institutions, and in the U.S. Treasury tax and loan accounts.
- Other cash representing the balances of petty cash and other funds held in agencies' books, plus time deposits in financial institutions.

The Government maintains formal arrangements with numerous financial institutions for holding time deposits known as "compensating balances." These balances, which are included in other cash, totaled $27.4 billion and $13.4 billion as of September 30, 2002, and 2001, respectively. These balances compensate financial institutions for services provided to the Government, such as maintaining zero-balance accounts for the collection of public monies. Operating cash and the other cash of the Government are either insured (for balances up to $100,000) by the Federal Deposit Insurance Corporation (FDIC), or collateralized by securities pledged by financial institutions.

International Monetary Assets

International monetary assets include the U.S. reserve position in the International Monetary Fund (IMF), U.S. holdings of Special Drawing Rights (SDRs), official reserves of foreign currency, and gold.

The U.S. reserve position in the IMF reflects the reserve asset portion of the financial subscription that the United States has paid in as part of its participation in the IMF. The IMF promotes international monetary cooperation and a stable payments system to facilitate growth in the world economy. Its primary activities are surveillance of member economies, financial assistance as appropriate, and technical assistance.

Only a portion of the required payment to the IMF is made in the form of reserve assets; the remainder is payable in the form of a letter of credit from the United States to the IMF.

The balance available under the letter of credit totaled $28.2 billion and $29.3 billion for the years ended September 30, 2002, and 2001, respectively. The U.S. reserve position in the IMF has a U.S. dollar equivalent of $20.9 billion and $18.4 billion for the years ended September 30, 2002, and 2001, respectively.

SDRs are international monetary reserves issued by the IMF. These interest-bearing assets can be obtained by IMF allocations, transactions with IMF member countries, interest earnings on SDR holdings, or U.S. reserve position in the IMF. SDR holdings are an asset of Treasury's Exchange Stabilization Fund (ESF), which held SDRs totaling $11.7 billion and $10.9 billion equivalent for the years ended September 30, 2002, and 2001, respectively.

The IMF allocates SDRs to its members in proportion to each member's quota in the IMF. The SDR Act of 1968 authorized the Secretary of the Treasury to issue SDR Certificates (SDRCs) to the Federal Reserve in exchange for dollars. The amount of SDRCs outstanding cannot exceed the dollar value of SDR holdings. The Secretary of the Treasury determines when Treasury will issue or redeem SDRCs. SDRCs outstanding totaled $2.2 billion for the years ended September 30, 2002, and 2001, respectively, and are included in Note 14—Other Liabilities.

As of September 30, 2002, and 2001, other liabilities included $6.5 billion and $6.3 billion, respectively, of interest-bearing liability to the IMF on the ESF balance sheet for SDR allocations. The SDR allocation item represents the cumulative total of SDRs distributed by the IMF to the United States in allocations that occurred in 1970, 1972, 1979, 1980 and 1981.

Gold

Gold is valued at the statutory price of $42.2222 per fine troy ounce. The number of fine troy ounces was 258,713,310 as of September 30, 2002, and 2001. The market value of gold on the London Fixing as of the reporting date was $323.70 and $293.10 per fine troy ounce for the years ended September 30, 2002, and 2001, respectively. Gold totaling $10.9 billion for each year ended September 30, 2002, and 2001, was pledged as collateral for gold certificates issued and authorized to the FRBs by the Secretary of the Treasury. Treasury may redeem the gold certificates at any time. See Note 14—Other Liabilities.

Domestic Monetary Assets

Domestic monetary assets consist of liquid assets, other than cash, that are based on the U.S. dollar, including coins, silver bullion, and other coinage metals.

Note 3. Accounts Receivable, Net

The category of accounts receivable, that includes related interest receivable, represents claims to cash or other assets from entities outside the Government. An allowance for estimated losses due to uncollectible amounts is established when it is more likely than not the receivables will not be totally collected. The allowance method varies among the agencies in the Government. Methods include statistical sampling of receivables, specific identification and intensive analysis of each case, aging methodologies, and percentage of total receivables based on historical collection. Accounts receivable are net of an allowance for uncollectible accounts: The allowance amounts are $15.3 billion and $17.2 billion for the years ended Septemb er 30, 2002, and 2001, respectively.

Accounts Receivable as of September 30

(In billions of dollars)	2002	2001
Department of Defense	6.4	4.6
Social Security Administration	5.7	4.4
Department of Energy	4.4	4.6
Department of Health and Human Services	4.1	4.2
Department of Agriculture	1.9	2.3
Department of Interior	1.3	1.6
Department of Veterans Affairs	1.2	1.3
Department of the Treasury	0.8	0.5
Department of Housing and Urban Development	0.8	0.8
Tennessee Valley Authority	0.6	0.7
Department of Labor	0.6	0.6
Federal Communications Commission	0.5	0.8
Environmental Protection Agency	0.5	0.5
Department of Education	0.2	2.6
All other departments	3.0	4.7
Total accounts receivable, net	32.0	34.2

Note 4. Loans Receivable and Loan Guarantee Liabilities, Net

The Government uses two methods, direct loans and loan guarantee programs, to accomplish the same goals. These goals are to promote the Nation's welfare by making direct loans and guaranteeing non-Federal loans to segments of the population not served adequately by non-Federal institutions. For those unable to afford credit at the market rate, Federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For those to whom non-Federal financial institutions are reluctant to grant credit because of the high risk involved, Federal credit programs guarantee the payment of these non-Federal loans and absorb the cost of defaults.

The amount of the long-term cost of post-1991 direct loans and loan guarantees outstanding equals the subsidy cost allowance for direct loans and the liability for loan guarantees as of the fiscal year-end. The amount of the long-term cost of pre-1992 direct loans and loan guarantees equals the allowance for uncollectible amounts (or present value allowance) for direct loans and the liability for loan guarantees. The long-term cost is based on all direct loans and guaranteed loans disbursed in this fiscal year and previous years that are outstanding as of the end of this fiscal year. It includes the subsidy cost of these loans and guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortizations, and writeoffs.

Direct Loans and Loan Guarantees as of September 30

(In billions of dollars)	Face Value of Loans Outstanding		Long-term Cost of Loans and Guarantees Outstanding		Net Loans Receivable		Amount Guaranteed by the Government		Subsidy Expense for the Fiscal Year Ended September 30	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Direct Loan Programs:										
Federal Direct Student Loans ...	80.0	70.5	(4.8)	(4.3)	84.8	74.8			0.9	1.8
Rural Utilities Service	39.5	38.8	3.1	3.7	36.4	35.1			0.2	0.5
Rural Housing Service.............	28.2	28.8	7.2	5.3	21.0	23.5			(0.3)	1.1
Federal Family Education Loans .	17.8	19.5	11.5	13.9	6.3	5.6			-	-
Food for Progress credits	10.2	10.5	5.5	5.9	4.7	4.6			(0.3)	-
U.S. Agency for International Development	9.0	9.6	3.3	4.3	5.7	5.3			-	-
Housing and Urban Development	8.5	8.6	0.5	0.4	8.0	8.2			-	-
Agricultural Credit Insurance Fund	4.4	4.3	1.4	1.5	3.0	2.8			0.1	2.2
Direct Loans for Spectrum auction sales	5.3	5.6	-	(0.4)	5.3	6.0			-	(5.5)
Export Credit Guarantees	6.9	7.1	3.2	3.7	3.7	3.4			-	-
Export-Import Bank Loans	7.5	7.6	(0.2)	(0.1)	7.7	7.7			0.1	0.1
Disaster Loan programs	3.2	3.6	(0.6)	(0.1)	3.8	3.7			0.1	1.8
All other programs...................	28.4	29.5	(0.4)	1.3	28.8	28.2			0.3	(1.4)
Total	248.9	244.0	29.7	35.1	219.2	208.9			1.1	0.6
Guaranteed Loan Programs:										
Federal Family Education Loans .	182.0	160.0	11.7	8.4			179.0	157.0	4.5	(0.3)
Subsidized Federal Housing Administration Loans	106.8	107.9	5.5	6.9			95.8	95.9	(0.6)	-
Export-Import Bank guarantees ..	30.3	29.6	1.7	3.2			30.3	29.6	1.8	1.3
Veterans Housing Benefit program................................	216.1	218.5	5.6	5.3			69.5	71.4	(0.1)	-
Small Business Loans	50.1	46.6	1.5	1.1			40.4	37.5	0.7	(0.1)
Israeli Loan Guarantee program..	9.2	9.2	0.7	0.6			9.2	9.2	-	-
Urban and Environmental program	2.1	2.2	0.4	0.5			2.1	2.2	-	-
Overseas Private Investment Corporation Credit program	3.0	3.4	0.5	0.6			3.0	3.4	-	-
Rural Housing Service.............	13.9	13.0	0.3	0.4			12.5	11.6	(0.1)	-
Health Education Assistance Loans...................................	2.7	3.2	0.3	0.4			2.7	3.2	-	-
Export Credit Guarantee programs	4.9	4.4	0.4	0.3			4.7	4.3	-	-
Unsubsidized Federal Housing Administration Loans	501.3	493.7	(1.7)	(0.9)			467.7	459.5	(2.6)	-
All other programs...................	22.0	21.3	1.2	0.9			19.3	18.9	0.2	(0.8)
Total	1,144.4	1,113.0	28.1	27.7			936.2	903.7	3.8	0.1

Net loans receivable includes related interest and foreclosed property, and is included in the assets section of the Balance Sheets.

