PRINCIPAL FINANCIAL STATEMENTS


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2002 and 2001 *(In Thousands)*

	FY 2002	Restated FY 2001
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 6,313,884	$ 6,061,766
Accounts Receivable, Net (Note 3)	54,487	98,490
Investments in Treasury Securities, Net	-	1,799
Advances and Prepayments	39,402	5,817
Total Intragovernmental	**6,407,773**	**6,167,872**
Cash (Note 4)	10,502	13,532
Accounts Receivable, Net (Note 3)	55,598	55,943
Loans Receivable and Related Foreclosed Property, Net (Note 5)	292,113	297,076
Inventory, Materials, and Supplies, Net (Note 6)	98,934	103,216
General Property, Plant, and Equipment, Net (Note 7)	4,543,733	4,312,000
Advances and Prepayments	13,907	29,550
Other (Note 8)	13,178	14,587
TOTAL ASSETS	**$ 11,435,738**	**$ 10,993,776**
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 84,465	$ 73,074
Debt to Treasury (Note 10)	262,513	195,933
Resources Payable to Treasury	54,382	56,728
Unearned Revenue	338,723	291,677
Other (Note 11)	56,476	76,706
Total Intragovernmental	**796,559**	**694,118**
Accounts Payable	279,835	315,227
Accrued Payroll and Annual Leave	270,624	326,177
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities (Note 12)	643,459	635,016
Accrued Grants	350,309	378,470
Environmental and Disposal Liabilities (Note 13)	121,189	79,310
Capital Lease Liabilities (Note 14)	32,665	43,437
Unearned Revenue	599,293	486,477
Other (Note 11)	40,250	38,956
TOTAL LIABILITIES	**$ 3,134,183**	**$ 2,997,188**
Commitments and Contingencies (Note 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations	$ 3,978,998	$ 3,796,886
Cumulative Results of Operations (Note 21)	4,322,557	4,199,702
TOTAL NET POSITION	**$ 8,301,555**	**$ 7,996,588**
TOTAL LIABILITIES AND NET POSITION	**$ 11,435,738**	**$ 10,993,776**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Net Cost For the Years Ended September 30, 2002 and 2001 (Note 17) *(In Thousands)*

	FY 2002	Restated FY 2001
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably		
Intragovernmental Gross Costs	$ 449,601	$ 561,437
Gross Costs With the Public	1,522,383	1,698,344
Total Gross Costs	1,971,984	2,259,781
Intragovernmental Earned Revenue	(239,555)	
Earned Revenue From the Public	(36,873)	
Total Earned Revenues	(276,428)	(261,340)
Net Program Costs	**1,695,556**	**1,998,441**
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness		
Intragovernmental Gross Costs	318,058	302,631
Gross Costs With the Public	1,657,783	1,534,555
Total Gross Costs	1,975,841	1,837,186
Intragovernmental Earned Revenue	(115,695)	
Earned Revenue From the Public	(1,099,302)	
Total Earned Revenues	(1,214,997)	(1,193,191)
Net Program Costs	**760,844**	**643,995**
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth		
Intragovernmental Gross Costs	485,909	473,735
Gross Costs With the Public	2,775,004	2,424,451
Total Gross Costs	3,260,913	2,898,186
Intragovernmental Earned Revenue	(181,080)	
Earned Revenue From the Public	(47,042)	
Total Earned Revenues	(228,122)	(234,575)
Net Program Costs	**3,032,791**	**2,663,611**
NET COST OF OPERATIONS	**$ 5,489,191**	**$ 5,306,047**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2002 ***(In Thousands)***

	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances, as Previously Presented	**$ 4,028,302**	**$ 3,796,886**
Prior Period Adjustment (Note 21)	171,400	-
Beginning Balances, As Restated	**4,199,702**	**3,796,886**
Budgetary Financing Sources:		
Appropriations Received	-	5,511,071
Appropriations Transferred-In/(Out), Net	-	27,420
Other Adjustments	-	(57,247)
Appropriations Used	5,299,132	(5,299,132)
Non-Exchange Revenue	17,583	-
Donations	928	-
Transfers-In/(Out) Without Reimbursement, Net	82,152	-
Other Budgetary Financing Sources	(555)	-
Other Financing Sources:		
Transfers Out Without Reimbursement	(6,092)	-
Imputed Financing Sources From Costs Absorbed by Others	220,773	-
Other Financing Sources	(1,875)	-
Total Financing Sources	**5,612,046**	**182,112**
Net Cost of Operations	**(5,489,191)**	-
ENDING BALANCES	**$ 4,322,557**	**$ 3,978,998**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Combined Statement of Budgetary Resources
For the Year Ended September 30, 2002 (Note 18) *(In Thousands)*

	Budgetary	Non-Budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:		
Budget Authority		
Appropriations Received	$ 5,813,215	$ -
Borrowing Authority	-	221,878
Net Transfers	105,528	-
Unobligated Balance		
Beginning of Period	1,063,763	17,825
Adjustments to Unobligated Balance, Beginning of Period	(254)	-
Net Transfers, Actual	1,446	-
Spending Authority from Offsetting Collections		
Earned:		
Collected	2,604,497	64,075
Receivable from Federal Sources	(30,616)	(13,795)
Changes in Unfilled Customer Orders:		
Advance Received	160,634	-
Without Advance from Federal Sources	(9,843)	(308)
Total Spending Authority from Offsetting Collections	2,724,672	49,972
Recoveries of Prior Year Obligations	140,394	52,342
Temporarily not Available Pursuant to Public Law	(306,513)	-
Permanently not Available:		
Cancellation of Expired and No-Year Accounts	(27,764)	-
Enacted Rescissions	(30,517)	-
Capital Transfers and Redemption of Debt	(2,654)	(34,815)
Other Authority Withdrawn	(3,434)	(52,049)
TOTAL BUDGETARY RESOURCES	**$ 9,477,882**	**$ 255,153**
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred		
Direct	$ 5,932,061	$ 147,675
Reimbursable	2,419,611	97,272
Totaal Obligations Incurred	8,351,672	244,947
Unobligated Balance		
Apportioned, Balance Currently Available	847,838	7,450
Exempt from Appointment	94,687	-
Unobligated Balance Not Available	183,685	2,756
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 9,477,882**	**$ 255,153**
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
Obligated Balance, Net, Beginning of Period	$ 4,242,729	$ 100,515
Adjustment to Obligated Balance, Beginning of Period	(19,508)	-
Adjusted Obligated Balance, Net, Beginning of Period	$ 4,223,221	$ 100,515
Obligated Balance, Net, End of Period:		
Accounts Receivable	$ (208,421)	$ (1)
Unfilled Customer Orders from Federal Sources	(130,980)	(573)
Undelivered Orders	3,902,128	180,974
Accounts Payable	924,989	11
Total Obligated Balance, Net, End of Period	$ 4,487,716	$ 180,411
Outlays:		
Disbursements	$ 7,987,243	$ 126,813
Collections	(2,765,131)	(64,075)
Subtotal	**5,222,112**	**62,738**
Less: Offsetting Receipts	(2,944)	-
NET OUTLAYS	**$ 5,219,168**	**$ 62,738**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statement of Financing
For the Year Ended September 30, 2002 *(In Thousands)*

Resources Used to Finance Activities:	
Budgetary Resources Obligated	
Obligations Incurred	$ 8,596,619
Less: Spending Authority From Offsetting Collections and Recoveries	(2,967,380)
Obligations Net of Offsetting Collections and Recoveries	5,629,239
Less: Offsetting Receipts	(2,944)
Net Obligations	5,626,295
Other Resources	
Transfers Out Without Reimbursement	(6,092)
Imputed Financing From Costs Absorbed by Others	220,773
Other	(1,875)
Net Other Resources Used to Finance Activities	212,806
Total Resources Used to Finance Activities	**5,839,101**
Resources Used to Finance Items Not Part of the Net Cost of Operations:	
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided	(312,902)
Resources that Fund Expenses Recognized in Prior Periods	(58,543)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations:	
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	60,978
Other	(1,919)
Resources that Finance the Acquisition of Assets	(989,993)
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations:	
Change in Unfilled Customer Orders	150,443
Other	1,878
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**(1,150,058)**
Total Resources Used to Finance the Net Cost of Operations	**4,689,043**
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	
Components Requiring or Generating Resources in Future Periods (Note 19)	
Increase in Annual Leave Liability	12,229
Increase in Environmental and Disposal Liabilities	41,981
Reestimates of Credit Subsidy Expense	60,031
Increase in NOAA Corps Employee Retirement Benefits Liabilities	41,472
Other	3,973
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	159,686
Components Not Requiring or Generating Resources	
Depreciation and Amortization	614,916
Revaluation of Assets or Liabilities	13,553
Other	11,993
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	640,462
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**800,148**
NET COST OF OPERATIONS	**$ 5,489,191**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(In Thousands)

NOTE 1. Summary of Significant Accounting Policies

A *Reporting Entity*

The Department of Commerce (the Department) is a cabinet level agency of the Executive Branch of the U.S. Government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of thirteen bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, and Departmental Management entities. The United States Travel and Tourism Administration (USTTA) was abolished during FY 1996, and in August 2002, Public Law 107-206 rescinded any remaining appropriated balance for that activity.

For the *Consolidating Statements of Net Cost* some of the Department's entities have been grouped together, based on their organizational structures, as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA)
    - Bureau of Economic Analysis (BEA)
    - Bureau of the Census (Census)
- Technology Administration (TA)
    - National Institute of Standards and Technology (NIST)
    - National Technical Information Service (NTIS)
- Other Bureaus
    - Bureau of Industry and Security (BIS) (formerly Bureau of Export Administration)
    - Economic Development Administration (EDA)
    - International Trade Administration (ITA)
    - Minority Business Development Agency (MBDA)
    - National Telecommunications and Information Administration (NTIA)

- Departmental Management (DM)
  - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)
  - Franchise Fund (FF)
  - Gifts and Bequests (G&B)
  - Office of the Inspector General (OIG)
  - Salaries and Expenses (S&E)
  - Working Capital Fund (WCF)

B *Basis of Accounting and Presentation*

The Department's fiscal year ends September 30. These financial statements 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 the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which, in many cases, is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds. As permitted by the Office of Management and Budget (OMB) financial statement guidance for FY 2002, the Department has presented comparative FY 2001 information for only the *Consolidated Balance Sheets* and *Consolidated Statements of Net Cost.*

These financial statements have been prepared from the accounting records of the Department in conformance with accounting principles generally accepted in the U. S. (GAAP) and the form and content for entity financial statements specified by OMB in Bulletin 01-09, *Form and Content of Agency Financial Statements*. The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the Federal Government.

Throughout these financial statements, intragovernmental assets, liabilities, revenues and costs have been classified according to the type of entity with which the transactions are associated. Intragovernmental assets and liabilities are those from or to other Federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other Federal entities, and intragovernmental costs are payments or accruals to other Federal entities.

C *Elimination of Intra-Entity and Intra-Departmental Transactions and Balances*

Transactions and balances among the Department's entities (intra-Departmental) have been eliminated from the *Consolidated Balance Sheets* and the *Consolidated Statements of Net Cost.* There are no intra-Departmental eliminations for the *Consolidated Statement of Changes in Net Position* and the *Consolidated Statement of Financing.* The *Statement of Budgetary Resources* is presented on a combined basis; therefore intra-Departmental transactions and balances have not been eliminated from this statement.

D *Assets*

Non-Entity Assets are those held by the Department, but are not available for use in its operations. These assets are disclosed in Note 9.

E Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds represent the amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

F Accounts Receivable, Net

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

G Investments in Treasury Securities, Net

Investments in Treasury Securities are reported at their acquisition cost, less the accumulated amortization of discounts. At September 30, 2001, investments consisted of one-year special issue Treasury Bills with interest rates averaging 2.94 percent. Discounts are amortized into interest income over the life of the Treasury Security using the straight-line method, which approximates the effective yield method. The Department sold these investments in FY 2002.

H Advances and Prepayments

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses or as advance payments for the cost of goods and services to be acquired. For grant awards, the grant recipient is required to periodically (monthly or quarterly) report the amount of cost incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent.

I Loans Receivable and Related Foreclosed Property, Net

A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-Federal borrowers to non-Federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition.

Interest Receivable represents interest income earned on scheduled Loans Receivable and/or for the first 180 days outstanding on past-due loans. Interest Receivable pertaining to days in excess of 180 days outstanding on past-due loans that are determined to be uncollectible are not recorded in the Department's financial statements.

Direct Loans and Loan Guarantees Obligated before October 1, 1991 (pre-FY 1992): Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

The Economic Development Revolving Fund is required to make annual interest payments to Treasury after each fiscal year-end based on its outstanding receivables at September 30.

Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For direct or guaranteed loans disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. Government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries and legal fees are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

Loans Receivable are recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recorded as the Allowance for Subsidy Cost. The Allowance for Subsidy Cost is re-estimated annually, as of September 30.

