Note 1. Significant Accounting Policies:

A. Basis of Presentation

The Departmental consolidated financial statement has been prepared to report the financial position and results from operations of the Department of Transportation (DOT), as required by the Chief Financial Officers Act of 1990 (CFO Act), as amended by the Federal Financial Management Act of 1994 (FFMA), Title IV of the Government Management Reform Act of 1994 (GMRA). The statement has been prepared from the books and records of DOT in accordance with Office of Management and Budget (OMB) requirements for form and content for entity financial statements and DOT's accounting policies and procedures. OMB Bulletin 97-01, including the Technical Amendments, OMB Bulletin No. 01-09, and Treasury Financial Transmittal Letter No. S2-01-02 were used to prepare the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing. They are different from the financial reports prepared pursuant to OMB directives that are used to monitor and control the use of budgetary resources.

The Balance Sheet presents agency assets and liabilities, and the difference between the two, which is the agency net position. Agency assets include both entity assets (those which are available for use by the agency) and non-entity assets (those which are managed by the agency but not available for use in its operations). Agency liabilities include both those covered by budgetary resources (funded) and those not covered by budgetary resources (unfunded).

The Statement of Net Cost presents the gross costs of programs less earned revenue to arrive at the net cost of operations for both programs and for the agency as a whole.

The Statement of Changes in Net Position reports the beginning net position, the items which caused the net position to change during the reporting period (such as the net cost of operations), to arrive at the ending net position.

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. Recognition and measurement of budgetary information reported on this statement is based on budget terminology, definitions, and guidance in OMB Circular A-34, "Instructions on Budget Execution," dated November 3, 2000. The statement illustrates in a condensed and consolidated format the information that Circular A-34 requires to be reported on the Report on Budget Execution (SF-133).

The Statement of Financing is intended to be a statement illustrating reconciliation between the proprietary information reported in the Statement of Net Cost and the budgetary information reported in the Statement of Budgetary Resources. Recognition and measurement of budgetary information reported on this statement is also based on budget terminology, definitions, and guidance in OMB Circular A-34. Since DOT custodial activity is incidental to Departmental operations and not material, a Statement of Custodial Activity was not prepared. However, sources and dispositions of collections have been disclosed in Note 26 to the financial statements.

The Department is required to be in substantial compliance with all applicable accounting principles and standards established, issued, and implemented by the Federal Accounting Standards Advisory Board (FASAB), which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish Generally Accepted Accounting Principles (GAAP) for the Federal Government. The Federal Financial Management Improvement Act (FFMIA) of 1996 requires the Department to comply substantially with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transaction level.

B. Reporting Entity

DOT serves as the focal point in the Federal Government for the Coordinated National Transportation Policy. It is responsible for ensuring the safety of all forms of transportation; protecting the interests of consumers;

international transportation agreements; conducting planning and research for the future; and helping cities and States meet their local transportation needs through financial and technical assistance.

The Department is comprised of the Office of the Secretary and the DOT Operating Administrations, each having its own management and organizational structure and collectively providing the necessary services and oversight to ensure the best transportation system possible. The Departmental consolidated financial statement represents the financial data, including various trust funds, revolving funds, appropriations and special funds of the following organizations:

Office of The Secretary (OST)
Federal Aviation Administration (FAA)
United States Coast Guard (USCG)
Federal Highway Administration (FHWA)
Federal Motor Carrier Safety Administration (FMCSA)
Federal Railroad Administration (FRA)
National Highway Traffic Safety Administration (NHTSA)
Maritime Administration (MARAD)
Federal Transit Administration (FTA)
Bureau of Transportation Statistics (BTS)
Surface Transportation Board (STB)
Office of Inspector General (OIG)
Research and Special Programs Administration (RSPA)
Transportation Administrative Service Center (TASC)

The Saint Lawrence Seaway Development Corporation (SLSDC) is also an entity of DOT. However, since it is subject to separate reporting under the Government Corporation Control Act and the dollar value of its activities is not material to Departmental totals, SLSDC's financial data have not been consolidated in the DOT financial statements. However, condensed information about SLSDC's financial position is included in Note 27.

C. Budgets and Budgetary Accounting

DOT follows standard Federal budgetary accounting policies and practices in accordance with OMB Circular A-34, Instructions on Budget Execution. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, Congress provides each Operating Administration within DOT appropriations to incur obligations in support of agency programs. For FY 2001, the Department was accountable for trust fund appropriations, general fund appropriations, revolving funds and borrowing authority. DOT recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through warrants and trust fund transfers.