The total subsidy expense is the cost of direct loans and loan guarantees recognized during the fiscal year. It consists of the subsidy expense incurred for direct and guaranteed loans disbursed during the fiscal year, for modifications made during the fiscal year of loans and guarantees outstanding, and for reestimates as of the end of the fiscal year of the cost of loans and guarantees outstanding. This expense is included in the Statements of Net Cost.

Major Loan Programs

The Department of Education has two major education loan programs. The first major education loan program, the Federal Direct Student Loan program, established in fiscal 1994, offers four types of education loans: Stafford, Unsubsidized Stafford, PLUS for parents, and consolidation loans. Evidence of financial need is required for a student to receive a subsidized Stafford loan. The other three types of loans are available to borrowers at all income levels. These loans usually mature 9 to 13 years after the student is no longer enrolled. They are unsecured. The second major education loan program, the Federal Family Education Loan program established in fiscal 1965, has both direct and guaranteed loan programs. Like the Federal Direct Student Loan program, it offers four types of loans: Stafford, Unsubsidized Stafford, PLUS for parents, and consolidation loans.

USDA, Rural Utilities Service loans are for the construction and operation of electric generating plants, transmission and distribution lines, telecommunication lines, and related systems. These loans carry an average maturity of greater than 20 years and are usually secured.

The major Federal rural housing programs are funded through the Rural Housing Insurance Fund program account. These programs include:

- Very low- and low-to-moderate-income home ownership loans and guarantees.
- Very low-income housing repair loans.
- Multifamily housing loans and guarantees.
- Domestic farm labor housing loans.
- Housing site loans.
- Credit sales of acquired property.

Loan programs are limited to rural areas that include towns, villages, and other places not part of an urban area. The majority of these loans mature in excess of 25 years and is secured by the property of the borrower.

The Department of Housing and Urban Development, Federal Housing Administration (FHA) provides mortgage insurance to encourage lenders to make credit available to expand home ownership. FHA predominately serves borrowers the conventional market does not serve adequately. This includes first-time homebuyers, minorities, lower-income families, and residents of under-served areas.

The VA’s Veterans Housing Benefit program provides partial guarantee of residential mortgage loans issued to eligible veterans, reservists and service members by private lenders. This guarantee allows veterans, reservists, and service members to purchase a home without a substantial down payment.

The Export-Import Bank aids in financing and promoting U.S. exports. To accomplish its objectives, the bank’s authority and resources are used to:

- Assume commercial and political risk that exporters or private institutions are unwilling or are unable to undertake.
- Overcome maturity and other limitations in private sector financing.
- Assist U.S. exports to meet foreign officially sponsored export credit competition.
- Provide leadership and guidance in export financing to the U.S. exporting and banking communities and to foreign borrowers.

Repayment terms for these loans are usually 1 to 7 years.

The U.S. Agency for International Development (USAID) provides economic assistance to selected countries in support of U.S. efforts to promote stability and security interests in strategic regions of the world.

Other loan programs include the Small Business Administration (SBA) general business loan guarantees and disaster loans; and the Farm Service Agency farm ownership, emergency, and disaster loans.

Note 5. Taxes Receivable, Net

Taxes receivable are the gross tax receivables net of allowance for doubtful accounts. The allowance for doubtful accounts is based on projections of collectibility from a statistical sample of taxes receivable. The interest receivable related to taxes receivable totaled $0.1 billion and $0.1 billion for the years ended September 30, 2002, and 2001, respectively.

Taxes Receivable as of September 30

(In billions of dollars)	2002	2001
Gross taxes receivable	89.4	82.2
Allowance for doubtful accounts	(68.0)	(61.1)
Taxes receivable, net	21.4	21.1

Note 6. Inventories and Related Property, Net

Inventories and Related Property as of September 30

(In billions of dollars)	Defense 2002	All Others 2002	Total 2002	Defense 2001	All Others 2001	Total 2001
Inventory purchased for resale	59.4	0.5	59.9	54.5	0.5	55.0
Inventory held in reserve for future sale	2.8	-	2.8	3.9	-	3.9
Inventory held for repair	42.0	0.8	42.8	25.1	0.9	26.0
Inventory—Excess, obsolete and unserviceable	4.5	-	4.5	11.8	-	11.8
Operating materials and supplies held for use	74.9	4.6	79.5	49.1	2.8	51.9
Operating materials and supplies held in reserve for future use	5.1	0.1	5.2	34.5	4.9	39.4
Operating materials and supplies—Excess, obsolete and unserviceable	1.9	0.1	2.0	1.7	-	1.7
Stockpile materials	2.1	38.3	40.4	2.4	37.7	40.1
Other related property	2.3	3.7	6.0	2.3	2.7	5.0
Total allowance for inventories and related property	(48.9)	(2.0)	(50.9)	(49.3)	(1.7)	(51.0)
Total inventories and related property, net	146.1	46.1	192.2	136.0	47.8	183.8

Inventory is tangible personal property that is (1) held for sale, principally to Federal agencies, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee.

Inventory purchased for resale is the cost or value of tangible personal property purchased by an agency for resale. DOD, which accounts for nearly all of the inventory purchased for resale and future sale in the Government, generally uses the Latest Acquisition Cost (LAC) method, which is revalued for holding gains and losses.

Inventory held in reserve for future sale is inventory not readily available, or inventory that will be needed in the future.

Inventory held for repair is damaged inventory, and operating materials and supplies that require repair to make it suitable for sale (inventory), or is more economical to repair than to dispose of (operating materials and supplies).

Inventory—Excess, Obsolete, and Unserviceable inventory:

- Excess inventory is that which exceeds the demand expected in the normal course of operations and which does not meet management's criteria to be held in reserve for future sale.
- Obsolete inventory is that which no longer is needed due to changes in technology, laws, customs, or operations.
- Unserviceable inventory is inventory damaged beyond economic repair.
- Excess, obsolete, and unserviceable inventory is reported at net realizable value.

Operating materials and supplies held for use are tangible personal property to be consumed in normal operations.

Operating materials and supplies held in reserve for future use are materials retained because they are not readily available in the market or because they will not be used in the normal course of operations, but there is more than a remote chance that they will eventually be needed. DOD, which accounts for most of the reported operating materials and supplies, uses LAC and Standard Price under the purchase and consumption methods of accounting to value operating materials and supplies and does not adjust for holding gains and losses, which does not approximate historical cost.

Operating materials and supplies—Excess, Obsolete, and Unserviceable:

- Excess operating materials and supplies are materials that exceed the demand expected in the normal course of operations, and do not meet management's criteria to be held in reserve for future use.
- Obsolete operating materials and supplies are materials that are n o longer needed due to changes in technology, laws, customs, or operations.
- Unserviceable operating materials and supplies are materials damaged beyond economic repair. DOD, which accounts for most of the reported excess, obsolete, and unserviceable operating materials and supplies, does not value excess, obsolete, and unserviceable operating materials and supplies at net realizable value.

Stockpile materials include strategic and critical materials held in reserve for use in national defense, conservation, or national emergencies due to statutory requirements; for example, nuclear materials and oil, and stockpile materials that are authorized to be sold. The amount reported by the DOD is stockpile materials held for sale, and the amount reported in all others is stockpile materials held in reserve, and is reported by the Department of Energy (DOE).