J ***Notes Receivable***

Notes Receivable, included in Other Assets, arise through the sale of foreclosed property to non-Federal parties. The property is used as collateral and an Allowance for Uncollectible Amounts is established if the collateral is not adequate. An analysis of the collectibility of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

K ***Inventory, Materials, and Supplies, Net***

Inventory, Materials, and Supplies are stated at the lower of cost or net realizable value primarily under the weighted average and first-in, first-out methods, and are adjusted for the results of periodic physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

L ***General Property, Plant, and Equipment, Net***

General Property, Plant, and Equipment (PP&E) is comprised of capital assets used in providing goods or services. PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation. PP&E also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception.

Capitalization Thresholds: The Department's general policy is to capitalize PP&E if the initial acquisition price is $25 or more and the useful life is two years or more. NOAA is an exception to this policy, having a capitalization threshold of $200. PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

Depreciation: Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which is depreciated over the remaining life of the lease or over the useful life of the improvements, whichever is shorter. Land and construction-in-progress are not depreciated.

Real Property: The General Services Administration (GSA) provides most of the facilities in which the Department operates, and charges rent based on comparable commercial rental rates. Accordingly, GSA-owned properties are not included in the Department's PP&E. The Department's real property consists primarily of facilities for NIST and NOAA.

Construction-in-Progress: Costs for the construction, modification, or modernization of PP&E are initially recorded as construction-in-progress. Upon completion of the work, the costs are transferred to the appropriate PP&E account for capitalization.

M *Liabilities*

A liability for Federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events. Intragovernmental liabilities arise from transactions with other Federal entities.

Accounts Payable: Accounts Payable are amounts owed for goods and services received, progress on contract performance by others, and other expenses due.

Debt to Treasury: The Department has borrowed funds from Treasury for its Fisheries Finance and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, and the Emergency Steel Loan Guarantee Program (ELGP). To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense.

Resources Payable to Treasury: Resources Payable to Treasury includes Liquidating Fund assets in excess of liabilities that are being held as working capital for the following loan programs: the FVOG Program and the Fisheries Finance Direct Loans. These liabilities are required to be paid only when the loan programs fully complete their activities and terminate their operations. However, NOAA, at the request of OMB, pays the unobligated balance annually. EDA's Drought Loan Portfolio is a non-entity asset; therefore, the amount of the Portfolio is also recorded as a liability to Treasury. The Portfolio collections are returned to Treasury monthly and the liability is reduced accordingly.

Unearned Revenue: Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue relates to amounts collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

Accrued Payroll and Annual Leave; Accrued Benefits: These categories include salaries, wages, and benefits earned by employees, but not disbursed as of September 30. Annually, as of September 30, the balances of Accrued Annual Leave are adjusted to reflect current pay rates. Sick leave and other types of non-vested leave are expensed as taken. Accrued Benefits are included in Intragovernmental Other Liabilities.

Accrued FECA Liability: The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (Labor), which pays valid claims against the Department and subsequently seeks reimbursement from the Department for these paid claims. Accrued FECA Liability, included in Intragovernmental Other Liabilities, represents amounts due to Labor for claims paid on behalf of the Department.

NOAA Corps Employee Retirement Benefits: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. Actuarial gains and losses, and prior and past service cost, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on Federal securities, annual basic pay increases, and annual inflation. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits.*

Actuarial FECA Liability: Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is determined by Labor annually as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

The model's resulting projections are analyzed by Labor to ensure that the amounts are reliable. The analysis is based on two tests: (1) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual payments, and (2) a comparison of the ratio of the estimated liability to the actual payment of the beginning year calculated for the current projection to the liability-payment ratio calculated for the prior projection.

Accrued Grants: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as: expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by grantees. These draw-down requests may be received and fulfilled before grantees make the Department's program expenditures. When the Department has disbursed funds but grant recipients do not yet report expenditures, these disbursements are recorded as advances. However, if a recipient reports program expenditures that have not been advanced by the Department as of the end of the federal fiscal year, such amounts are recorded as grants payable and grant expenses in that fiscal year.

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be $65,120. The environmental liability is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liability for environmental cleanup costs at all NOAA-used facilities, including decommissioning of ships. The largest of NOAA's environmental liabilities, amounting to $79 million, relates to clean-up of the Pribiloff Island in Alaska, which contains waste from the Department of Defense's use during World War II. However, it does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 per project. Where an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. Where no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

Capital Lease Liabilities: Capital Leases are leases for PP&E that transfer substantially all the benefits and risks of ownership to the Department.

ITA Foreign Service Nationals' Voluntary Separation Pay: This liability, included in Other Liabilities, is based on the salaries and benefit statuses of employees in countries where governing laws require a provision for separation pay.

Liabilities Not Covered by Budgetary Resources: These are liabilities for which Congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 15.

Under accrual accounting, the expense for annual leave is recognized when the leave is earned. However, for most of the Department's fund accounts, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of Accrued Annual Leave.

The Department generally receives budgetary resources for the Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities when they are needed for disbursements.

Contingent Liabilities: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability is recognized when a past event or exchange transaction has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is not disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and when the chance of the future event or events occurring is remote. A contingency is disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable.

N *Commitments*

Commitments are preliminary actions that will ultimately result in an obligation to the Federal Government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 16.

O *Net Position*

Net Position is the residual difference between assets and liabilities and is comprised of Unexpended Appropriations and Cumulative Results of Operations.

Appropriations are recognized as capital when made available for apportionment by OMB. Unexpended Appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended Appropriations are reduced for Appropriations Used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

P *Revenues and Other Financing Sources*

Appropriations Used: Most of the Department's operating funds are provided by congressional appropriations of budget authority. The Department receives appropriations on annual, multiple-year, and no-year bases. Upon expiration of an annual or multiple-year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balance can be used to make legitimate obligation adjustments, but is otherwise not available for expenditures. Annual and multiple-year appropriations are canceled at the end of the fifth year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when goods and services are received or benefits and grants are provided.

Exchange and Non-Exchange Revenue: The Department classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that are derived from transactions in which both the government and the other party receive value, including processing patents and registering trademarks; sale of weather data, nautical charts, and navigation information; and other sales of goods and services. These revenues are presented on the Department's *Consolidated Statements of Net Cost* and serve to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenues are derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. These revenues are not considered to reduce the cost of the Department's operations and are, therefore, reported on the *Consolidated Statement of Changes in Net Position.*

In certain cases, law or regulation sets the prices charged by the Department and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing Sources From Costs Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for by funds appropriated to other Federal entities. For example, pension benefits for most Department employees are paid for by the U.S. Office of Personnel Management (OPM) and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. OMB limits Imputed Costs to be recognized by Federal entities to the following: (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under FECA; and (4) losses in litigation proceedings. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost.* In addition, an Imputed Financing Source is recognized on the *Consolidated Statement of Changes in Net Position.*

Transfers - In (Out): Intragovernmental transfers of budget authority (i.e., appropriated funds) or of assets without reimbursement are recorded at book value.

Q Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered employees, the Department was required in FY 2002 to make contributions to the plan equal to 8.51 percent of the employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. Government's service cost for covered employees, which is an estimate of the amount of funds that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. Government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

FERS contributions made by employer agencies and covered employees exceed the U.S. Government's estimated service cost. For FERS-covered employees, the Department was required in FY 2002 to make contributions of 10.7 percent of basic pay. Employees contributed 0.8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration.

Public Law 106-346, signed by the President on October 23, 2000, rolled back the CSRS and FERS withholdings rate for all employees to the rates in effect before 1999. The new lower rates were effective on the first pay period beginning on or after January 1, 2001.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants as of September 30, 2002, included 243 active duty officers, 289 nondisability retiree annuitants, 22 disability retiree annuitants, and 50 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System, and the Foreign Service Pension System. The ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. FERS-covered employees are entitled to contribute up to 12 percent of basic pay to their TSP account, with the Department making matching contributions up to four percent of basic pay. Employees covered by CSRS are entitled to contribute up to seven percent of basic pay to their TSP account. The Department makes no matching contributions for CSRS-covered employees.

Federal Employees Health Benefit (FEHB) Program: Most Department employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. Government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement benefits for covered employees as an Imputed Cost and Imputed Financing Source.

NOAA Corps Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is an unfunded, pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

R *Use of Estimates*

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

S *Tax Status*

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

NOTE 2. Fund Balance with Treasury

Fund Balance with Treasury, by type, is as follows:

	FY 2002	FY 2001
General Funds	$ 5,577,135	$ 5,396,849
Revolving Funds	388,287	339,606
Special Fund (Patent and Trademark Surcharge Fund)	233,529	233,529
Other Special Funds	38,097	22,275
Deposit Funds	68,896	57,811
Trust Funds	3,049	5,867
Other Fund Types	4,891	5,829
Total	$ 6,313,884	$ 6,061,766

Status of Fund Balance with Treasury is as follows:

	FY 2002
Unobligated Balance:	
Available	$ 1,463,199
Unavailable	389,308
Obligated Balance not yet Disbursed	4,461,377
Total	$ 6,313,884

The Department's Deposit Funds are not available to finance operating activities. See Note 18, *Combined Statement of Budgetary Resources,* for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2002.

NOTE 3. Accounts Receivable, Net

FY 2002	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 54,487		$ 54,487
With the Public	$ 63,557	$ (7,959)	$ 55,598

FY 2001	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 98,490		$ 98,490
With the Public	$ 62,254	$ (6,311)	$ 55,943

NOTE 4. Cash

	FY 2002	FY 2001
Cash Not Yet Deposited to Treasury	$ 9,367	$ 11,537
Imprest Funds	422	756
Other Cash	713	1,239
Total	$ 10,502	$ 13,532

Cash not yet Deposited to Treasury represents patent and trademark fees that were not processed as of September 30, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities and environments that do not permit the use of electronic payments. Other Cash represents monies obtained through the foreclosure of a direct loan held in a trust account.

NOTE 5. Loans Receivable and Related Foreclosed Property, Net

The Department operates the following direct loan and loan guarantee programs:

Direct Loans:	
NOAA	Fisheries Finance Direct Loans
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Fisheries Loan Fund (FLF)
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Bering Sea Pollock Fishery Buyout
EDA	Community Development Loans
NOAA	Crab Buyback Loan
NOAA	Groundfish Buyback Loan
EDA	Economic Development Revolving Fund
EDA	Drought Loan Portfolio
Loan Guarantee Programs:	
NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)
EDA	Economic Development Revolving Fund
ELGP-Oil/Gas	Emergency Oil and Gas Loan Guarantee Program

The net assets for the Department's loan programs consist of:

	FY 2002	FY 2001
Direct Loans Obligated Prior to FY 1992	$ 75,767	$ 105,556
Direct Loans Obligated After FY 1991	159,872	168,073
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	8,551	8,939
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	47,923	14,508
Total	$ 292,113	$ 297,076

Direct Loans Obligated Prior to FY 1992 consists of:

FY 2002

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
CEIP	$ 25,270	$ 6,990	$ (20,240)	$ -	$ 12,020
Fisheries Loan Fund	1,980	142	(2,122)	-	-
Economic Development					
Revolving Fund	24,020	346	(276)	-	24,090
Drought Loan Portfolio	39,541	517	(401)	-	39,657
Total	$ 90,811	$ 7,995	$ (23,039)	$ -	$ 75,767

FY 2001

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
CEIP	$ 50,475	$ 7,905	$ (24,143)	$ 313	$ 34,550
Fisheries Loan Fund	2,790	237	(3,027)	-	-
Economic Development					
Revolving Fund	29,091	455	(855)	-	28,691
Drought Loan Portfolio	42,207	535	(427)	-	42,315
Total	$ 124,563	$ 9,132	$ (28,452)	$ 313	$ 105,556

Direct Loans Obligated After FY 1991 consist of:

Note 5c

Direct Loan Program	FY 2002 Loans Receivable, Gross	FY 2002 Interest Receivable	FY 2002 Allowance for Subsidy Cost (Present Value)	FY 2002 Value of Assets Related to Direct Loans
Bering Sea Pollock Fishery Buyout	$ 69,783	$ -	$ 12,671	$ 82,454
Fisheries Finance Direct Loans	55,796	739	4,396	60,931
Fisheries Finance IFQ Loans	13,460	120	2,907	16,487
Total	$ 139,039	$ 859	$ 19,974	$ 159,872

Direct Loan Program	FY 2001 Loans Receivable, Gross	FY 2001 Interest Receivable	FY 2001 Allowance for Subsidy Cost (Present Value)	FY 2001 Value of Assets Related to Direct Loans
Bering Sea Pollock Fishery Buyout	$ 71,860	$ 70	$ 10,941	$ 82,871
Fisheries Finance Direct Loans	65,675	677	6,691	73,043
Fisheries Finance IFQ Loans	10,532	110	1,517	12,159

Total Amount of Direct Loans Disbursed (Post-FY 1991):

Direct Loan Program	FY 2002	FY 2001
Fisheries Finance Direct Loans	$ 9,619	$ 22,773
Fisheries Finance IFQ Loans	3,764	3,793
Total	$ 13,383	$ 26,566

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Direct Loans Disbursed:

FY 2002

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Total
Fisheries Finance Direct Loans	$ (800)	$ 954	$ (141)	$ 13
Fisheries Finance IFQ Loans	(505)	571	(22)	44
Total	$ (1,305)	$ 1,525	$ (163)	$ 57

FY 2001

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Total
Fisheries Finance Direct Loans	$ (1,375)	$ 2,883	$ (1,280)	$ 228
Fisheries Finance IFQ Loans	(49)	391	(266)	76
Total	$ (1,424)	$ 3,274	$ (1,546)	$ 304

Modifications and Reestimates:

FY 2002

Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyout	$ -	$ -	$ (3,582)	$ (3,582)
Fisheries Finance Direct Loans	-	(26)	1,451	1,425
Fisheries Finance IFQ Loans	-	(82)	(1,510)	(1,592)
Total	$ -	$ (108)	$ (3,641)	$ (3,749)

FY 2001

Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyout	$ -	$ -	$ (4,240)	$ (4,240)
Fisheries Finance Direct Loans	-	(168)	(3,917)	(4,085)
Fisheries Finance IFQ Loans	-	(50)	(916)	(966)
Total	$ -	$ (218)	$ (9,073)	$ (9,291)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2002	FY 2001
Bering Sea Pollock Fishery Buyout	$ (3,582)	$ (4,240)
Fisheries Finance Direct Loans	1,438	(3,857)
Fisheries Finance IFQ Loans	(1,548)	(890)
Total	$ (3,692)	$ (8,987)

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for the Current Year's Cohort:

	FY 2002			
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Total
Fisheries Finance Direct Loans	(17.51)%	2.35%	(0.50)%	(15.66)%
Fisheries Finance IFQ Loans	(17.52)%	18.28%	(0.50)%	0.26%

	FY 2001			
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Total
Fisheries Finance Direct Loans	(8.74)%	10.03%	(0.29)%	1.00%
Fisheries Finance IFQ Loans	(11.09)%	13.46%	(0.37)%	2.00%

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-FY 1991 Direct Loans):

	FY 2002	FY 2001
Beginning balance of the subsidy cost allowance	$ 19,149	$ 6,134
Add subsidy expense for direct loans disbursed during the reporting years by component:		
Interest rate differential costs	1,305	1,424
Default costs (net of recoveries)	(1,525)	(3,274)
Fees and other collections	163	1,546
Total of the above subsidy expense components	(57)	(304)
Adjustments:		
Fees received	(71)	(125)
Subsidy allowance amortization	(2,796)	4,153
Ending balance of the subsidy cost allowance before reestimates	16,225	9,858
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	108	218
Technical/default reestimate	3,641	9,073
Total of the above reestimate components	3,749	9,291
Ending balance of the subsidy cost allowance	$ 19,974	$19,149

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2002

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 32,792	$ 1,119	$ -	$ (29,615)	$ 4,296
Economic Development Revolving Fund	4,648	23	-	(416)	4,255
Total	$ 37,440	$ 1,142	$ -	$ (30,031)	$ 8,551

FY 2001

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 33,417	$ 116	$ -	$ (28,849)	$ 4,684
Economic Development Revolving Fund	4,659	138	-	(542)	4,255
Total	$ 38,076	$ 254	$ -	$ (29,391)	$ 8,939

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2002

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 12,771	$ 18	$ 2,956	$ (6,561)	$ 9,184
Emergency Steel Loan Guarantee Program	92,097	391	-	(53,749)	38,739
Total	$ 104,868	$ 409	$ 2,956	$ (60,310)	$ 47,923

FY 2001

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 12,848	$ 30	$ 3,123	$ (1,493)	$ 14,508

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2002 and September 30, 2001, which are not reflected in the financial statements, are as follows:

	FY 2002		FY 2001	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FVOG Program	$ 68,737	$ 68,737	$ 91,028	$ 91,028
Economic Development Revolving Fund	372	372	400	400
Emergency Oil and Gas Loan Guarantee Program	2,392	2,034	2,688	2,285
Emergency Steel Loan Guarantee Program	40,458	35,603	108,625	92,331
Total	$ 111,959	$ 106,746	$ 202,741	$ 186,044

New Loans Guaranteed, by year:

	FY 2002		FY 2001	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Oil and Gas Loan Guarantee Program	164	140	2,688	2,285
Emergency Steel Loan Guarantee Program	40,458	35,603	108,625	92,331
Total	$ 40,622	$ 35,743	$ 111,313	$ 94,616

Liability for Loan Guarantees:

	FY 2002	FY 2001
Loan Guarantee Program	Liabilities for Loan Guarantees for Post-FY 1991 Guarantees Present Value	Liabilities for Loan Guarantees for Post-FY 1991 Guarantees Present Value
FVOG Program	$ 2,725	$ 2,972
Emergency Oil and Gas Loan Guarantee Program	1,379	962
Emergency Steel Loan Guarantee Program	18,242	13,398
Total	$ 22,346	$ 17,332

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees:

FY 2002

Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Oil and Gas Loan Guarantee Program	$ -	$ 638	$ (7)	$ 631
Emergency Steel Loan Guarantee Program	-	5,415	(211)	5,204
Total	$ -	$ 6,053	$ (218)	$ 5,835

FY 2001

Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Oil and Gas Loan Guarantee Program	$ -	$ 962	$ (14)	$ 948
Emergency Steel Loan Guarantee Program	-	13,398	(550)	12,848
Total	$ -	$ 14,360	$ (564)	$ 13,796

Modifications and Reestimates:

FY 2002

Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	$ -	$ -	$ 5,076	$ 5,076
Emergency Oil and Gas Loan Guarantee Program	$ -	$ (19)	$ (201)	$ (220)
Emergency Steel Loan Guarantee Program	-	3,025	50,151	53,176
Total	$ -	$ 3,006	$ 55,026	$ 58,032

FY 2001

Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	$ -	$ -	$ (823)	$ (823)

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2002	FY 2001
FVOG Program	$ 5,076	$ (823)
Emergency Oil and Gas Loan Guarantee Program	411	948
Emergency Steel Loan Guarantee Program	58,380	12,848
Total	$ 63,867	$ 12,973

Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:

	FY 2002		
Loan Guarantee Program	Defaults	Fees and Other Collections	Total
Emergency Oil and Gas Loan Guarantee Program	44.53%	(0.50)%	44.03%
Emergency Steel Loan Guarantee Program	11.56%	(0.50)%	11.06%

	FY 2001		
Loan Guarantee Program	Defaults	Fees and Other Collections	Total
Emergency Oil and Gas Loan Guarantee Program	33.46%	(0.50)%	32.96%
Emergency Steel Loan Guarantee Program	12.18%	(0.50)%	11.68%

Schedule for Reconciling Loan Guarantee Liability Balances (Post-FY 1991 Loan Guarantees):

	FY 2002	FY 2001
Beginning balance of the loan guarantee liability	$17,332	$3,726
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component		
Default costs (net of recoveries)	6,053	14,360
Fees and other collections	(218)	(564)
Total of the above subsidy expense components	5,835	13,796
Adjustments:		
Fees received	343	790
Interest accumulation on the liability balance	(523)	(157)
Ending balance of the loan guarantee liability before reestimates	22,987	18,155
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	(43)	-
Technical/default reestimate	(598)	(823)
Total of the above reestimate components	(641)	(823)
Ending balance of the loan guarantee liability	$22,346	$17,332

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consists of:

Direct Loan Program	FY 2002	FY 2001
Fisheries Finance Direct Loans	$ 2,541	$ 2,799
CEIP	294	225
Drought Loan Portfolio and Economic Development Revolving Fund	1,138	1,245
Total	$ 3,973	$ 4,269

Loan Guarantee Program	FY 2002	FY 2001
Emergency Oil and Gas Loan Guarantee Program	$209	$360
Emergency Steel Loan Guarantee Program	797	738
Total	$ 1,006	$ 1,098

NOTE 6. Inventory, Materials, and Supplies, Net

Category	Cost Flow Assumption	FY 2002	FY 2001
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, First-out	$ 22,837	$ 20,887
Other	Various	2,000	1,492
Allowance for Excess, Obsolete and Unserviceable Items		(1,469)	(1,301)
Subtotal		23,368	21,078
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted Average	$ 47,792	$ 47,655
NOAA's National Reconditioning Center	Weighted Average	36,903	34,582
Other	Various	3,334	2,719
Allowance for Excess, Obsolete, and Unserviceable Items		(12,463)	(2,818)
Subtotal		75,566	82,138
Total		$ 98,934	$ 103,216

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements. NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

NOTE 7. General Property, Plant, and Equipment, Net

		FY 2002		
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	30	$ 14,891	$ (551)	$ 14,340
Structures, Facilities, and Leasehold Improvements	2-60	622,258	(260,085)	362,173
Satellites/Weather Systems Personal Property	3-20	3,892,595	(2,538,236)	1,354,359
Other Personal Property	3-30	1,147,056	(722,063)	424,993
Assets Under Capital Lease	3-40	66,953	(29,816)	37,137
Construction-in-Progress	N/A	2,350,731	-	2,350,731
Total		$ 8,094,484	$ (3,550,751)	$ 4,543,733

		Restated FY 2001		
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	30	$ 13,616	$ (482)	$ 13,134
Structures, Facilities, and Leasehold Improvements	2-60	563,787	(243,299)	320,488
Satellites/Weather Systems Personal Property	3-20	3,540,553	(2,077,383)	1,463,170
Other Personal Property	3-30	945,881	(560,496)	385,385
Assets Under Capital Lease	3-40	79,061	(32,080)	46,981
Construction-in-Progress	N/A	2,082,842	-	2,082,842
Total		$ 7,225,740	$ (2,913,740)	$ 4,312,000

Land Improvements consist of a bulkhead that has a useful life of 30 years.

NOTE 8. Other Assets

		FY 2002		FY 2001
With the Public				
Notes Receivable	$	7,258	$	8,554
Bibliographic Database		5,874		5,936
Other		46		97
Total		13,178		14,587

As of September 30, 2002 and 2001, there are eight and six Notes Receivable, respectively, with maturity dates ranging from July 2004 to July 2024. The balances include accrued interest. These Notes Receivable are considered fully collectible as of September 30, 2002 and 97% collectible as of September 30, 2001. The bibliographic database relates to NTIS' scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $41,315 and $38,772, less accumulated amortization of $35,441 and $32,836, for September 30, 2002, and 2001, respectively.

NOTE 9. Non-Entity Assets

The assets that are not available for use in the Department's operations are summarized below:

		FY 2002		FY 2001
Intragovernmental:				
Fund Balance with Treasury	$	92,474	$	90,273
Total Intragovernmental		92,474		90,273
With the Public:				
Cash		376		152
Accounts Receivable, Net		761		509
Loans Receivable and Related Foreclosed Property, Net-Drought Loan Portfolio		39,657		42,315
Total	$	133,268	$	133,249

NOTE 10. Debt to Treasury

Loan Program	FY 2002 Beginning Balance	FY 2002 Net Borrowings (Repayments)	FY 2002 Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 182,260	$ (11,886)	$ 170,374
Loan Guarantee Program			
FVOG Program	13,673	(733)	12,940
Emergency Steel Loan Guarantee Program	-	79,199	79,199
Total	$ 195,933	$ 66,580	$ 262,513

Maturity dates range from September 2005 to September 2029 and interest rates range from 5.36% to 7.26%.

Loan Program	FY 2001 Beginning Balance	FY 2001 Net Borrowings (Repayments)	FY 2001 Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 145,293	$ 36,967	$ 182,260
Loan Guarantee Program			
FVOG Program	10,291	3,382	13,673
Total	$ 155,584	$ 40,349	$ 195,933

Maturity dates range from September 2002 to September 2029 and interest rates range from 5.36% to 7.26%.

NOTE 11. Other Liabilities

	FY 2002			FY 2001
	Current Portion	Non-Current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 30,090	$ 6,637	$ 36,727	$ 37,115
Accrued Benefits	10,914	-	10,914	31,108
Custodial Activity	994	-	994	665
Other	7,019	822	7,841	7,818
Total	$ 49,017	$ 7,459	$ 56,476	$ 76,706
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ -	$ 7,174	$ 7,174	$ 7,847
Liabilities for Loan Guarantees	-	22,346	22,346	17,332
Contingent Liabilities	2,000	-	2,000	7,095
Employment Related	2,166	-	2,166	2,104
Other	6,564	-	6,564	4,578
Total	$ 10,730	$ 29,520	$ 40,250	$ 38,956

For FY 2002, the Current Portion represents liabilities expected to be paid by September 30, 2003, while the Non-Current portion represents liabilities expected to be paid after September 30, 2003.