Other related property:

- Commodities include items of commerce or trade that have an exchange value used to stabilize or support market prices.
- Seized monetary instruments are comprised of only monetary instruments that are awaiting judgment to determine ownership. The related liability is included in other liabilities. Other property seized by the Government, such as real property and tangible personal property, is not included as a Government asset. It is accounted for in agency property-management records until the property is forfeited, returned, or otherwise liquidated.
- Forfeited property is comprised of monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; property acquired by the Government to satisfy a tax liability; and unclaimed and abandoned merchandise.
- Other property not classified above.

Note 7. Property, Plant and Equipment, Net

The category of property, plant and equipment consists of tangible assets including land, buildings, structures, automated data processing software, and other assets used to provide goods and services. Certain types of tangible assets, collectively referred to as national defense assets, are currently a category of Stewardship Information that is not required to be reported in these Statements.

FASAB has recommended SFFAS No. 23, *Eliminating the Category National Defense Property, Plant and Equipment*, which removes national defense assets from Stewardship Information and includes them on the Balance Sheet as part of property, plant and equipment. SFFAS No. 23 is currently pending final approval by Congress.

Property, Plant and Equipment as of September 30

(In billions of dollars)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
		2002			2001	
Buildings, structures, and facilities	301.0	146.7	154.3	292.8	141.6	151.2
Furniture, fixtures, and equipment	177.4	99.0	78.4	160.3	89.0	71.3
Construction in progress	61.5	N/A	61.5	54.4	N/A	54.4
Land and land improvements	31.3	7.9	23.4	32.0	8.8	23.2
Automated data processing software	6.9	3.2	3.7	5.7	2.9	2.8
Assets under capital lease	1.9	0.7	1.2	1.7	0.6	1.1
Leasehold improvements	3.3	1.6	1.7	3.1	1.4	1.7
Other property, plant and equipment	0.5	-	0.5	1.0	-	1.0
Total property, plant and equipment, net	583.8	259.1	324.7	551.0	244.3	306.7

Note 8. Other Assets

Other Assets as of September 30

(In billions of dollars)	2002	2001
Securities and investments	36.1	35.6
Advances and prepayments	22.9	21.5
Other	6.4	6.3
Total other assets	65.4	63.4

Securities and investments are presented at cost, net of unamortized premiums and discounts.

Note 9. Accounts Payable

Accounts Payable as of September 30

(In billions of dollars)	2002	2001
Department of Defense	24.9	23.2
Department of Energy	3.3	3.7
Department of Agriculture	3.1	3.3
Department of Veterans Affairs	2.6	2.4
Department of Transportation	2.5	3.5
National Aeronautics and Space Administration	2.4	2.8
Department of Justice	2.4	2.0
United States Postal Service	2.3	2.0
General Services Administration	2.0	1.9
Department of Housing and Urban Development	1.4	1.5
Tennessee Valley Authority	1.3	1.4
Department of Treasury - excluding interest on debt	1.2	0.7
Agency for International Development	1.1	1.2
Department of Health and Human Services	0.7	0.6
Executive Office of the President	0.1	0.9
All other departments	4.5	5.1
Total accounts payable	55.8	56.2[1]

[1] See Note 1B- Basis of Accounting and Revenue Recognition.

The Accounts Payable table includes accounts payable for goods and property ordered and received, and for services rendered by other than Federal employees.

Note 10. Federal Debt Securities Held by the Public and Accrued Interest

Definitions of Debt

Debt Held by the Public—Federal debt held outside the Government by individuals, corporations, State or local governments, Federal Reserve Banks, and foreign governments and central banks.

Intragovernmental Debt Holdings—Federal debt held by Government trust funds, revolving funds, and special funds.

Federal Debt Securities Held by the Public and Accrued Interest

(In billions of dollars)	Balance September 30, 2001	Net Change During Fiscal 2002	Balance September 30, 2002	Average Interest Rate 2002	Average Interest Rate 2001
Treasury Securities (Public):					
Marketable securities					
Treasury bills	734.8	133.4	868.2	1.7%	3.5%
Treasury notes	1,528.1	87.2	1,615.3	4.7%	5.8%
Treasury bonds	652.3	(14.5)	637.8	8.0%	8.0%
Total marketable Treasury securities	2,915.2	206.1	3,121.3		
Non-marketable securities	424.1	7.7	431.8	6.0%	6.3%
Net unamortized premium/ (discounts)	(46.0)	6.7	(39.3)		
Total Treasury securities, net (public)	3,293.3	220.5	3,513.8		
Agency Securities:					
Tennessee Valley Authority	24.9	-	24.9		
All other agencies	1.6	-	1.6		
Total agency securities, net of unamortized premiums and discounts	26.5	-	26.5		
Accrued interest payable[1]	39.5	(6.6)	32.9		
Total Federal debt securities held by the public and accrued interest	3,359.3	213.9	3,573.2		

Types of marketable securities:
Bills – Short-term obligations issued with a term of 1 year or less.
Notes – Medium-term obligations issued with a term of at least 1 year, but not more than 10 years.
Bonds – Long-term obligations of more than 10 years.

[1] See Note 1B- Basis of Accounting and Revenue Recognition.

This table details Government borrowing to finance operations and shows marketable and non-marketable securities at face value including accrued interest and excluding unamortized discounts.

Securities that represent Federal debt held by the public are issued primarily by the Treasury and include:

- Interest-bearing marketable securities (bills, notes, and bonds).
- Interest-bearing nonmarketable securities (foreign series, State and local government series, domestic series, and savings bonds).
- Non interest-bearing marketable and nonmarketable securities (matured and other).

Section 3111 of Title 31, U.S.C., authorizes the Secretary of the Treasury to use money received from the sale of an obligation and other money in the general fund of the Treasury to buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the Government. During fiscal 2002 and 2001, the Secretary of the Treasury authorized the redemption of $12.5 and $33.8 billion of outstanding unmatured marketable Treasury securities at a premium of $3.8 and $10.6 billion, respectively. These early redemption transactions are known as Treasury “buybacks.” The net change of the Federal debt securities held by the public and accrued interest includes $12.5 billion and $33.6 billion during fiscal 2002 and 2001, respectively, related to these buybacks.

As of September 30, 2002, and 2001, respectively, $6,161.4 billion and $5,732.8 billion of debt was subject to a statutory limit (31 U.S.C. § 3101). That limit was $6,400 billion and $5,950 billion as of September 30, 2002, and 2001, respectively. The debt subject to the limit includes Treasury securities held by the public and Government guaranteed debt of Federal agencies (shown in the table above) and intragovernmental debt holdings (shown in the table below).

Intragovernmental debt holdings represent the portion of the gross Federal debt held as investments by Government entities. This includes major trust funds. For more information on trust funds, see Note 19- Dedicated Collections. These intragovernmental debt holdings are eliminated in the consolidation of these financial statements.

Intragovernmental Debt Holdings: Federal Debt Securities Held as Investments by Government Accounts as of September 30

(In billions of dollars)	Balance 2001	Net Change During Fiscal 2002	Balance 2002
Social Security Administration, Federal Old-Age and Survivors Insurance	1,034.1	139.6	1,173.7
Office of Personnel Management, civil service retirement and disability	542.6	31.1	573.7
Department of Health and Human Services, Hospital Insurance	197.1	31.8	228.9
Department of Defense, military retirement	157.0	5.4	162.4
Social Security Administration, Federal Disability Insurance	135.8	19.5	155.3
Department of Labor, unemployment	88.6	(20.3)	68.3
Department of Health and Human Services, Federal Supplementary Medical Insurance	42.0	(3.2)	38.8
Federal Deposit Insurance Corporation funds	44.0	0.5	44.5
Department of Transportation, Highway Trust Fund	24.1	(5.3)	18.8
Railroad Retirement Board	26.9	(1.6)	25.3
Office of Personnel Management, Employees' Life Insurance	23.7	1.6	25.3
Housing and Urban Development, Federal Housing	17.3	4.0	21.3
Department of Veterans Affairs	14.0	(0.1)	13.9
Department of Transportation, Airport and Airway Trust Fund	13.7	(2.7)	11.0
Department of Energy, nuclear waste disposal	21.1	2.3	23.4
All other programs and funds	86.2	4.2	90.4
Subtotal	2,468.2	206.8	2,675.0
Less: Unamortized net discounts	6.2	(4.7)	1.5
Total intragovernmental debt holdings, net	2,462.0	211.5	2,673.5

Note 11. Federal Employee and Veteran Benefits Payable

The Government offers its employees life and health insurance, as well as retirement and other benefits. These benefits apply to civilian and military employees.