NOTE 12. Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities

These liabilities consist of:

	FY 2002	FY 2001
Actuarial FECA Liability	$ 190,687	$ 223,716
NOAA Corps Retirement System Liability	316,195	301,100
NOAA Corps Post-Retirement Health Benefits Liabilities	136,577	110,200
Total	$ 643,459	$ 635,016

Actuarial FECA Liability:

For discounting projected annual future benefit payments to present value, the interest rate assumptions used by the U.S. Department of Labor are as follows:

	FY 2002	FY 2001
Year 1 and Thereafter	5.20%	5.21%

The wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current year constant dollars, are as follows:

FY 2002

Fiscal Year	Cost-of-Living Allowance	Consumer Price Index - Medical
2003	1.80%	4.31%
2004	2.67%	4.01%
2005	2.40%	4.01%
2006 and Thereafter	2.40%	4.01%

FY 2001

Fiscal Year	Cost-of-Living Allowance	Consumer Price Index - Medical
2002	3.33%	4.44%
2003	3.00%	4.15%
2004	2.56%	4.09%
2005 and Thereafter	2.50%	4.09%

NOAA Corps Retirement System Liability: This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculations used the following U.S. Department of Defense Retirement Board economic assumptions:

	FY 2002	FY 2001
Investment Earnings on Federal Securities	6.25%	6.25%
Annual Basic Pay Increases	3.50%	3.50%
Annual Inflation	3.00%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost,* are as follows:

	FY 2002	FY 2001
Normal Cost	$ 4,250	$ 4,000
Interest on the Unfunded Liability	18,380	17,920
Actuarial (Gains) Losses	6,400	1,260
Total Pension Cost	$ 29,030	$ 23,180

NOAA Corps Post-Retirement Health Benefits Liability: This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculations used the same U.S. Department of Defense Retirement Board economic assumptions as used for the NOAA Corps Retirement System actuarial calculations. The claims costs used to derive the post-retirement liabilities were taken from the analysis of the U.S. Military's Projected Retiree Medical Liabilities report for FY 2002 and FY 2001.

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	FY 2002	FY 2001
Normal Cost	$ 2,757	$ 4,310
Interest on the Unfunded Liability	7,575	2,740
Actuarial (Gains) Losses	6,235	(6,760)
(Gains) Losses due to Changes in Medical Inflation	12,200	8,000
Total Post-Retirement Health Benefits Costs	$ 28,767	$ 8,290

NOTE 13. Environmental and Disposal Liabilities

	FY 2002	FY 2001
Nuclear Reactor	$ 39,537	$ 23,949
Pribiloff Island Cleanup	78,690	52,507
Other	2,962	2,854
Total	$ 121,189	$ 79,310

NOTE 14. Leases

Capital Leases

Assets under capital leases are as follows:

	FY 2002	FY 2001
Structure, Facilities, and Leasehold Improvements	$ 47,152	$ 46,731
Equipment	19,801	32,330
Less: Accumulated Amortization	(29,816)	(32,080)
Net Assets Under Capital Leases	$ 37,137	$ 46,981

Capital Lease Liabilities are primarily related to NIST and NOAA. In 1996, NIST entered into a capital lease for an office building in Gaithersburg, Maryland. NOAA has real property capital leases covering both land and buildings. The majority of leases are for buildings for weather forecasting offices, but they are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases have an average life of 20 years.

Capital Lease Liabilities

Future payments due under capital leases are as follows:

FY 2002

	PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2003	$ 6,972	$ 8,727	$ 15,699
2004	6,473	3,150	9,623
2005	6,487	1,999	8,486
2006	3,782	1,996	5,778
2007	2,894	1,815	4,709
Thereafter	29,171	3,745	32,916
Total Future Lease Payments	55,779	21,432	77,211
Less: Imputed Interest	(24,701)	(537)	(25,238)
Less: Executory Cost	(6,557)	(12,751)	(19,308)
Net Capital Lease Liabilities	$ 24,521	$ 8,144	$ 32,665

FY 2001

	PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2002	$ 7,029	$ 10,807	$ 17,836
2003	6,940	6,800	13,740
2004	6,444	2,067	8,511
2005	6,458	1,847	8,305
2006	3,755	1,876	5,631
Thereafter	31,874	6,142	38,016
Total Future Lease Payments	62,500	29,539	92,039
Less: Imputed Interest	(26,818)	(835)	(27,653)
Less: Executory Cost	(7,180)	(13,769)	(20,949)
Net Capital Lease Liabilities	$ 28,502	$ 14,935	$ 43,437

Operating Leases

Most of the Department's facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. For Federal-owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-Federal owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The aggregate of (1) the Department's future payments due under noncancellable operating leases; and (2) the Department's estimated real property rent payments to GSA for FY 2003 through FY 2007 are as follows:

	FY 2002			
	PP&E Category			
Fiscal Year	GSA Real Property	Non-GSA Real Property	Personal Property	Total
2003	$ 205,579	$ 14,012	$ 10,401	$ 229,992
2004	260,846	10,940	-	271,786
2005	229,455	8,341	-	237,796
2006	219,212	6,845	-	226,057
2007	240,659	4,902	-	245,561
Thereafter	-	43,409	-	43,409
Total Future Lease Payments	$ 1,155,751	$ 88,449	$ 10,401	$ 1,254,601

NOTE 15. Liabilities Not Covered by Budgetary Resources

	FY 2002	FY 2001
Intragovernmental:		
Accrued FECA Liability	$ 33,087	$ 34,002
Other	10,185	6,455
Total Intragovernmental	43,272	40,457
Accrued Payroll	21,447	6,576
Accrued Annual Leave	167,998	155,769
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities	643,459	635,016
Environmental and Disposal Liabilities	115,299	70,978
Contingent Liabilities	2,000	7,095
Capital Lease Liabilities	27,947	31,998
Unearned Revenue	458,889	364,268
ITA Foreign Service Nationals' Voluntary Separation Pay	7,174	7,847
Other	2,153	1,922
Total	$ 1,489,638	$ 1,321,926

Due to the unique funding structure of USPTO, the Unearned Revenue as of September 30 reported above is the portion of USPTO's unearned patent and trademark fees that are considered not covered by budgetary resources.

NOTE 16. Commitments and Contingencies

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments is shown below.

Major Long-Term Commitments (In Millions):

FY 2002

Description	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 227	$ 296	$ 327	$ 274	$ 255	$ 2,341	$ 3,720
Polar Operational Environmental Satellites	359	419	361	374	393	1,422	3,328
Other Weather Service	55	56	54	35	26	104	330
Total	$ 641	$ 771	$ 742	$ 683	$ 674	$ 3,867	$ 7,378

Contingencies:

The Department is party in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or net costs of the Department.

The Department and other federal agencies are subject to liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U. S. The exact amount of these claims against the U.S. Government is unknown, but may exceed $3,293 million as of September 30, 2002. It is not possible to speculate as to a range of loss for these claims. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. Government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the litigation. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount that is attributable to the Department.

The Department and other federal agencies are party to other suits, with claim amounts that may exceed $1,256 million as of September 30, 2002. In addition, there are other suits with no claim amounts. For all of these suits, it is reasonably possible that an adverse outcome will result. However, it is not possible to speculate as to a range of loss. Of these claims, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department is subject to suits where adverse outcomes are probable and claims are approximately $21 million and $10 million as of September 30, 2002 and 2001, respectively. The range of loss for these suits is between $2 million and $21 million as of September 30, 2002, and between $7 million and $10 million as of September 30, 2001. Accordingly, $2 million and $7 million were accrued on the Consolidated Balance Sheets as of September 30, 2002 and 2001, respectively. For a majority of these cases, any settlements will be paid out of Treasury's Judgment Fund. Once the claims are settled or court judgments are assessed against the Department, the liability will be removed from the financial statements and an imputed financing source (representing the amount to be paid by Treasury's Judgment Fund) will be recognized.

During FY 2002, a multi-agency case was settled for $115 million to be paid from Treasury's Judgment Fund. The Department was unable to obtain an allocation of the settlement amount; therefore, the amount is not included in these financial statements.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2002 and 2001, with outstanding principal balances totaling $68,737 and $91,028, respectively. A liability for loan guarantees of $2,725 and $2,972 is recorded for the outstanding guarantees at September 30, 2002 and 2001, respectively.

Economic Development Revolving Fund: This loan guarantee and direct loan program has one outstanding non-acquired guaranteed loan (fully guaranteed by the Department) with an outstanding principal balance totaling $372 and $400 at September 30, 2002 and 2001, respectively. This loan guarantee has been terminated for noncompliance with the terms of the guarantee. The estimated range of liability for this guarantee is between $0 and $372 for September 30, 2002, and $0 and $400 for September 30, 2001, depending on the outcome of negotiations or court action or on the passage of time, until the statute of limitations runs out.

Emergency Steel Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2002 and 2001, respectively, with an outstanding principal balance of $40,458 and $108,625 as of September 30, 2002 and 2001, respectively. The Department's guarantee percentages range from 85 percent to 95 percent on the loan guarantee outstanding as of September 30, 2002, and was 85 percent guaranteed as of September 30, 2001. The borrower on the loan guarantee defaulted during FY 2002. Funds were borrowed from Treasury and will be repaid out of subsequent collections on loan collateral, and, if required, by funding from permanent indefinite appropriations authority authorized by the Federal Credit Reform Act. A liability for loan guarantees of $18,813 and $13,398 is recorded for the outstanding guarantee at September 30, 2002 and 2001, respectively.

Emergency Oil and Gas Loan Guarantee Program: This program has three outstanding non-acquired guaranteed loans as of September 30, 2002 and 2001, with outstanding principal balances totaling $2,392 and $2,688 as of September 30, 2002 and 2001, respectively. The Department's guarantee percentage is 85 percent for these guaranteed loans. A liability for loan guarantees of $1,600 and $962 is recorded for the outstanding guarantees at September 30, 2002 and 2001, respectively.

NOTE 17. Consolidated Statement of Net Cost

FY 2002 Consolidating Statement of Net Cost:

COSTS:	NOAA	USPTO	ESA	TA	Other Bureaus	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably									
Intragovernmental Gross Costs	$ -	$ -	$ 279,738	$ -	$ 175,842	$ 59,487	$ 515,067	$ (65,466)	$ 449,601
Gross Costs with the Public	-	-	683,593	-	799,801	38,989	1,522,383	-	1,522,383
Total Gross Costs	-	-	963,331	-	975,643	98,476	2,037,450	(65,466)	1,971,984
Intragovernmental Earned Revenue	-	-	(197,218)	-	(35,182)	(72,621)	(305,021)	65,466	(239,555)
Earned Revenue From the Public	-	-	(24,604)	-	(12,244)	(25)	(36,873)	-	(36,873)
Total Earned Revenues	-	-	(221,822)	-	(47,426)	(72,646)	(341,894)	65,466	(276,428)
Net Program Costs	**-**	**-**	**741,509**	**-**	**928,217**	**25,830**	**1,695,556**	**-**	**1,695,556**
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness									
Intragovernmental Gross Costs	-	231,153	-	94,837	4,633	59,485	390,108	(72,050)	318,058
Gross Costs with the Public	-	930,970	-	660,648	27,175	38,990	1,657,783	-	1,657,783
Total Gross Costs	-	1,162,123	-	755,485	31,808	98,475	2,047,891	(72,050)	1,975,841
Intragovernmental Earned Revenue	-	(5,496)	-	(109,586)	(43)	(72,620)	(187,745)	72,050	(115,695)
Earned Revenue From the Public	-	(1,053,892)	-	(45,385)	-	(25)	(1,099,302)	-	(1,099,302)
Total Earned Revenues	-	(1,059,388)	-	(154,971)	(43)	(72,645)	(1,287,047)	72,050	(1,214,997)
Net Program Costs	**-**	**102,735**	**-**	**600,514**	**31,765**	**25,830**	**760,844**	**-**	**760,844**
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth									
Intragovernmental Gross Costs	491,755	-	-	-	-	59,505	551,260	(65,351)	485,909
Gross Costs with the Public	2,736,001	-	-	-	-	39,003	2,775,004	-	2,775,004
Total Gross Costs	3,227,756	-	-	-	-	98,508	3,326,264	(65,351)	3,260,913
Intragovernmental Earned Revenue	(173,744)	-	-	-	(44)	(72,643)	(246,431)	65,351	(181,080)
Earned Revenue From the Public	(47,017)	-	-	-	-	(25)	(47,042)	-	(47,042)
Total Earned Revenues	(220,761)	-	-	-	(44)	(72,668)	(293,473)	65,351	(228,122)
Net Program Costs	**3,006,995**	**-**	**-**	**-**	**(44)**	**25,840**	**3,032,791**	**-**	**3,032,791**
NET COST OF OPERATIONS	**$ 3,006,995**	**$ 102,735**	**$ 741,509**	**$ 600,514**	**$ 959,938**	**$ 77,500**	**$ 5,489,191**	**$ -**	**$ 5,489,191**

Restated FY 2001 Consolidating Statement of Net Cost:

The segregation of earned revenues between "intragovernmental" and "with the public" is not required for FY 2001, and that breakout is not readily available.

COSTS:	NOAA	USPTO	ESA	TA	Other Bureaus	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably									
Intragovernmental	$ -	$ -	$ 332,695	$ -	$ 232,849	$ 59,911	$ 625,455	$ (64,018)	$ 561,437
With the Public	-	-	990,136	-	681,845	26,363	1,698,344	-	1,698,344
Total	-	-	1,322,831	-	914,694	86,274	2,323,799	(64,018)	2,259,781
Less: Earned Revenues	-	-	(202,519)	-	(57,713)	(65,126)	(325,358)	64,018	(261,340)
Net Program Costs	**-**	**-**	**1,120,312**	**-**	**856,981**	**21,148**	**1,998,441**	**-**	**1,998,441**
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness									
Intragovernmental	-	209,305	-	96,984	-	59,911	366,200	(63,569)	302,631
With the Public	-	807,322	-	675,935	24,935	26,363	1,534,555	-	1,534,555
Total	-	1,016,627	-	772,919	24,935	86,274	1,900,755	(63,569)	1,837,186
Less: Earned Revenues	-	(1,040,258)	-	(151,376)	-	(65,126)	(1,256,760)	63,569	(1,193,191)
Net Program Costs	**-**	**(23,631)**	**-**	**621,543**	**24,935**	**21,148**	**643,995**	**-**	**643,995**
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth									
Intragovernmental	480,927	-	-	-	-	59,929	540,856	(67,121)	473,735
With the Public	2,398,080	-	-	-	-	26,371	2,424,451	-	2,424,451
Total	2,879,007	-	-	-	-	86,300	2,965,307	(67,121)	2,898,186
Less: Earned Revenues	(236,550)	-	-	-	-	(65,146)	(301,696)	67,121	(234,575)
Net Program Costs	**2,642,457**	**-**	**-**	**-**	**-**	**21,154**	**2,663,611**	**-**	**2,663,611**
NET COST OF OPERATIONS	**$ 2,642,457**	**$ (23,631)**	**$ 1,120,312**	**$ 621,543**	**$ 881,916**	**$ 63,450**	**$ 5,306,047**	**$ -**	**$ 5,306,047**

Gross Cost and Earned Revenue by Budget Functional Classification

FY 2002

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	$ 3,188,417	$ (197,541)	$ 2,990,876
370 Commerce and Housing Credit	3,603,515	(1,510,027)	2,093,488
450 Community and Regional Development	384,998	(11,979)	373,019
500 Educ., Training, Empl., & Social Services	31,808	-	31,808
Total	$ 7,208,738	$ (1,719,547)	$ 5,489,191

Restated FY 2001

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	$ 2,855,869	$ (209,864)	$ 2,646,005
370 Commerce and Housing Credit	3,676,366	(1,462,085)	2,214,281
450 Community and Regional Development	405,688	(17,157)	388,531
500 Educ., Training, Empl., & Social Services	57,230	-	57,230
Total	$ 6,995,153	$ (1,689,106)	$ 5,306,047

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

FY 2002

Budget Functional Classification	Intrgovernmental Gross Costs	Intrgovernmental Earned Revenue	Intrgovernmental Net Cost
300 Natural Resources and Environment	$ 469,619	$ (162,154)	$ 307,465
370 Commerce and Housing Credit	767,084	(364,782)	402,302
450 Community and Regional Development	12,232	(9,394)	2,838
500 Educ., Training, Empl., & Social Services	4,633	-	4,633
Total	$ 1,253,568	$ (536,330)	$ 717,238

Restated FY 2001

Budget Functional Classification	Intrgovernmental Gross Costs	Intrgovernmental Earned Revenue	Intrgovernmental Net Cost
300 Natural Resources and Environment	$ 455,222	$ (170,211)	$ 285,011
370 Commerce and Housing Credit	867,638	(346,237)	521,401
450 Community and Regional Development	14,943	(14,498)	445
Total	$ 1,337,803	$ (530,946)	$ 806,857

Major Programs: The following tables illustrate major programs of the Department. Other Programs refers to the other programs within each strategic goal. The "Others" column refers to the Department's entities that are not listed. The Others column data and the Other Programs data are presented solely to reconcile these tables to the Combining Totals columns on the *Consolidating Statements of Net Cost*.

FY 2002 Statement of Net Cost by Major Program (Combining Basis):

Program Costs	NOAA	Census	NIST	USPTO	Others	Combining Totals
Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably						
Decennial 2000						
Intragovernmental Gross Costs	$ -	$ 24,001	$ -	$ -	$ -	$ 24,001
Gross Costs With the Public	-	198,856	-	-	-	198,856
Total Gross Costs	-	222,857	-	-	-	222,857
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenues	-	-	-	-	-	-
Net Program Costs	-	222,857	-	-	-	222,857
Other Programs						
Intragovernmental Gross Costs	-	227,516	-	-	263,550	491,066
Gross Costs With the Public	-	444,401	-	-	879,126	1,323,527
Total Gross Costs	-	671,917	-	-	1,142,676	1,814,593
Intragovernmental Earned Revenue	-	(195,306)	-	-	(109,715)	(305,021)
Earned Revenue From the Public	-	(19,783)	-	-	(17,090)	(36,873)
Total Earned Revenues	-	(215,089)	-	-	(126,805)	(341,894)
Net Program Costs	-	456,828	-	-	1,015,871	1,472,699
Net Program Costs for Strategic Goal 1	**-**	**679,685**	**-**	**-**	**1,015,871**	**1,695,556**
Provide Infrastructure for Innovation to Enhance American Competitiveness						
Measurement and Standards Laboratories						
Intragovernmental Gross Costs	-	-	53,222	-	-	53,222
Gross Costs With the Public	-	-	396,521	-	-	396,521
Total Gross Costs	-	-	449,743	-	-	449,743
Intragovernmental Earned Revenue	-	-	(93,012)	-	-	(93,012)
Earned Revenue From the Public	-	-	(30,870)	-	-	(30,870)
Total Earned Revenues	-	-	(123,882)	-	-	(123,882)
Net Program Costs	-	-	325,861	-	-	325,861
Patents						
Intragovernmental Gross Costs	-	-	-	203,138	-	203,138
Gross Costs With the Public	-	-	-	818,138	-	818,138
Total Gross Costs	-	-	-	1,021,276	-	1,021,276
Intragovernmental Earned Revenue	-	-	-	(5,347)	-	(5,347)
Earned Revenue From the Public	-	-	-	(903,453)	-	(903,453)
Total Earned Revenues	-	-	-	(908,800)	-	(908,800)
Net Program Costs	-	-	-	112,476	-	112,476

(Continued)

FY 2002 Statement of Net Cost by Major Program (Combining Basis) - Continued:

Costs	NOAA	Census	NIST	USPTO	Others	Combining Totals
Trademarks						
Intragovernmental Gross Costs	$ -	$ -	$ -	$ 28,015	$ -	$ 28,015
Gross Costs With the Public	-	-	-	112,832	-	112,832
Total Gross Costs	-	-	-	140,847	-	140,847
Intragovernmental Earned Revenue	-	-	-	(149)	-	(149)
Earned Revenue From the Public	-	-	-	(150,439)	-	(150,439)
Total Earned Revenues	-	-	-	(150,588)	-	(150,588)
Net Program Costs	-	-	-	(9,741)	-	(9,741)
Other Programs						
Intragovernmental Gross Costs	-	-	31,207	-	74,526	105,733
Gross Costs With the Public	-	-	232,500	-	97,792	330,292
Total Gross Costs	-	-	263,707	-	172,318	436,025
Intragovernmental Earned Revenue	-	-	-	-	(89,237)	(89,237)
Earned Revenue From the Public	-	-	-	-	(14,540)	(14,540)
Total Earned Revenues	-	-	-	-	(103,777)	(103,777)
Net Program Costs	-	-	263,707	-	68,541	332,248
Net Program Costs for Strategic Goal 2	**-**	**-**	**589,568**	**102,735**	**68,541**	**760,844**
Observe and Manage the Earth's Environment to Promote Sustainable Growth						
Advance Short Term Warning Forecast Service						
Intragovernmental Gross Costs	275,600	-	-	-	-	275,600
Gross Costs With the Public	1,505,035	-	-	-	-	1,505,035
Total Gross Costs	1,780,635	-	-	-	-	1,780,635
Intragovernmental Earned Revenue	(91,002)	-	-	-	-	(91,002)
Earned Revenue From the Public	(4,827)	-	-	-	-	(4,827)
Total Earned Revenues	(95,829)	-	-	-	-	(95,829)
Net Program Costs	1,684,806	-	-	-	-	1,684,806
Other Programs						
Intragovernmental Gross Costs	216,155	-	-	-	59,505	275,660
Gross Costs With the Public	1,230,966	-	-	-	39,003	1,269,969
Total Gross Costs	1,447,121	-	-	-	98,508	1,545,629
Intragovernmental Earned Revenue	(82,742)	-	-	-	(72,687)	(155,429)
Earned Revenue From the Public	(42,190)	-	-	-	(25)	(42,215)
Total Earned Revenues	(124,932)	-	-	-	(72,712)	(197,644)
Net Program Costs	1,322,189	-	-	-	25,796	1,347,985
Net Program Costs for Strategic Goal 3	**3,006,995**	**-**	**-**	**-**	**25,796**	**3,032,791**
NET COST OF OPERATIONS	**$3,006,995**	**$ 679,685**	**$ 589,568**	**$ 102,735**	**$1,110,208**	**$5,489,191**

Restated FY 2001 Statement of Net Cost by Major Program (Combining Basis):

Costs	NOAA	Census	NIST	USPTO	Others	Combining Totals
Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably						
Decennial 2000						
Intragovernmental/With the Public	$ -	$ 668,232	$ -	$ -	$ -	$ 668,232
Less: Earned Revenues	-	-	-	-	-	-
Net Program Costs	-	668,232	-	-	-	668,232
Other Programs						
Intragovernmental/With the Public	-	594,877	-	-	1,060,690	1,655,567
Less: Earned Revenues	-	(198,217)	-	-	(127,141)	(325,358)
Net Program Costs	-	396,660	-	-	933,549	1,330,209
Net Program Costs for Strategic Goal 1	**-**	**1,064,892**	**-**	**-**	**933,549**	**1,998,441**
Provide Infrastructure for Innovation to Enhance American Competitiveness						
Measurement and Standards Laboratories						
Intragovernmental/With the Public	-	-	441,304	-	-	441,304
Less: Earned Revenues	-	-	(116,643)	-	-	(116,643)
Net Program Costs	-	-	324,661	-	-	324,661
Patents						
Intragovernmental/With the Public	-	-	-	882,537	-	882,537
Less: Earned Revenues	-	-	-	(859,028)	-	(859,028)
Net Program Costs	-	-	-	23,509	-	23,509
Other Programs						
Intragovernmental/With the Public	-	-	288,836	134,090	153,988	576,914
Less: Earned Revenues	-	-		(181,230)	(99,859)	(281,089)
Net Program Costs	-	-	288,836	(47,140)	54,129	295,825
Net Program Costs for Strategic Goal 2	**-**	**-**	**613,497**	**(23,631)**	**54,129**	**643,995**
Observe and Manage the Earth's Environment to Promote Sustainable Growth						
Advance Short Term Warning Forecast Service						
Intragovernmental/With the Public	1,473,695	-	-	-	-	1,473,695
Less: Earned Revenues	(111,683)	-	-	-	-	(111,683)
Net Program Costs	1,362,012	-	-	-	-	1,362,012
Other Programs						
Intragovernmental/With the Public	1,405,312	-	-	-	86,300	1,491,612
Less: Earned Revenues	(124,867)	-	-	-	(65,146)	(190,013)
Net Program Costs	1,280,445	-	-	-	21,154	1,301,599
Net Program Costs for Strategic Goal 3	**2,642,457**	**-**	**-**	**-**	**21,154**	**2,663,611**
NET COST OF OPERATIONS	**$ 2,642,457**	**$ 1,064,892**	**$ 613,497**	**$ (23,631)**	**$ 1,008,832**	**$ 5,306,047**

NOTE 18. Combined Statement of Budgetary Resources

The amount of Appropriations Received on the *Combined Statement of Budgetary Resources* (SBR) reconciles to the amount reported on the *Consolidated Statement of Changes in Net Position*, as follows:

Appropriations Received per the SBR	$ 5,813,215
Less:	
Appropriated receipts for USPTO, classified as exchange revenue	(282,300)
Other special receipts for NOAA, classified as exchange revenues	(18,916)
Donations	(928)
Total	$ 5,511,071

Borrowing authority available at September 30, 2002 is $ 221,878, which consists of $142,678 for NOAA's loan programs and $79,200 for ELGP. See Note 1M. *Debt to Treasury* for debt repayment requirements, financing sources for repayment, and other terms of borrowing authority used.

Approximately 90 percent of the Department's reporting entities have one or more permanent no-year appropriations to finance operations.