The Federal Government administers more than 40 pension plans. OPM administers the largest civilian plan. DOD, meanwhile, administers the largest military plan. The Government offers both defined benefit and defined contribution pension plans. The largest are defined benefit plans. The changes in actuarial accrued post-retirement pension and health benefits liability and components of related expense for the years ended September 30, 2002, and 2001, respectively, are presented below.

Federal Employee and Veteran Benefits Payable as of September 30

	Civilian[1]		Military		Total[1]	
(In billions of dollars)	2002	2001	2002	2001	2002	2001
Pension	1,129.8	1,112.9	730.0	708.3	1,859.8	1,821.2
Post-retirement health benefits	221.4	205.2	592.0	580.9	813.4	786.1
Veterans compensation and burial benefits	N/A	N/A	849.2	691.9	849.2	691.9
Liability for other benefits	46.9	41.1	20.1	20.5	67.0	61.6
Total Federal employee and veteran benefits payable	1,398.1	1,359.2	2,191.3	2,001.6	3,589.4	3,360.8

[1] Does not include U.S. Tax Court and judicial branch.

Change in Actuarial Accrued Pension Liability and Components of Related Expenses

(In billions of dollars)	Civilian [1]	Military	Total [1]
Actuarial accrued pension liability as of September 30, 2001	1,112.9	708.3	1,821.2
Pension Expense:			
Normal costs	23.2	18.5	41.7
Interest on liability	73.9	43.0	116.9
Actuarial (gains)/losses	(31.2)	(4.9)	(36.1)
Total pension expense	65.9	56.6	122.5
Less benefits paid	49.0	34.9	83.9
Actuarial accrued pension liability as of September 30, 2002	1,129.8	730.0	1,859.8

[1] Does not include U.S. Tax Court and judicial branch.

Significant Assumptions Used in Determining Pension Liability and the Related Expense

	Civilian		Military	
(In percentages)	2002	2001	2002	2001
Rate of interest	6.75%	6.75%	6.25%	6.25%
Rate of inflation	3.75%	3.75%	3.0%	3.50%
Projected salary increases	4.25%	4.25%	3.5%	3.50%

Change in Actuarial Accrued Post-Retirement Health Benefits Liability and Components of Related Expenses

(In billions of dollars)	Civilian	Military	Total
Actuarial accrued post-retirement health benefits liability, as of September 30, 2001	205.2	580.9	786.1
Post-Retirement Health Benefits Expense:			
Normal costs	8.7	13.1	21.8
Interest on liability	13.9	34.7	48.6
Actuarial (gains)/losses	1.8	(26.2)	(24.4)
Total post-retirement health benefits expense	24.4	21.6	46.0
Less claims paid	8.2	10.5	18.7
Actuarial accrued post-retirement health benefits liability, as of September 30, 2002	221.4	592.0	813.4

Significant Assumptions Used in Determining Post-Retirement Health Benefits and the Related Expense

	Civilian		Military	
(In percentages)	2002	2001	2002	2001
Rate of interest	6.75%	6.75%	6.25%	6.25%
Rate of health care cost inflation	7.0%	7.0%	2.1-16.73%	4.8-13%

Civilian Employees

Pensions

OPM administers the largest civilian pension plan, which covers approximately 90 percent of all Federal civilian employees. This plan includes two components of defined benefits. These are the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). The basic benefit components of the CSRS and the FERS are financed and operated through the Civil Service Retirement and Disability Fund (CSRDF).

CSRDF monies are generated primarily from employees' contributions, agency contributions, payments from the general fund, and interest on investments in securities. See Note 19—Dedicated Collections.

The Federal Retirement Thrift Investment Board, an independent Government agency, administers the Thrift Savings Plan (TSP) Fund. Federal employees and retirees covered by CSRS and FERS own the fund's assets. These financial statements exclude this fund because the employees own its assets.

Treasury securities held by the fund are included and classified as Treasury securities held by the public. FERS employees may contribute up to 13 percent of base pay to the plan, which the Government matches up to 5 percent. CSRS employees may contribute up to 7 percent of base pay with no Government match.

The TSP Fund held $44.9 billion and $36.8 billion in nonmarketable Treasury securities for the years ended September 30, 2002, and 2001, respectively. The Federal Government's related liability is included in total federal debt securities held by the public and accrued interest in the Balance Sheets.

Health Benefits

Civilian retirees pay the same insurance premium as active employees under the Federal Employees Health Benefits Program. These premiums cover only a portion of the costs.

Other Benefits

Employee and annuitant contributions and interest on investments fund a portion of the Federal Employees' Group Life Insurance program. OPM administers this program, although claims are paid through private insurance companies.

Military Employees (Including Veterans)

Pensions

The DOD Military Retirement Fund finances military retirement and survivor benefit programs.

The military retirement system consists of a funded, noncontributory, defined benefit plan. It applies to the Departments of the Army, Navy, Air Force, and Marine Corps. This system includes non-disability retirement pay, disability retirement pay, and retirement pay for reserve service and survivor annuity programs.

Health Benefits

Military benefits entitle retirees and their dependents to health care in military medical facilities if a facility can provide the needed care. Until they reach age 65, military retirees and their dependents also are entitled to be reimbursed for the cost of health care from civilian providers. A premium is charged to enroll in DOD's civilian care program. In addition, there are deductible and copayment requirements for civilian care. Medicare covers military retirees after they reach 65 years of age.

Military retiree health care figures include the cost of education and training, staffing, buildings and equipment, as well as the operation and maintenance of medical facilities. They also include claims paid to civilian providers and the cost of administering the program.

The large net increase ($293 billion) in Military Retirement Health Benefits (MRHB) actuarial liability as of September 30, 2001, included the effect of Public Law No. 106-398 (the National Defense Authorization Act) that was signed into law on October 30, 2000. Under this legislation, TRICARE benefits were extended to military retirees and their beneficiaries eligible for Medicare, and a fund was established to pay these benefits. In fiscal 2002, the actuarial liability was reduced by $36.5 billion. This decrease, when combined with the actuarial gains and losses and related costs, resulted in a much smaller net increase to the MRHB. The Act also included a number of other enhanced medical benefits in addition to the specific Medicare eligible benefits.

Some of the Act's provisions include:

- On April 1, 2001, Medicare eligible military retirees and their beneficiaries became eligible for a worldwide pharmacy benefit, including Military Treatment Facilities, National Mail Order Pharmacy, and retail pharmacy benefit.
- On October 1, 2001, TRICARE became the secondary payer to Medicare for Medicare eligible military retirees and their beneficiaries.
- The catastrophic cap was reduced from $7,500 to $3,000 for retiree families and other active duty family benefits.

One of the specific initiatives included in the President's Management Agenda for fiscal 2002 is the coordination of DOD and VA medical programs and systems.

Compensation and Burial Benefits

The Government compensates disabled veterans and their survivors. Veterans compensation is payable as a disability benefit or a survivor's benefit. Entitlement to compensation depends on the veteran's disabilities having been incurred in, or aggravated during, active military service; death while on duty; or death resulting from service-connected disabilities, if not in active duty.

Burial benefits include a burial and plot or interment allowance payable for a veteran who, at the time of death, qualified to receive compensation or a pension, or whose death occurred in a VA facility.

The liability for veterans compensation and burial benefits payable increased by $157.3 billion and $139.3 billion in fiscal 2002 and 2001, respectively. The primary factors contributing to this increase were changes in interest rate and other actuarial assumptions.

Veterans Compensation and Burial Benefits as of September 30

(In billions of dollars)	2002	2001
Veterans	721.7	574.0
Survivors	124.1	115.1
Burial benefits	3.4	2.8
Total compensation and burial benefits payable	849.2	691.9

Other Benefits

Veterans insurance includes the following programs:

- United States Government Life Insurance, established in 1919 to handle new issues and the conversion of World War I Risk Term Insurance.
- National Service Life Insurance, established in 1940 to meet the needs of World War II service personnel.
- Veterans Special Life Insurance, established in 1951 for Korean veterans who did not have service-connected disabilities.
- Service-Disabled Veterans Insurance, established in 1951 for veterans with service-connected disabilities.
- Veterans Reopened Insurance, which established a 1-year reopening in 1965 of National Service Life Insurance for certain disabled World War II and Korean veterans.