Rescissions to the Department's appropriations under Public Laws 107-206 and 107-77, amounted to $25,317 and $5,200, respectively.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2002 include the following:

- Fund balance with Treasury includes restricted general funds of $3,400 permanently not available as of September 30, 2002, pursuant to P.L. 102-368 and $34 as of September 30, 2002 pursuant to P.L. 106-553.

- Credit reform regulations require all unobligated balances at year-end to be returned to Treasury. The restricted fund balance in NOAA's Liquidating Fund includes unobligated balances of $3,169 as of September 30, 2002. Fund balance with Treasury also includes restricted funds for unapportioned authority in NOAA's Coastal Zone Management Fund of $28,309 as of September 30, 2002.

- The Omnibus Budget Reconciliation Act of 1990 established revenue withholding on certain statutory patent fees collected by USPTO. Subsequent legislation extended the revenue withholding through the end of FY 1998. These withheld revenues were deposited into the Patent and Trademark Surcharge Fund, a restricted Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. At September 30, 2002, $233,529 is held in the Patent and Trademark Surcharge Fund.

- The USPTO was appropriated $843,701 for fees collected during FY 2002, and it collected an additional $295,882 that was not available for spending.

The Budget of the United States Government with actual numbers for FY 2002 has not yet been published. The expected published date is February 3, 2003. A copy of the Budget can be obtained from the Office of Management and Budget Web site at http://www.whitehouse.gov/omb.

The line item Adjustments to Obligated Balance, Beginning of Period on the *Combined Statement of Budgetary Resources* includes an adjustment to reduce Census' Obligated Balance, Beginning of Period by $19,634. It was discovered in FY 2002 that Census' Obligations Incurred for FY 2001 was overstated by $19,634, causing the need for the adjustment to Obligated Balance, Beginning of Period on the Department's FY 2002 *Combined Statement of Budgetary Resources*.

Apportionment Categories of Obligations Incurred

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B and Exempt from Apportionment are as follows:

	FY 2002		
	Direct	Reimbursable	Total
Category A	$ 2,183,881	$ 1,988,282	$ 4,172,163
Category B	3,895,855	189,570	4,085,425
Exempt from Apportionment	-	339,031	339,031
Total	$ 6,079,736	$ 2,516,883	$ 8,596,619

NOTE 19. Consolidated Statement of Financing

The section Components Requiring or Generating Resources in Future Periods, shown on the *Consolidated Statement of Financing,* represents costs that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This section does not include costs incurred in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

NOTE 20. Custodial Activity

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, and is required to transfer the collections to Treasury. BIS receives civil monetary penalties from private entities that violate the Export Administration Act, and ITA is required to transfer certain trade fees to Treasury. For FY 2002, the Department had custodial revenue of $8,330; of this amount, $994 was payable to Treasury at September 30, 2002. For FY 2001, the Department had custodial revenue of $4,932; of this amount, $665 was payable to Treasury at September 30, 2001.

NOTE 21. Net Position - Cumulative Results of Operations

Restatements to FY 2001 Financial Statements:

In accordance with SFFAS No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, the FY 2001 financial statements have been restated for an error discovered in FY 2002. In FY 2002, NOAA identified a construction-in-progress project relating to satellites that should have been capitalized as of September 30, 2001, causing the need for an increase in PP&E and a corresponding increase in Cumulative Results of Operations as of September 30, 2001. The following corrections are reflected in the restated FY 2001 financial statements:

Cumulative Results of Operations

Cumulative Results of Operations as of September 30, 2001, as previously presented		$ 4,028,302
Restatements:		
Increase to NOAA PP&E with a corresponding increase to Beginning Balances, Cumulative Results of Operations, as of October 1, 2000	$ 102,100	
Increase to NOAA PP&E with a corresponding decrease to FY 2001 Gross Costs With the Public, Strategic Goal 3, on the FY 2001 *Consolidated Statement of Net Cost*	69,300	
Total increase in PP&E and Cumulative Results of Operations		171,400
Cumulative Results of Operations as of September 30, 2001 After Restatements		$ 4,199,702

CONSOLIDATING BALANCE SHEET


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2002 *(In Thousands)*

	Consolidating Totals	Intra-Departmental Eliminations	BIS	Census	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	ITA	MBDA	NIST	NOAA	NTIA	NTIS	OIG	TA	USPTO
ASSETS																				
Intragovernmental:																				
Fund Balance with Treasury	$ 6,313,884	$ -	$ 21,661	$ 419,169	$ 551	$ 59,344	$ 18,920	$ 1,106,273	$ 133,027	$ 12,570	$ 1,418	$ 129,719	$ 14,307	$ 769,884	$ 2,473,209	$ 175,098	$ 39,140	$ 3,435	$ 10,029	$ 926,130
Accounts Receivable, Net	54,487	(10,267)	841	10,014	-	7,665	520	630	-	-	724	1,842	75	7,043	34,826	247	224	-	4	99
Advances and Prepayments	39,402	(49,476)	1,320	5,293	-	1,076	2,083	284	57	765	91	2,952	235	11,816	27,120	364	219	219	140	34,844
Total Intragovernmental	**6,407,773**	**(59,743)**	**23,822**	**434,476**	**551**	**68,085**	**21,523**	**1,107,187**	**133,084**	**13,335**	**2,233**	**134,513**	**14,617**	**788,743**	**2,535,155**	**175,709**	**39,583**	**3,654**	**10,173**	**961,073**
Cash	10,502	-	-	-	-	-	-	-	-	-	-	66	-	30	1,105	-	31	-	-	9,270
Accounts Receivable, Net	55,598	-	850	206	-	87	10	2,002	-	6	-	183	15	8,309	38,809	43	642	-	1	4,435
Loans Receivable and Related Foreclosed Property, Net	292,113	-	-	-	-	-	-	68,002	38,740	-	-	-	-	-	185,371	-	-	-	-	-
Inventory, Materials, and Supplies, Net	98,934	-	-	1,746	-	-	707	-	-	31	-	-	-	23,853	72,232	-	365	-	-	-
General Property, Plant, and Equipment, Net	4,543,733	-	389	60,897	34	50	8,314	34	-	82	187	7,232	50	522,859	3,822,542	1,401	443	29	6	119,184
Advances and Prepayments	13,907	-	4	-	-	58	-	5,514	190	(1)	-	2,428	6	813	3,292	(17)	47	-	-	1,573
Other	13,178	-	-	-	3	1	-	-	-	-	-	-	-	41	7,259	-	5,874	-	-	-
TOTAL ASSETS	**$11,435,738**	**$ (59,743)**	**$ 25,065**	**$ 497,325**	**$ 588**	**$ 68,281**	**$ 30,554**	**$ 1,182,739**	**$ 172,014**	**$ 13,453**	**$ 2,420**	**$ 144,422**	**$ 14,688**	**$ 1,344,648**	**$ 6,665,765**	**$ 177,136**	**$ 46,985**	**$ 3,683**	**$ 10,180**	**$ 1,095,535**
LIABILITIES																				
Intragovernmental:																				
Accounts Payable	$ 84,465	$ (10,267)	$ 1,124	$ 4,731	$ -	$ 380	$ 40	$ 1,803	$ -	$ 177	$ 35	$ 8,622	$ 207	$ 2,635	$ 58,940	$ 6,384	$ 4,989	$ 232	$ 712	$ 3,721
Debt to Treasury	262,513	-	-	-	-	-	-	-	79,200	-	-	-	-	-	183,313	-	-	-	-	-
Resources Payable to Treasury	54,382	-	-	-	-	-	-	39,657	-	-	-	-	-	-	14,725	-	-	-	-	-
Unearned Revenue	338,723	(49,476)	3,309	107,995	-	38,264	19,180	53,362	-	218	1,024	615	178	90,000	45,739	7,142	12,551	800	4,073	3,749
Other	56,476	-	1,359	22,389	-	481	660	486	824	225	7	2,779	362	2,778	19,859	222	123	265	31	3,626
Total Intragovernmental	**796,559**	**(59,743)**	**5,792**	**135,115**	**-**	**39,125**	**19,880**	**95,308**	**80,024**	**620**	**1,066**	**12,016**	**747**	**95,413**	**322,576**	**13,748**	**17,663**	**1,297**	**4,816**	**11,096**
Accounts Payable	279,835	-	544	47,446	24	13,039	6,629	212	159	572	521	16,319	2,204	40,237	77,672	3,841	2,285	360	1,220	66,551
Accrued Payroll and Annual Leave	270,624	-	2,918	36,961	-	1,978	4,394	2,480	1	4,018	205	18,587	762	24,415	96,667	2,522	1,243	1,457	583	71,433
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities	643,459	-	1,649	104,408	-	1,195	2,993	1,838	-	322	124	9,574	1,480	8,961	503,148	732	726	977	-	5,332
Accrued Grants	350,309	-	-	-	-	-	-	243,856	-	-	-	9,134	1,771	43,814	33,213	18,465	-	-	56	-
Environmental and Disposal Liabilities	121,189	-	-	-	-	-	-	-	-	-	-	-	-	39,537	81,652	-	-	-	-	-
Capital Lease Liabilities	32,665	-	-	-	-	-	-	-	-	-	-	-	-	8,874	23,810	(19)	-	-	-	-
Unearned Revenue	599,293	-	1	3,423	-	-	-	-	-	-	-	2,925	-	14,321	35,227	48	9,819	-	7	533,522
Other	40,250	-	72	2,264	-	-	-	2,051	19,621	-	-	8,436	-	152	7,687	12	-	-	(45)	-
TOTAL LIABILITIES	**$ 3,134,183**	**$ (59,743)**	**$ 10,976**	**$ 329,617**	**$ 24**	**$ 55,337**	**$ 33,896**	**$ 345,745**	**$ 99,805**	**$ 5,532**	**$ 1,916**	**$ 76,991**	**$ 6,964**	**$ 275,724**	**$ 1,181,652**	**$ 39,349**	**$ 31,736**	**$ 4,091**	**$ 6,637**	**$ 687,934**
NET POSITION																				
Unexpended Appropriations	$ 3,978,998	$ -	17,110	236,143	-	15,304	-	807,600	125,447	9,313	-	91,406	10,027	478,263	2,044,578	137,173	-	1,946	4,009	679
Cumulative Results of Operations	4,322,557	-	(3,021)	(68,435)	564	(2,360)	(3,342)	29,394	(53,238)	(1,392)	504	(23,975)	(2,303)	590,661	3,439,535	614	15,249	(2,354)	(466)	406,922
TOTAL NET POSITION	**$ 8,301,555**	**-**	**$ 14,089**	**$ 167,708**	**$ 564**	**$ 12,944**	**$ (3,342)**	**$ 836,994**	**$ 72,209**	**$ 7,921**	**$ 504**	**$ 67,431**	**$ 7,724**	**$ 1,068,924**	**$ 5,484,113**	**$ 137,787**	**$ 15,249**	**$ (408)**	**$ 3,543**	**$ 407,601**
TOTAL LIABILITIES AND NET POSITION	**$11,435,738**	**$ (59,743)**	**$ 25,065**	**$ 497,325**	**$ 588**	**$ 68,281**	**$ 30,554**	**$ 1,182,739**	**$ 172,014**	**$ 13,453**	**$ 2,420**	**$ 144,422**	**$ 14,688**	**$ 1,344,648**	**$ 6,665,765**	**$ 177,136**	**$ 46,985**	**$ 3,683**	**$ 10,180**	**$ 1,095,535**

See accompanying auditors' report.

Required Supplementary Information


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Information (unaudited)

(In Thousands)

A Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST(see below for abbreviations). These two entities represent 96 percent of the Department's PP&E balance.

National Oceanic and Atmospheric Administration (NOAA)

NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's $200 thousand capitalization threshold. CAS requires a periodic inspection of real property to determine its current condition and to estimate the cost likely to be incurred by the correction of any deficiencies.

The following indicates NOAA's deferred maintenance for projects with estimated costs greater than $50 thousand, as of September 30, 2002:

PP&E Category	Number of Projects	Amount
Buildings and Structures	32	$13,634

While the CAS for the above facilities indicates that one or more of the building systems is in less than acceptable operating condition, NOAA has not established a facility condition code to classify the condition of individual facilities. The total deferred maintenance costs indicated could therefore vary by as much as 10 percent, or from $12.3 million to $15 million. There is an annual call each year to the NOAA elements requesting their submission of new projects and updates to existing unfunded projects to reflect changes in requirements or costs.

National Institute of Standards and Technology (NIST)

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2, good condition; 3, acceptable condition; 4, poor condition; and 5, very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of September 30, 2002:

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	4	$418,000 to 627,000
Buildings (Internal Structures)	4	152,000 to 228,000
Buildings (External Structures)	4	38,000 to 57,000
Total		$608,000 to 912,000

B Segment Information

Departmental Management/Working Capital Fund (DM/WCF)

DM/WCF's mission is to provide, in the most efficient and economical manner possible, the centralized services required by the operating entities of the Department and other Federal entities. DM/WCF operates on a revolving fund basis, whereby current operating expenses charged to the customer finance the cost of goods and services. The overall financial goal of the fund is to remain at break-even position.

Services: DM/WCF provides a variety of administrative services to the Department and to other Federal entities. These include personnel-related services, financial and budget management, legal services, security, acquisition, telecommunications, and public affairs.

Major Customers: The major customers of DM/WCF are NOAA, ITA, and Census, accounting for 27.8 percent, 19.1 percent, and 18.7 percent of revenues, respectively.

Note: Information about assets, liabilities, and net position as of September 30, 2002 can be found in the Consolidating Balance Sheet, which is included as supplementary information.

DM/WCF
Summary of Costs and Related Exchange Revenues by Line of Business
For the Year Ended September 30, 2002

	Personnel-Related Services	Financial Management	Legal Services	Administrative Services	Total
Full Cost of Services Provided	$16,816	$20,887	$26,403	$48,466	**$112,572**
Less: Exchange Revenues	(16,142)	(20,050)	(25,344)	(46,523)	**(108,059)**
Excess of Costs over Exchange Revenues	$674	$837	$1,059	$1,943	**$4,513**

Franchise Fund

The Department's Franchise Fund has three major goals:

- To operate along the lines of a commercial business by becoming self-sustaining and capable of achieving full cost recovery and by becoming competitive, without subsidies, in an open-market environment
- To encourage competition and the operation of market forces in the delivery of administrative services to lower costs and to promote better service
- To create a customer-oriented workforce that is capable of providing quality services and products

Services: The Franchise Fund is composed of only one service provider, the Office of Computer Services (OCS). OCS provides information technology services to the Department and to other Federal entities, including Treasury's Financial Management Service, the Department of Justice's Immigration and Naturalization Service, the U.S. Customs Service, the Equal Employment Opportunity Commission, the Pension Benefit Guaranty Corporation, and the Consumer Products Safety Commission.

Major Customers: The Immigration and Naturalization Service is the major external customer for the Franchise Fund, accounting for 92.1 percent of revenue.

Franchise Fund
Summary of Costs and Related Exchange Revenues by Line of Business
For the Year Ended September 30, 2002

	Computer Services
Full Cost of Services Provided	$ 10,174
Less: Exchange Revenues	(10,249)
Excess of Costs over Exchange Revenues	$ (75)

Note: Information about assets, liabilities, and net position as of September 30, 2002 can be found in the Consolidating Balance Sheet, which is included as supplementary information.

United States Department of Commerce Intragovernmental Assets and Liabilities (unaudited)
As of September 30, 2002 *(In Thousands)*

Intragovernmental Assets:

Trading Partner Name	Number	Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Total
Department of the Treasury	20	$ 6,313,884	$ 101	$ 40	$ 6,314,025
General Services Administration	47	-	213	33,354	33,567
Department of Transportation	69	-	8,361	9	8,370
Environmental Protection Agency	68	-	7,767	-	7,767
Department of Labor	16	-	7,570	-	7,570
Office of the Secretary of Defense - Defense Agencies	97	-	5,222	1,141	6,363
Agency for International Development	72	-	6,181	-	6,181
National Aeronautics and Space Administration	80	-	4,565	-	4,565
Department of Energy	89	-	3,000	277	3,277
Department of Agriculture	12	-	1,758	-	1,758
Others		-	9,749	4,581	14,330
Total		**$ 6,313,884**	**$ 54,487**	**$ 39,402**	**$ 6,407,773**

Intragovernmental Liabilities:

Trading Partner Name	Number	Accounts Payable	Debt to Treasury	Resources Payable to Treasury	Unearned Revenue	Other	Total
Department of the Treasury	20	$ (139)	$ 262,513	$ -	$ 4,298	$ 873	$ 267,545
Department of Labor	16	453	-	-	33,055	36,817	70,325
Treasury General Fund	99	1,678	-	54,382	-	9,867	65,927
U.S. Army Corps of Engineers	96	3,595	-	-	53,122	-	56,717
Office of the Secretary of Defense - Defense Agencies	97	4,039	-	-	31,942	-	35,981
Department of Health and Human Services	75	9,527	-	-	23,588	-	33,115
Department of Justice	15	313	-	-	30.905	-	31,218
Department of the Air Force	57	23,814	-	-	4,941	-	28,755
Department of Transportation	69	1,650	-	-	20,344	-	21,994
Federal Emergency Management Agency	58	-	-	-	18,578	-	18,578
General Services Administration	47	14,447	-	-	2,861	837	18,145
Department of Housing and Urban Development	86	2,586	-	-	13,270	-	15,856
Department of Education	91	-	-	-	15,419	-	15,419
Department of Energy	89	5,622	-	-	8,183	-	13,805
National Science Foundation	49	2,158	-	-	8,251	-	10,409
Agency for International Development	72	-	-	-	8,526	-	8,526
Others		14,722	-	-	61,440	8,082	84,244
Total		**$ 84,465**	**$ 262,513**	**$ 54,382**	**$ 338,723**	**$ 56,476**	**$ 796,559**

United States Department of Commerce Intragovernmental Transfers (unaudited)
For the Year Ended September 30,2002 *(In Thousands)*

Trading Partner Name	Number	Transfers-In	Transfers-Out
Appropriations Transfers:			
Congressional Budget Office	08	$ 10,024	$ -
General Services Administration	47	8,000	-
Agency for International Development	72	7,456	-
Executive Office of the President	11	2,000	-
Department of the Treasury	20	-	60
Total		**$ 27,480**	**$ 60**
Transfers Without Reimbursement:			
Department of Agriculture	12	$ 79,127	$ -
Treasury General Fund	99	-	8,165
Department of the Interior	14	2,804	151
Environmental Protection Agency	68	2,445	-
Total		**$ 84,376**	**$ 8,316**

United States Department of Commerce Intragovernmental Earned Revenues and Related Costs (unaudited)
For the Year Ended September 30, 2002 *(In Thousands)*

Intragovernmental Earned Revenues:

Trading Partner Name	Number	Amount
Department of Transportation	69	$ 64,396
Department of Labor	16	62,440
Department of Health and Human Services	75	53,013
Department of Justice	15	52,757
Office of the Secretary of Defense - Defense Agencies	97	49,802
Environmental Protection Agency	68	34,811
Department of Housing and Urban Development	86	29,168
National Aeronautics and Space Administration	80	22,588
Department of Energy	89	20,475
U.S. Army Corps of Engineers	96	16,687
Agency for International Development	72	14,134
Department of the Army	21	14,011
Department of the Interior	14	13,049
Department of the Treasury	20	11,585
Department of State	19	10,271
Department of Education	91	9,788
Department of the Air Force	57	9,437
General Services Administration	47	9,017
Department of Agriculture	12	8,801
Unknown	00	6,941
National Science Foundation	49	6,890
Department of the Navy	17	6,854
Federal Emergency Management Agency	58	1,412
Social Security Administration	28	1,229
Department of Veterans Affairs	36	1,037
Small Business Administration	73	751
Central Intelligence Agency	56	695
U.S. Equal Employment Opportunity Commission	45	558
Independent Agencies	95	476
U.S. Nuclear Regulatory Commission	31	419
National Foundation on the Arts and the Humanities	59	372
Consumer Product Safety Commission	61	371
U.S. Postal Service	18	320
Independent Agencies	48	286
National Archives and Records Administration	88	240
Export-Import Bank of the United States	83	236
Federal Deposit Insurance Corporation	51	196
Executive Office of the President	11	179
Federal Communications Commission	27	149
Tennessee Valley Authority	64	143
Government Printing Office	04	116
Office of Personnel Management	24	51
Smithsonian Institution	33	45
Federal Mediation and Conciliation Service	93	35
Library of Congress	03	25
Independent Agencies	76	22
Selective Service System	90	21
International Trade Commission	34	11
General Accounting Office	05	11
Federal Trade Commission	29	3
Appalachian Regional Commission	46	2
Treasury General Fund	99	1
The Judiciary	10	1
Armed Forces Retirement Home	84	1
Architect of the Capital	01	1
Total		**$ 536,330**

Gross Costs that Generated Intragovernmental Earned Revenues:

Budget Functional Classification	Amount
300 Natural Resources and Environment	$ 162,597
370 Commerce and Housing Credit	365,111
450 Community and Regional Development	9,395
Total	**$ 537,103**

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Accounts (unaudited)
For the Year Ended September 30, 2002 *(In Thousands)*

	Combining Totals	NOAA Operations, Research & Facilities	USPTO Salaries and Expenses	NOAA Procurement Acquisition & Construction	NIST Industrial Technology Services	ITA Operations and Administration	Census Periodic Censuses & Programs	EDA Grant Fund	Other Programs
Budget Authority									
Appropriations Received	$ 5,813,215	$ 2,292,933	$ 283,800	$ 836,552	$ 291,022	$ 345,547	$ 321,376	$ 335,000	$ 1,106,985
Borrowing Authority	221,878	-	-	-	-	-	-	-	221,878
Net Transfers	105,528	70,500	-	8,000	-	10,020	-	2,000	15,008
Unobligated Balance									
Beginning of Period	1,081,588	155,688	11,029	107,664	36,155	28,364	118,502	30,341	593,845
Adjustments to Unobligated Balance, Beginning of Period	(254)	-	-	-	-	-	-	-	(254)
Net Transfers, Actual	1,446	(60)	-	-	-	-	-	-	1,506
Spending Authority from Offsetting Collections									
Earned:									
Collected	2,668,572	235,499	1,050,408	955	519	12,424	8,525	10,053	1,350,189
Receivable from Federal Sources	(44,411)	(21,415)	6,803	-	-	128	-	-	(29,927)
Changes in Unfilled Customer Orders:									
Advance Received	160,634	(1,720)	94,621	-	-	933	(2)	(110)	66,912
Without Advance from Federal Sources	(10,151)	(1,564)	-	-	-	(2,368)	-	-	(6,219)
Total Spending Authority from Offsetting Collections	2,774,644	210,800	1,151,832	955	519	11,117	8,523	9,943	1,380,955
Recoveries of Prior Year Obligations	192,736	11,090	10,076	2,891	19,030	9,880	30,538	33,730	75,501
Temporarily not Available Pursuant to Public Law	(306,513)	-	(306,513)	-	-	-	-	-	-
Permanently not Available:									
Cancellation of Expired and No-Year Accounts	(27,764)	-	-	-	-	(623)	-	(22,447)	(4,694)
Enacted Rescissions	(30,517)	(11,818)	(555)	(363)	(36)	(178)	(11,522)	-	(6,045)
Capital Transfers and Redemption of Debt	(37,469)	-	-	-	-	-	-	-	(37,469)
Other Authority Withdrawn	(55,483)	(3,436)	-	-	-	-	-	-	(52,047)
TOTAL BUDGETARY RESOURCES	**$ 9,733,035**	**$ 2,725,697**	**$ 1,149,669**	**$ 955,699**	**$ 346,690**	**$ 404,127**	**$ 467,417**	**$ 388,567**	**$ 3,295,169**
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	$ 6,079,736	$ 2,348,590	$ 1,497	$ 716,850	$ 306,002	$ 367,314	$ 381,939	$ 343,014	$ 1,614,530
Reimbursable	2,516,883	194,151	1,142,517	-	-	11,117	-	7,934	1,161,164
Total Obligations Incurred	8,596,619	2,542,741	1,144,014	716,850	306,002	378,431	381,939	350,948	2,775,694
Unobligated Balance									
Apportioned, Balance Currently Available	855,288	182,956	2,661	238,202	30,174	22,114	85,480	-	293,701
Exempt from Apportionment	94,687	-	-	-	-	-	-	-	94,687
Unobligated Balance Not Available	186,441	-	2,994	647	10,514	3,582	(2)	37,619	131,087
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 9,733,035**	**$ 2,725,697**	**$ 1,149,669**	**$ 955,699**	**$ 346,690**	**$ 404,127**	**$ 467,417**	**$ 388,567**	**$ 3,295,169**
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:									
Obligated Balance, Net, Beginning of Period	$ 4,343,244	$ 964,627	$ 316,289	$ 452,671	$ 380,049	$ 94,790	$ 298,501	$ 1,104,469	$ 731,848
Adjustment to Obligated Balance, Beginning of Period	(19,508)	-	-	-	-	-	(19,634)	-	126
Adjusted Obligated Balance, Net, Beginning of Period	$ 4,323,736	$ 964,627	$ 316,289	$ 452,671	$ 380,049	$ 94,790	$ 278,867	$ 1,104,469	$ 731,974
Obligated Balance, Net, End of Period:									
Accounts Receivable	$ (208,422)	$ (68,864)	$ 548	$ -	$ -	$ (1,947)	$ -	$ -	$ (138,159)
Unfilled Customer Orders from Federal Sources	(131,553)	(52,923)	-	-	-	(634)	-	-	(77,996)
Undelivered Orders	4,083,102	1,131,679	203,080	360,361	353,154	62,621	137,659	812,601	1,021,947
Accounts Payable	925,000	135,968	84,713	64,549	34,939	41,976	26,187	243,913	292,755
Total Obligated Balance, Net, End of Period	$ 4,668,127	$ 1,145,860	$ 288,341	$ 424,910	$ 388,093	$ 102,016	$ 163,846	$ 1,056,514	$ 1,098,547
Outlays:									
Disbursements	$ 8,114,056	$ 2,373,398	$ 1,155,085	$ 741,719	$ 278,926	$ 363,568	$ 466,422	$ 365,172	$ 2,369,766
Collections	(2,829,206)	(233,779)	(1,145,029)	(955)	(519)	(13,358)	(8,522)	(9,943)	(1,417,101)
Subtotal	$ 5,284,850	$ 2,139,619	$ 10,056	$ 740,764	$ 278,407	$ 350,210	$ 457,900	$ 355,229	$ 952,665
Less: Offsetting Receipts	(2,944)	-	-	-	-	-	-	-	(2,944)
NET OUTLAYS	**$ 5,281,906**	**$ 2,139,619**	**$ 10,056**	**$ 740,764**	**$ 278,407**	**$ 350,210**	**$ 457,900**	**$ 355,229**	**$ 949,721**

Required Supplementary Stewardship Information


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Stewardship Information (unaudited)

This section provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. These resources and responsibilities are not required to be included in the assets and liabilities reported in the Department's financial statements; they are, however, important to understanding the operations and financial condition of the Department. This section also includes major investments made for the benefit of the U.S.