Note 12. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities as of September 30

(In billions of dollars)	2002	2001
Department of Energy:		
Environmental management baseline estimates	161.8	184.2
Active and surplus facilities—other programs	26.6	31.4
High-level waste and spent nuclear fuel disposition	14.8	14.6
Other	6.5	8.1
Total Department of Energy	209.7	238.3
Department of Defense:		
Active installations	13.9	13.1
Training ranges and non-range unexploded ordnance	12.9	16.4
Chemicals weapons disposal	12.8	14.2
Nuclear powered aircraft carriers and submarines	9.8	10.0
Other	9.9	9.6
Total Department of Defense	59.3	63.3
All other agencies	4.0	5.2
Total environmental and disposal liabilities	273.0	306.8

During World War II and the Cold War, the United States developed a massive industrial complex to research, produce, and test nuclear weapons. The nuclear weapons complex included nuclear reactors, chemical-processing buildings, metal machining plants, laboratories, and maintenance facilities.

At all the sites where these activities took place, some environmental contamination occurred. This contamination was caused by the production, storage and use of radioactive materials and hazardous chemicals, which resulted in contamination of soil, surface water, and groundwater. The environmental legacy of nuclear weapons production also includes thousands of contaminated areas and buildings, and large volumes of waste and special nuclear materials requiring treatment, stabilization, and disposal.

Of those environmental liabilities, this report presents only cleanup costs from Federal operations known to result in hazardous waste that the Government is required to clean up by Federal, State, or local statutes and/or regulations. Two of these statutes are the Nuclear Waste Policy Act of 1992, which provides for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel; and Public Law 105-204, which requires a plan for the conversion of depleted uranium hexaflouride.

DOE is responsible for managing the legacy of contamination from the nuclear weapons complex. The components of the liability are: (1) environmental management baseline estimates, (2) anticipated remediation costs of active and surplus facilities that ultimately will require stabilization, deactivation and decommissioning, (3) high-level waste and spent nuclear fuel disposition, and (4) other environmental liabilities. The environmental management baseline estimate includes projections of the technical scope, schedule, and costs for environmental restoration; managing nuclear materials waste treatment, storage and disposal activities; and post-cleanup monitoring and stewardship at each installation. The baseline estimate includes costs for related activities such as landlord responsibilities, program management, and legally prescribed grants for participation and oversight by Native American tribes and regulatory agencies. Active and surplus facilities represent anticipated remediation costs for those facilities that are conducting ongoing operations but ultimately will require stabilization, deactivation, and decommissioning.

Projects with no current feasible remediation approach are excluded from the baseline estimate. Significant projects not included are:

- Nuclear explosion test areas (e.g., Nevada test site).
- Large surface water bodies (e.g., Clinch and Columbia Rivers).
- Most ground water (even with treatment, future use will be restricted).

The active and surplus facility component of the liability is largely based on a cost-estimating model which extrapolates stabilization, deactivation and decommissioning costs from facilities included in the baseline estimates to those active and surplus facilities with the same characteristics. Cost estimates are updated each year to reflect current year constant dollars, the transfer of clean up and management responsibilities for these facilities by other programs to the baseline estimate, changes in facility size or contamination assessments, and estimated clean-up for newly contaminated facilities.

The high-level waste and spent nuclear fuel disposition liability reflect DOE's share of the estimated future cost to provide for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel, plus the unfunded portion of actual costs incurred to date and accrued interest on the unfunded costs. The Nuclear Waste Policy Act of 1982 established DOE's responsibility to provide for permanent disposal of the Nation's spent nuclear fuel and high-level radioactive waste. DOE performed comprehensive scientific tests to determine the suitability of the Yucca Mountain site for this purpose. The characterization of the Yucca Mountain site is complete, and in July 2002, the President signed into law the Congressional Joint Resolution designating Yucca Mountain as the site for the Nation's first repository. It is scheduled to open in 2010, and at that time, it will accept spent nuclear fuel from commercial utilities and DOE's high-level waste and spent nuclear fuel.

DOD is required to clean up contamination resulting fromwaste disposal practices, leaks, spills and other activities that have created a public health or environmental risk. DOD must restore active installations, installations affected by base realignment or closure, and other areas formerly used as defense sites. DOD also bears responsibility for disposal of chemical weapons and environmental costs associated with the disposal of weapons systems (primarily nuclear powered aircraft carriers and submarines). DOD is responsible, as well, for training range and other non-range unexploded ordnance cleanup.

DOD is required by law to adhere to the Comprehensive Environmental Response, Compensation Liability Act (CERCLA) and Superfund Amendment and Reauthorization Act (SARA) to clean up contamination resulting from past waste disposal practices, leaks, spills, and other activities which have created a risk to public health or the environment. The Army is DOD's Executive Agent for cleaning up contamination at sites formerly used by DOD. CERCLA requires the Army to clean-up contamination in coordination with regulatory agencies, other responsible parties, and current property owners.

DOD currently uses two independently validated models to estimate and report its environmental liabilities: the Remedial Action Cost Engineering Requirements model and Navy's cost to complete system. These two methods of valuation are used in this note's table.

DOD was unable to fully implement elements of Federal GAAP and OMB Bulletin No. 01-09 due to limitations of its financial management processes and systems, including nonfinancial feeder systems and processes.

Note 13. Benefits Due and Payable

These amounts are the benefits owed to program recipients or medical service providers as of the fiscal yearend that have not been paid. For a description of the programs, see the Stewardship Responsibilities section under Stewardship Information.

Benefits Due and Payable as of September 30

(In billions of dollars)	2002	2001
Federal Old-Age and Survivors Insurance	34.1	32.4
Grants to States for Medicaid	16.3	13.4
Federal Hospital Insurance (Medicare Part A)	14.1	13.6
Federal Supplementary Medical Insurance (Medicare Part B)	14.1	13.5
Federal Disability Insurance	12.2	9.5
Unemployment insurance	2.1	1.4
Supplemental security income	1.4	1.3
Railroad retirement	0.8	0.7
Other benefits	0.2	0.2
Total benefits due and payable	95.3	86.0

Note 14. Other Liabilities

Other Liabilities as of September 30

(In billions of dollars)	2002	2001
Insurance programs	48.8	33.2
Accrued wages and benefits	28.2	27.3
Deferred revenue	26.0	28.3
Gold certificates	10.9	10.9
Other debt	9.3	9.7
Exchange stabilization fund	8.7	8.5
Deposit funds and undeposited collections	6.6	6.8
Advances from foreign governments	5.4	4.9
Contractual services	3.9	4.2
Advances from others	3.7	2.2
Energy Employees Occupational Illness Compensation Act	2.8	3.2
Other miscellaneous liabilities	47.6	48.9
Total other liabilities	201.9	188.1

Insurance programs include bank deposit insurance, guarantees of pension benefits, and life and medical insurance. They also include insurance against damage to property (home, crops, and airplanes) caused by perils such as flooding and other natural disasters, risk of war, and insolvency.

Accrued wages and benefits consist of the estimated liability for civilian and military salaries and wages earned but unpaid. They also include funded annual leave and other employee benefits that have been earned but are unpaid.

Deferred revenue refers to revenue received but not yet earned, such as payments received in advance from outside sources for future delivery of products or services.

Gold certificates include monetized portions of gold and certificates deposited in FRBs.

Other debt includes Government obligations, whether secured or unsecured, not included in public debt.

Exchange stabilization fund includes SDR certificates issued to the FRBs and allocations from the IMF.

Deposit funds are deposits held and maintained by the Government on behalf of a third party and include unclassified deposited funds that are amounts offsetting undeposited collections, as well as funds deposited in clearing accounts and suspense accounts that await disposition or reclassification.

Advances from foreign governments consist of amounts received from foreign governments for goods and services to be provided.

Contractual services consist of contractual obligations of DOD.

Advances from others are amounts received in advance for future delivery of goods or services.

The Energy Employees Occupational Illness Compensation Act authorized compensation for certain illnesses suffered by the employees of the Department and contractors who performed work for the nuclear weapons program.

Other miscellaneous liabilities include amounts accrued for contingent liabilities, mainly from DOL, DOE, DOI, DOD and FDIC, and other liabilities from the Department of Transportation (DOT), VA, USDA, and Treasury.