A Stewardship Property, Plant, and Equipment (PP&E)

Stewardship PP&E is an asset, the physical properties of which resemble those of the General PP&E that is traditionally capitalized in the financial statements of Federal entities. However, due to the nature of these assets, valuation would be difficult and matching costs with specific periods would not be meaningful.

Heritage Assets

Heritage assets are unique for their historical or natural significance; for their cultural, educational, or artistic importance; or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

In cases where an asset has a heritage function and also a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The costs of multi-use heritage assets are capitalized as General PP&E and are depreciated over the useful life of the asset.

National Oceanic and Atmospheric Administration (NOAA)

Collection-Type Assets: NOAA's collection-type heritage assets are comprised of approximately 174,800 items; primarily books, publications, manuscripts, records, and nautical chart plates. NOAA describes the condition of its heritage assets as being either "Acceptable" or "Non-Acceptable." "Acceptable" is defined as being suitable for public display. Using this criterion, the general condition of NOAA's heritage assets is acceptable.

Galveston Laboratory: Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, an Army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. This facility is undergoing a renovation in three phases. Phase II is complete, and Phase III is anticipated to begin in FY 2003 and continue into FY 2005. As of September 30, 2002, the renovations are 60 percent complete.

National Marine Fisheries Service (NMFS) Aquarium: In Woods Hole, Massachusetts, this aquarium is jointly used to educate the public, raise public awareness of NMFS activities, and accommodate the Northeast Fisheries Science Center, part of NOAA's mission. The aquarium houses 16 separate exhibition tanks holding more than 30 species of fish. The tanks range in size from 75 to 2,800 gallons. The general condition of the aquarium is good.

Stewardship Marine Sanctuaries

The National Marine Sanctuaries described below are composed primarily of protected water and underwater structures and do not meet the literal definition of stewardship land. They are nonetheless presented here because they have many of the characteristics of Stewardship PP&E.

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act in response to a growing awareness of the intrinsic environmental and cultural value of our coastal waters. The Act authorized the Secretary of Commerce to designate discrete areas as National Marine Sanctuaries. These protected waters provide a secure habitat for species close to extinction and also protect historically significant shipwrecks and prehistoric artifacts. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2002, 13 National Marine Sanctuaries have been designated, covering a total area of 18,851.25 square miles. The sanctuaries range from near-shore coral reefs to open ocean, and vary in size from less than one to more than 5,300 square miles. The sanctuaries are in excellent condition.

B Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the U.S. but are not physical assets owned by the Federal Government. Though treated as expenses when incurred to determine net cost of operations, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit.

Investments in Non-Federal Physical Property

Non-Federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, the only significant investments in non-Federal Physical Property are NOAA and EDA.

NOAA

National Estuarine Research Reserves: The National Estuarine Research Reserve System consists of 25 estuarine reserves protected by Federal, state, and local partnerships. The network was created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2002, encompassed more than one million acres of estuarine waters, wetlands, and uplands. Most of the reserves are state-operated and managed in cooperation with NOAA. Investments in non-Federal physical property for FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002 totaled $8.9 million, $6.7 million, $11.5 million, $29.1 million, and $27.5 million, respectively.

Coastal Zone Management Fund: The Coastal Zone Management Fund is responsible for the incidental expenses of land acquisition and low-cost construction for the preservation or restoration of coastal resources and habitats; the redevelopment of deteriorating and urbanized waterfronts and ports, and the provision of public access to beaches and coastal areas. Investments in non-Federal physical property for FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002 totaled $2.6 million, $2.9 million, $2.8 million, $5.3million, and $5.9 million, respectively.

Coastal and Estuarine Land Conservation Program: The Coastal and Estuarine Land Conservation Program was established under the Commerce, Justice, and State Appropriations Act of 2002 (Public Law 107-77), for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses. Investments in the Coastal and Estuarine Land Program for FY 2002 totaled approximately $14 million.

EDA

EDA provides grant funding to state and local governments for the construction and development of economic infrastructure and property that will create and retain jobs in economically distressed areas of the U.S. The funding is in the form of grants to state and local governments. No transfers of Federal properties take place under these programs. These grants are for the development of roads and infrastructure needed for new industrial parks, clean water and environmental projects, and the conversion of military facilities, closed by Congressional action, to civilian-based economic activity. EDA also awards grants for the repair of infrastructure and economic development related facilities damaged by floods and other disasters.

The investments in non-Federal physical property for the past five fiscal years were as follows:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
Public Works	$142.6	$180.9	$173.5	$174.9	$182.5	$854.4
Economic and Defense Adjustments	138.3	139.8	112.9	131.6	109.0	631.6
Disasters Recovery	69.7	47.4	57.6	28.7	36.7	240.1
Total	$350.6	$368.1	$344.0	$335.2	$328.2	$1,726.1

The above investments require matching funds by state and local governments of 20 to 50 percent.

Investments in Human Capital

Human capital investments are expenses, included in the Department's Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for Federal civilian and military personnel. Based on a review of the Department's programs, the most significant dollar investments in Human Capital are at NOAA and EDA.

NOAA

National Sea Grant Program: This program is a partnership between the U.S.'s colleges and NOAA, and comprises 30 Sea Grant Colleges. The partnership was initiated in 1966 when Congress passed the National Sea Grant College Program Act, with the objective of making the U.S. the world leader in marine research and in the sustainable development of marine resources. The program funds research programs, and transfers new knowledge to coastal businesses, marine industries, the public, and governments. Research projects are funded on the basis of rigorous, highly-competitive peer reviews. The program has supported the work of approximately 13,200 graduate research assistants while they work on marine and Great Lakes science.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, to provide information to improve management decisions in estuarine areas, and to train graduate students in estuarine science.

National Research Council Research Associateship Program: The National Research Council, through its Associateship Programs office, awards outstanding scientists and engineers, at recent post-doctoral and experienced senior levels, with tenure as guest researchers at participating laboratories. The participants interact with NOAA scientists and learn new approaches, methods, and ideas, thereby increasing their capacities as scientific researchers. The participants provide the results of their research in scientific journals and through other means.

The following summarizes NOAA's investments in human capital for FY 1998 through FY 2002:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
National Sea Grant	$17.5	$14.6	$14.5	$15.2	$18.2	$80.0
National Estuarine Research Reserve Program	0.8	0.7	0.7	0.8	0.8	3.8
National Research Council Resarch Associateship Program	1.7	1.8	1.7	3.0	0.4	8.6
Total	$20.0	$17.1	$16.9	$19.0	$19.4	$92.4

Note: In addition to the human capital investments indicated above, the National Sea Grant Program received, on a pass-through basis from other Federal agencies, $1.1 million, $0.8 million, $1.5 million, $1.3 million, and $2.4 million for FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002, respectively. Additionally, Sea Grant universities contributed matching funds to the National Sea Grant Program in the amounts of $8.3 million, $8.5 million, $8.5 million, $9.4 million, and $10.1 million in FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002, respectively.

EDA

EDA provides grant awards for training and technical assistance for economic development. The following summarizes the EDA's investments in human capital for FY 1998 through FY 2002:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
Local Technical Assistance	$8.3	$9.1	$11.0	$9.6	$9.3	$47.3
Research Assistance and National Technical Assistance	0.5	0.5	0.6	0.4	0.5	2.5
Total	$8.8	$9.6	$11.6	$10.0	$9.8	$49.8

Investments in Research and Development (R&D)

R&D Investments are expenses, included in the Department's Net Cost of Operations, that support the search for new or refined knowledge and ideas, and facilitate the application or use of such knowledge and ideas for the development of new or improved products and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic and societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are at NIST and NOAA.

National Institute of Standards and Technology (NIST)

NIST Laboratories Program: The NIST Laboratories have been the stewards of the U.S.'s measurement infrastructure since their inception in 1901 as the National Bureau of Standards. In fulfilling the Constitutional responsibility to fix the standards of weights and measures, these laboratories provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions. The laboratories focus their work in three main areas: 1) advancing measurement science; 2) supplying infrastructure tools for technological innovation, economic efficiency and other public benefits; and 3) providing standards solutions for new technologies and for trade.

Advanced Technology Program (ATP): ATP is a collaborative effort with industry to identify and promote investment in technologies with significant potential for broad-based economic benefits but inadequate levels of private investment. Cost-shared research is funded through an annual competitive awards process. Awards are made only after rigorous examination of the technical and business merits of each proposal and of the potential benefits to the U.S. economy and quality of life. In FY 2002, the program selected 61 new industrial research projects to receive cost-shared support totaling $289 million in Federal and industry funds (if carried to completion). The awards target a broad array of technologies, including pharmaceutical design, tissue engineering, industrial catalysts, energy generation and storage, manufacturing technologies, electronics manufacturing, computer software, and electro-optics. Fifty-one of the awards were made to small businesses, and at least 32 universities are involved as joint venture partners or subcontractors.

The following summarizes NIST's R&D investments for FY 1998 through FY 2002:

(In Millions)

	Measurement and Standards Laboratories					Advanced Technology Program					Totals				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Basic Research	$ 46.5	$ 49.5	$ 48.6	$ 62.5	$ 63.5	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 46.5	$ 49.5	$ 48.6	$ 62.5	$ 63.5
Applied Research	239.1	238.1	239.0	255.6	288.8	101.5	92.8	91.8	85.0	76.6	340.6	330.9	330.8	340.6	365.4
Development	23.2	19.7	20.0	20.8	19.1	101.5	92.8	91.8	85.0	76.6	124.7	112.5	111.8	105.8	95.7
Total	$308.8	$307.3	$307.6	$338.9	$371.4	$203.0	$185.6	$183.6	$170.0	$153.2	$511.8	$492.9	$491.2	$508.9	$524.6

NOAA

NOAA conducts a substantial program of environmental research and development in support of its mission, much of which is performed to improve the U.S.'s understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on time scales ranging from minutes to weeks.
- Improving predictions of climate, on time scales ranging from months to centuries.
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

NOAA also conducts research that is intended to provide a solid scientific basis for environmental policymaking in government. Examples of this research include determining the stratospheric ozone-depleting potential of proposed substitutes for chlorofluorocarbons (CFCs), and identifying the causes of the episodic high rural ozone levels that significantly damage crops and forests.

NOAA conducts most R&D in-house; however, contractors to NOAA undertake most systems R&D. External R&D work supported by NOAA includes that undertaken through the National Sea Grant Program, the Cooperative Institutions of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

Environmental and Climate: NOAA's Office of Ocean and Atmospheric Research conducts research in five major areas: interannual and seasonal climate, global change, weather, the marine environment, and the undersea.

Fisheries: R&D consists mainly of the collection and analysis of information on the status of fishery resources and protected species, and other work related to programs that develop fisheries for economic growth.

Weather Service: NOAA is funding the development of a new weather service system, the Advance Weather Interactive Processing System (AWIPS), for the modernization of its weather service.

Fleet Maintenance and Aircraft Services: These expenditures support NOAA's R&D effort.

The following summarizes NOAA's R&D investments for FY 1998 through FY 2002:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
Environmental and Climate	$233.7	$253.5	$257.4	$266.2	$289.9	$1,300.7
Fisheries	211.3	223.0	241.3	125.8	121.7	923.1
Fleet Maintenance and Aircraft Services	14.3	14.4	14.7	18.0	19.3	80.7
Weather Service	11.8	6.3	7.7	11.1	11.0	47.9
Other	52.4	53.6	65.9	112.9	132.4	417.2
Total	$523.5	$550.8	$587.0	$534.0	$574.3	$2,769.6