Note 15. Collections and Refunds of Federal Revenue

Collections of Federal Revenue for the Year Ended September 30, 2002

(In billions of dollars)	Federal Revenue Collections	Tax Year to Which Collections Relate 2002	2001	2000	Prior Years
Individual income tax and tax withholdings	1,713.4	1,104.1	584.2	15.3	9.8
Corporation income taxes	211.0	112.9	88.8	1.0	8.3
Estate and gift taxes	27.2	0.1	23.6	1.4	2.1
Excise taxes	69.0	50.6	18.0	0.1	0.3
Customs duties	19.8	19.8	-	-	-
Fees and licenses	1.0	1.0	-	-	-
Unemployment taxes	26.3	24.5	1.7	-	0.1
Railroad retirement taxes	4.6	3.5	1.1	-	-
Federal Reserve earnings	23.7	18.1	5.6	-	-
Fines, penalties, interest, and other taxes	2.0	1.3	0.7	-	-
Subtotal	2,098.0	1,335.9	723.7	17.8	20.6
Less: Amounts collected for Non-Federal entities	0.4				
Total	2,097.6				

Collections of Federal Revenue for the Year Ended September 30, 2001

(In billions of dollars)	Federal Revenue Collections	Tax Year to Which Collections Relate 2001	2000	1999	Prior Years
Individual income tax and tax withholdings	1,843.8	1,155.4	665.8	14.0	8.6
Corporation income taxes	186.4	99.2	79.8	0.7	6.7
Estate and gift taxes	29.2	0.6	25.1	1.2	2.3
Excise taxes	68.2	49.2	18.6	0.1	0.3
Custom duties	19.7	19.7	-	-	-
Fees and licenses	0.9	0.9	-	-	-
Unemployment taxes	27.0	25.0	1.9	-	0.1
Railroad retirement taxes	4.7	3.6	1.1	-	-
Federal Reserve earnings	26.1	21.6	4.5	-	-
Fines, penalties, interest, and other taxes	2.7	2.0	0.7	-	-
Total	2,208.7	1,377.2	797.5	16.0	18.0

Treasury is the Government's principal revenue-collecting agency.

Collections of individual income tax and tax withholdings include estimated income tax payments by individuals, Social Security and Medicare taxes, and individual income tax withholdings, but do not include Federal tax refunds.

Individual income and tax withholdings include refunds and Earned Income Tax Credit (EITC) payments. EITC is a refundable credit for taxpayers who work and whose earnings fall below the established ceiling. A refundable credit is first used to offset any individual taxes owed; any remaining amounts are issued to the taxpayer. In fiscal 2002, the IRS issued $27.8 billion in EITC refunds; $66 million were applied to advance EITC, and an additional $4.7 billion of the EITC credits were applied to reduce taxpayer liability. (In fiscal 2001, $26.1 billion of EITC refunds were issued, $72 million were applied to advance EITC, and an additional $5.1 billion of EITC refunds were applied to reduce taxpayer liability.) All of these EITC amounts are included in gross cost in the Statements of Net Cost as a component of Treasury. Amounts reported for corporate income taxes in tax year 2002 include corporate taxes of $5 billion for tax year 2003. (Similarly, amounts reported for corporate income taxes collected in fiscal 2001 include corporate taxes of $5 billion for tax year 2002.) Taxes collected are reported in the Revenue section of the Statements of Operations and Changes in Net Position, and are presented on a modified cash basis. On the other hand, collections reported in the table in Note 15 are reported on a gross cash basis.

The Statement of Operations and Changes in Net Position reports total revenue of $1,877.7 billion and $2,013.7 billion for fiscal 2002 and 2001, respectively. The difference between collections, net of refunds, and total revenue is primarily due to changes in taxes receivable, imputed revenue for the EITC and Child Tax Credit, other collecting entities and other earned revenue.

The Current Services Assessment table in the Stewardship section of this document also includes the Government's receipts and outlays. The total amounts included in the table for the years 2002 and 2001 are the same as those described in Note 15 but classified differently. The classifications differ because the budget classifies some collections and refunds differently. For example, Note 15 nets part of the EITCs (amounts in excess of offsets to individual taxes owed) in receipts, while the budget reports them as outlays. Meanwhile, the Statements of Net Cost reports refunds and EITCs as expenses.

Federal Tax Refunds Disbursed for the Year Ended September 30, 2002

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate 2002	2001	2000	Prior Years
Individual income tax and tax withholdings	212.4	0.5	194.2	12.5	5.2
Corporation income taxes	67.4	2.2	15.6	14.3	35.2
Unemployment taxes	0.1	-	0.1	-	-
Excise taxes	1.1	0.3	0.5	0.1	0.3
Estate and gift taxes	0.8	-	0.2	0.3	0.3
Custom duties	1.5	0.8	0.2	0.1	0.4
Total	283.3	3.8	210.8	27.3	41.4

Federal Tax Refunds Disbursed for the Year Ended September 30, 2001

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate 2001	2000	1999	Prior Years
Individual income tax and tax withholdings	210.3	1.4	195.7	9.4	3.8
Corporation income taxes	38.6	1.3	14.8	8.2	14.3
Unemployment taxes	0.1	-	0.1	-	-
Excise taxes	0.9	0.3	0.4	-	0.2
Estate and gift taxes	1.0	-	0.3	0.4	0.3
Custom duties	0.9	0.4	0.2	0.1	0.2
Total	251.8	3.4	211.5	18.1	18.8

Note 16. Unreconciled Transactions Affecting the Change in Net Position

The reconciliation of the Change in Net Position requires that the difference between ending and beginning net position equals the excess of revenues over net cost, plus or minus prior period adjustments.

The unreconciled transactions needed to bring the change in net position into balance amounted to a net value of $17.1 billion and $17.3 billion for the years ended September 30, 2002, and 2001, respectively.

The three primary factors affecting this out-of-balance situation are:

- Improper recording of intragovernmental transactions by agencies.
- Transactions affecting Balance Sheet assets and liabilities not identified properly by agencies as prior period adjustments.
- Timing differences and errors in reporting transactions.

The Federal financial community considers the identification and accurate reporting of these unreconciled transactions a priority.

Note 17. Prior Period Adjustments

Prior Period Adjustments to Fiscal Years 2002 and 2001

(In billions of dollars)	Increases to Net Position 2002	Increases to Net Position 2001	Reconciliations of Net Operating Cost 2002	Reconciliations of Net Operating Cost 2001
Department of Treasury	(3.1)	-	-	-
National Aeronautics and Space Administration	2.9	0.6	2.9	0.6
Department of Defense	2.0	(5.3)	2.0	(5.3)
Department of Agriculture	(1.3)	-	(1.3)	-
Department of Transportation	1.3	2.1	1.3	2.1
Department of Labor	1.2	-	1.2	-
All other adjustments to prior periods	0.5	4.0	0.5	4.0
Total prior period adjustments	3.5	1.4	6.6	1.4

Prior period adjustments for fiscal 2002 consist of $3.5 billion in net adjustments to correct errors in prior periods.

Significant components of this net adjustment include:

- A $3.1 billion adjustment by Treasury to operating cash to correct the balance in outstanding checks.
- A $2.9 billion net correction by the National Aeronautics and Space Administration (NASA) to property, plant and equipment.
- A $2.0 billion net adjustment by DOD for correction of errors to unexpended appropriations, progress payments, environmental liabilities and inventory valuation.
- A $1.3 billion net adjustment by USDA for correction of errors to property, plant and equipment and accounts payable.
- A $1.3 billion net adjustment by DOT for corrections of errors to environmental liabilities and legal claims.
- A $1.2 billion adjustment by DOL for correction of errors to equity.
- A $0.5 billion net adjustments resulting from corrections of errors composed of smaller debits and credits from different agencies.

Prior period adjustments for fiscal 2001 consist of $1.4 billion in net adjustments to correct errors in prior periods.

Significant components of this net adjustment include:

- A $5.3 billion adjustment by DOD for correction of errors in determining the environmental cleanup liability.
- A $2.1 billion adjustment by DOT to correct accruals, property and inventory.
- A $0.6 billion correction by NASA to property, plant and equipment. For comparative presentation reasons, last year this amount was included in other, bringing the net amount reported to ($0.5) billion.
- Other $4.0 billion includes: A $5.1 billion adjustment by SSA for correction of errors in determining eligibility for disability benefits. For comparative presentation reasons, last year it was reported as a single item. A ($1.1) billion net adjustment to prior period resulting from a correction composed of smaller debits and credits from different agencies.

Note 18. Commitments and Contingencies

The Government has entered into contractual commitments that require future use of financial resources. It has significant amounts of long-term lease obligations as shown in the table below. Undelivered Orders represent the value of goods and services ordered that have not yet been received.

Contingent liabilities related to the loan guarantee programs are described in Note 4—Loans Receivable and Loan Guarantee Liabilities, Net.

A contingency is an existing condition or situation involving uncertainty as to a possible loss. A loss is considered reasonably possible if the future confirming event(s) is more than remote, but less than probable. These contingencies do not include existing conditions or situations where the future occurring event is only considered remote, nor do they include contingencies that would result in a gain.

The Government is also subject to contingencies including litigation. These contingencies arise in the normal course of operations and their ultimate disposition is unknown. Based on information currently available, however, it is management's opinion that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial statements, except for litigation described in the next paragraph.

Numerous cases are pending involving, among many other matters, supervisory goodwill at savings and loan institutions, harbor maintenance fees, individual Native American money accounts and tribal accounts revenues. While it is likely that the United States will have to pay some amount of damages on these claims, it is difficult to predict the outcome of litigation and, therefore, the ultimate total costs cannot be reasonably estimated at this time.

The Government has unused statutory lines of credit to Government-sponsored enterprises totaling $10 billion, as well.

Commitments as of September 30

(In billions of dollars)	Capital Leases 2002	Operating Leases 2002	Capital Leases 2001	Operating Leases 2001
Long-term Leases:				
General Services Administration	0.3	17.4	0.3	17.2
Department of Justice	0.1	10.9	0.1	7.9
U.S. Postal Service	0.8	9.6	0.8	9.4
Department of Health and Human Services	0.1	1.7	-	1.2
Department of Agriculture	-	0.5	0.1	2.4
Department of Interior	-	1.6	-	1.7
Department of Veterans Administration	-	1.4	-	1.4
Department of Commerce	-	1.3	-	2.2
Other long-term leases	1.1	3.2	1.3	2.7
Total long-term leases	2.4	47.6	2.6	46.1

	2002	2001
Undelivered Orders:		
Department of Housing and Urban Development	83.7	89.5
Department of Transportation	63.8	74.2[1]
Department of Health and Human Services	51.2	60.6
Department of the Navy	48.6	42.7
Department of Treasury	47.7	20.0[1]
Department of Education	35.3	22.5[1]
Department of the Air Force	34.0	26.4
Other Defense agencies	33.1	29.2
Department of the Army	25.2	24.2
Department of Agriculture	23.7	21.1
Department of Justice	12.4	12.8
Environmental Protection Agency	10.9	9.6
Department of Energy	9.1	8.0
U.S. Agency for International Development	8.8	8.3
Department of Labor	7.8	8.5
General Service Administration	6.7	4.8
National Science Foundation	5.6	4.9
Federal Emergency Management Agency	5.4	5.6
Other undelivered orders	25.8	25.0[1]
Total undelivered orders	538.8	497.9[1]
Other Commitments:		
Callable capital subscriptions for multi-lateral development banks	69.8	69.4
Department of Agriculture	23.3	15.9[1]
Tennessee Valley Authority	9.1	9.5
National Oceanic and Atmospheric Administration satellites and weather systems	7.4	8.4
Department of Transportation	4.3	4.0
Real property activities	3.2	3.4
All other programs	1.5	3.3[1]
Total other commitments	118.6	113.9

[1] Restated.

Contingencies as of September 30

(In billions of dollars)	2002	2001
Insurance:		
Pension Benefit Guaranty Corporation	35.5	11.0
Federal Deposit Insurance Corporation	7.3	7.0
Other insurance programs	0.5	0.1
Total insurance programs	43.3	18.1
Unadjudicated Claims:		
Department of Commerce	4.5	7.0[1]
Department of Agriculture	1.7	-
Department of Interior	1.4	0.5
Other unadjudicated claims	1.8	1.4
Total unadjudicated claims	9.4	8.9[1]
Other Contingencies:		
Department of Army	10.2	8.8
Administrative order against Tennessee Valley Authority	3.0	3.0
Other contingencies	4.1	9.6[1]
Total other contingencies	17.3	21.4[1]

[1] Restated.

Financial Treatment of Loss Contingencies

Probability of Loss	Probable	Reasonably possible, more than remote but less than probable	Remote, chance of occurrence slight
Financial Treatment	Balance Sheet & Statement of Net Cost	Footnote disclosure	No disclosure

Note 19. Dedicated Collections

Dedicated Collections as of September 30*

(In billions of dollars)	Receipts 2002	Receipts 2001	Disbursements 2002	Disbursements 2001	Trust Fund Net Assets 2002	Trust Fund Net Assets 2001	Less Intra-governmental Net Assets 2002	Less Intra-governmental Net Assets 2001	Consolidated Assets 2002	Consolidated Assets 2001
Federal Old-Age and Survivors Insurance Trust Fund	530.4	518.5	389.6	377.1	1,193.3	1085.0	1,192.2	1,083.8	0.8	1.2
Civil Service Retirement and Disability Fund	80.1	77.9	49.0	47.4	583.7	552.3	583.4	552.0	0.3	0.3
Federal Hospital Insurance Trust Fund (Medicare Part A).......	177.9	173.7	147.9	143.9	235.3	203.7	233.6	203.7	1.7	-
Military Retirement Fund	42.4	40.6	35.1	34.2	176.5	169.2	176.5	169.2	-	-
Federal Disability Insurance Trust Fund .	86.2	83.9	66.5	67.8	159.2	153.1	157.6	151.9	1.6	1.2
Unemployment Trust Fund	32.7	34.1	51.1	31.6	70.8	91.5	69.6	90.7	1.2	0.8
Federal Supplementary Medical Insurance Trust Fund (Medicare Part B)	105.6	95.3	108.9	98.4	40.8	42.7	39.5	42.7	1.3	-
Highway Trust Fund	32.2	31.5	37.7	37.4	22.0	26.2	21.0	26.2	1.0	-
Railroad Retirement Trust Fund................	5.6	5.1	8.9	8.4	22.8	24.0	22.8	23.9	-	0.1
Airport and Airway Trust Fund................	9.6	10.0	11.3	9.4	11.7	14.1	11.0	13.9	0.7	0.2
Hazardous Substance Superfund	1.0	1.1	1.5	1.3	3.3	4.3	3.3	3.8	-	0.5
Black Lung Disability Trust Fund................	0.6	0.5	1.0	1.0	0.1	-	-	-	0.1	-

*By law, certain expenses (costs) related to the administration of the above funds are not charged to the funds and are financed by other sources.

The table above depicts selected trust funds that have been chosen based on their financial activity. Additionally, the Federal Government has many other dedicated collections and trust funds.

In the Federal budget, the term "trust fund" means only that the law requires a particular fund be accounted for separately, used only for a specified purpose, and designated as a trust fund. A change in law may change the future receipts and the terms under which the fund's resources are spent. In the private sector, trust fund refers to funds of one party held and managed by a second party (the trustee) in a fiduciary capacity.

Trust fund net assets represent the unexpended balance from all sources of receipts and amounts due the trust funds, regardless of source, including related Governmental transactions. These are transactions between two different entities within the Government (for example, monies received by one entity of the Government from another entity of the Government).

Intragovernmental net assets are comprised of investments in Federal debt securities, related accrued interest, and fund balances with Treasury. These amounts were eliminated in preparing these financial statements.

Consolidated assets represent only the net assets from activity with individuals and organizations outside the Government. All related Governmental balances are removed to present the Government's position as a whole.

Most of the trust fund assets are invested in intragovernmental debt holdings. These securities require redemption if a fund's disbursements exceeds its receipts. Redeeming these securities will increase the Government's financing needs and require more borrowing from the public (or less repayment of debt), or will result in higher taxes than otherwise would have been needed, or less spending on other programs than otherwise would have occurred, or some combination thereof.

Depicted below is a description of all the funds included in the table Dedicated Collections as of September 30, which also includes the names of the Government agencies that administer each particular fund. For detailed information concerning revenues by type, program expenses, other expenses and other financial sources, as well as other changes in fund balance, please refer to the financial statements of the corresponding administering agencies.

Federal Old-Age and Survivors Insurance Trust Fund

This trust fund provides assistance and protection against the loss of earnings due to retirement or death in the form of money payments. SSA administers the Federal Old-Age and Survivors Insurance Trust Fund.

Payroll and self-employment taxes primarily fund the Federal Old-Age and Survivors Insurance Trust Fund. Interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security benefits provide the fund with additional income. The law establishing the Federal Old-Age and Survivors Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 401.

Civil Service Retirement and Disability Fund

The Civil Service Retirement and Disability Fund covers two Federal civilian retirement systems: the Civil Service Retirement System (CSRS), for employees hired before 1984, and the Federal Employee Retirement System (FERS), for employees hired after 1983. OPM administers the CSRS and the FERS systems. The laws establishing the Civil Service Retirement and Disability Fund and authorizing the depositing of amounts to the credit of the trust fund are set forth in 5 U.S.C. § 8334-8348. Funding sources include:

- Federal civilian employees' contributions.
- Agencies' contributions on behalf of employees.
- Appropriations.
- Interest earned on investments in Treasury securities.

Federal Hospital Insurance Trust Fund (Medicare Part A)

The Federal Hospital Insurance Trust Fund finances the Hospital Insurance program (Medicare Part A). This program funds the cost of inpatient hospital and related care for individuals age 65 or older who meet certain insured status requirements, and eligible disabled people. HHS administers the program.

The Federal Hospital Insurance Trust Fund is financed primarily by payroll taxes, including those paid by Federal agencies. It also receives income from interest earnings on Treasury securities and a portion of income taxes paid on Social Security benefits. The law establishing the Federal Hospital Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 1395i.

Military Retirement Fund

The Military Retirement Fund provides retirement benefits for Army, Navy, Marine Corps, and Air Force personnel, and their survivors. The fund is financed by DOD contributions, appropriations, and interest earned on investments in Federal debt securities. DOD administers the Military Retirement Fund. The laws establishing the

Military Retirement Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 10 U.S.C. § 1461-1467.

Federal Disability Insurance Trust Fund

The Federal Disability Insurance Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of money payments. SSA administers the Federal Disability Insurance Trust Fund.

Like the Federal Old-Age and Survivors Insurance Trust Fund, payroll taxes primarily fund the Federal Disability Insurance Trust Fund. The fund also receives income from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and a portion of income taxes paid on Social Security benefits. The law establishing the Federal Disability Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 401.

Unemployment Trust Fund

The Unemployment Trust Fund protects workers who lose their jobs. The program is administered through a unique system of Federal and State partnerships, established in Federal law, but executed through conforming State laws by State officials. DOL administers the Federal operations of the program.

Taxes on employers primarily fund the Unemployment Trust Fund. However, interest earned on investments in Treasury securities also provides income to the fund. Appropriations have supplemented the fund's income during periods of high and extended unemployment. The law establishing the Unemployment Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 1104.

Federal Supplementary Medical Insurance Trust Fund (Medicare Part B)

The Federal Supplementary Medical Insurance Trust Fund finances the Supplementary Medical Insurance program (Medicare Part B) that provides supplementary medical insurance for enrolled eligible participants to cover physician and outpatient services not covered by Medicare Part A. HHS administers the program.

Medicare Part B financing is not based on payroll taxes; it is based on monthly premiums and income from the general fund of the Treasury. The law establishing the Federal Supplementary Medical Insurance Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 42 U.S.C. § 1395t.

Highway Trust Fund

The Highway Trust Fund was established to promote domestic interstate transportation and to move people and goods. The fund provides Federal grants to States for highway construction and related transportation purposes. DOT administers the Highway Trust Fund. The law establishing the Highway Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9503. Funding sources include earmarked taxes on gasoline and other fuels, certain tires, and vehicle and truck use, and interest on Treasury securities.

Railroad Retirement Trust Fund

The Railroad Retirement Trust Fund provides annuities and survivor benefits to eligible railroad employees and their survivors. The fund also pays disability annuities based on total or occupational disability. Payroll taxes paid by railroad employers and their employees provide the primary source of income for the Railroad Retirement

Survivor Benefit program. The law establishing the Railroad Retirement Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 45 U.S.C. § 231n.

During fiscal 2002, RRSIA, enacted on December 21, 2001, provided several changes in benefits and financing provisions for employees and widow(er)s. RRSIA also created NRRIT to administer the new fund, which is allowed to invest in Federal debt securities as well as other investments outside of the U.S. Government (see Railroad Retirement in the Stewardship Information section).

Airport and Airway Trust Fund

The Airport and Airway Trust Fund provides for airport improvement and airport facilities maintenance. It also funds airport equipment, research, and a portion of the Federal Aviation Administration's administrative operational support. DOT administers the Airport and Airway Trust Fund. The law establishing the Airport and Airway Trust Fund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9502. Funding sources include:

- Taxes received from transportation of persons and property in the air, as well as fuel used in non-commercial aircraft.
- International departure taxes.
- Interest earned on investments in Treasury securities.

Hazardous Substance Superfund

The Hazardous Substance Superfund was authorized to address public health and environmental threats from spills of hazardous materials and from sites contaminated with hazardous substances. The Environmental Protection Agency (EPA) administers the fund. The law establishing the Hazardous Substance Superfund and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9507. Funding sources include:

- Excise taxes collected on petroleum, chemicals, and imported substances (expired in 1995).
- Environmental taxes from corporations with alternative minimum taxable income in excess of $2 million (expired in 1995).
- Fines, penalties, and cost recoveries from responsible parties.
- Appropriations.
- Interest earned on investments in Treasury securities.

Black Lung Disability Trust Fund

The Black Lung Disability Trust Fund provides benefits to coal miners who are totally disabled due to pneumoconiosis (black lung disease). It also covers surviving dependents of miners who died due to pneumoconiosis.

Excise taxes on coal mine operators, based on the sale of coal, partially fund black lung disability payments as well as related administrative and interest costs. Intragovernmental advances to the BLDTF, which must be repaid with interest, fund the shortfall. DOL administers the BLDTF. The law establishing the BLDTF and authorizing the depositing of amounts to the credit of the trust fund is set forth in 26 U.S.C. § 9501.

Note 20. Indian Trust Funds

The Indian Trust Funds differ from other dedicated collections reported in Note 19. DOI has responsibility for the assets held in trust on behalf of American Indian tribes and individuals.

DOI, through the Office of the Special Trustee's (OST's) Office of Trust Funds Management, holds trust funds in accounts for approximately 315 tribes. It maintains approximately 1,400 accounts for Tribal and Other Special Trust Funds (including the Alaska Native Escrow Fund).

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

The trust fund balances included in the Trust Funds Held for Indian Tribes and Other Special Trust Fund contain two categories: the trust funds held for Indian tribes (considered non-Federal funds) and the trust funds held by DOI for future transfer to a tribe upon satisfaction of certain conditions or where the corpus of the fund is non-expendable (considered Federal funds).

The table below depicts only the trust funds held for Indian tribes, since the trust funds considered Federal funds are included in DOI's financial statements.

U.S. Government as Trustee for Indian Trust Funds
Held for Indian Tribes and Other Special Trust Funds
Statement of Changes in Trust Fund Balances
as of September 30
(Unaudited)

(In millions of dollars)	2002	2001
Receipts	434.7	536.1
Disbursements	383.4	467.3
Receipts in excess of disbursements	51.3	68.8
Trust fund balances, beginning of year	2,805.0	2,736.2
Trust fund balances, end of year	2,856.3	2,805.0

OST also maintains about 252,000 open Individual Indian Monies (IIM) accounts. The IIM fund is primarily a deposit fund for individuals who have a beneficial interest in the trust funds. The IIM account-holders realize receipts primarily from royalties on natural resource depletion, land use agreements, and enterprises have a direct relationship to trust fund resources and investment income. Funds related to the IIM Trust Fund are included in the following table.

U.S. Government as Trustee for Indian Trust Funds
Held for Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances
as of September 30
(Unaudited)

(In millions of dollars)	2002	2001
Receipts	191.3	225.9
Disbursements	184.1	221.7
Receipts in excess of disbursements	7.2	4.2
Trust fund balances, beginning of year	404.1	399.9
Trust fund balances, end of year	411.3	404.1

The amounts presented in the above two tables were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. Receivables and payables are not recorded, and investments premiums and discounts are not amortized in the Trust Funds Held for Indian Tribes and Other Special Trust Fund. Receipts are recorded when received and disbursements when paid, and investments are stated at historical cost. The only basis of accounting difference between the Trust Funds Held for Indian Tribes and Other Special Trust Fund and the IIM Trust Fund is that the latter records the receivables and payables related to accrued interest and dividends when earned, including amortization of investment discounts and premiums, and investments are stated at amortized cost.

Note 21. Subsequent Event/Department of Homeland Security

On March 1, 2003, the Department of Homeland Security (DHS) was created. This new Cabinet-level department merged 22 agencies and 170,000 employees. It is organized into four organizational divisions: Border and Transportation Security; Emergency Preparedness and Response; Chemical, Biological, Radiological and Nuclear Countermeasures; and Information Analysis and Infrastructure Protection.

The mission of DHS is to:

- Prevent terrorist attacks within the United States.
- Reduce America's vulnerability to terrorism.
- Minimize the damage and recover from attacks that do occur.

The mission of homeland security previously has been carried out by numerous Federal agencies protecting borders, securing infrastructure, regulating the flow of goods and people entering the country, and performing various other homeland security functions. DHS consolidates many of these vital functions into a single more efficient organization.

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