D. Basis of Accounting

Transactions are generally recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

E. Revenues and Other Financing Sources

DOT receives the majority of the funding needed to support all of its programs through appropriations. The Highway Trust Fund, Airport and Airway Trust Fund, Aquatic Resources Trust Fund, and the Treasury General Fund fund some of these appropriations. DOT receives annual, multi-year and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service fees (e.g., landing and registry fees) and through reimbursable agreements for services performed for domestic and foreign governmental entities. Additional revenue is earned from gifts from donors, sales of goods and services to other agencies and the public, the collection of fees and fines, interest/dividends on invested funds, loans and cash disbursements to banks. Interest income received is recognized as revenue on the accrual basis. Appropriations are recognized as revenues as the related program or administrative expenses are incurred.

F. Funds with the U.S. Treasury and Cash

DOT does not generally maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The funds with the U.S. Treasury are appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchases. DOT has substantially reduced the number of petty cash (imprest) funds outside the U.S. Treasury to reduce the amount of cash paid outside of Treasury. This reduces the amount of interest that must be paid to borrow funds. Lockboxes have been established with financial institutions to collect payments, and these funds are transferred directly to Treasury on a daily (business day) basis. DOT does not maintain any balances of foreign currencies.

G. Receivables

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department's regulatory activities. Amounts due from the public are presented net of an allowance for loss on uncollectible accounts, which is based on historical collection experience and/or an analysis of the individual receivables.

Loans are accounted for as receivables after funds have been disbursed. For loans obligated prior to October 1, 1991, loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience, present market conditions, and an analysis of outstanding balances. Loans obligated after September 30, 1991, are reduced by an allowance equal to the present value of the subsidy costs (due to the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

H. Inventory and Operating Materials and Supplies

Inventory primarily consists of supplies that are for sale or used in the production of goods for sale. Operating materials and supplies primarily consist of unissued supplies that will be consumed in future operations. Valuation methods for supplies on hand at yearend include historical cost, last acquisition price, standard price/specific identification, standard repair cost, weighted average, and moving weighted average. Expenditures or expenses are recorded when the materials and supplies are consumed or sold. Adjustments for the proper valuation of reparable, excess, obsolete, and unserviceable items are made to appropriate allowance accounts. Operating materials and supplies at Coast Guard small cutters and shore units are accounted for in the property system but not inventoried for financial statement purposes, since the amount is not material.

I. Investments in U.S. Government Securities

Investments that consist of U.S. Government Securities are reported at cost or amortized cost net of premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment using the interest or straight-line method. The Department's intent is to hold investments to maturity, unless they are needed to cover losses on loan guarantees, finance programs, or otherwise sustain the operation of the organization. Investments, redemptions, and reinvestments are controlled and processed by the Department of the Treasury.

J. Property and Equipment

DOT agencies have varying methods of determining the value of property and equipment and how it is depreciated. DOT currently has a capitalization threshold of $200,000 for structures and facilities and for internal use software, and $25,000 for other property, plant and equipment. Capitalization at lesser amounts is permitted. Construction in progress is valued at direct (actual) costs plus applied overhead and other indirect costs as accumulated by the regional project material system. The system accumulates costs by project number assigned to the equipment or facility being constructed. The straight line method is generally used to depreciate capitalized assets.

FASAB standards require DOT stewardship assets, heritage assets and national defense property, plant, and equipment, to be omitted from the Balance Sheet. Information on DOT stewardship assets, as well as stewardship investments, is presented in the Required Supplementary Stewardship Reporting section of this statement.

K. Prepaid and Deferred Charges

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

L. Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred which are covered by realized budgetary resources as of the balance sheet data. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees' Compensation Act payments and actuarial estimates of the present value of USCG pension and medical expenses. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

M. Borrowings Payable to Treasury

FAA borrowing involves loans from the Treasury to fund expenses in the Aircraft Purchase Loan Guarantee Program. Treasury renews the debt obligation until FAA receives an appropriation to liquidate the principal and interest.

FRA has direct loans from Treasury and guaranteed loans made by the Federal Financing Bank (FFB) to railroads and guaranteed by FRA under provisions of the Railroad Rehabilitation and Improvement Program, the Amtrak Corridor Improvement Program and the Alameda Corridor Improvement Program. FRA records these loans as though they were direct loans.

OST borrows from the Treasury to finance loans to disadvantaged transportation-related businesses using revolving lines of credit. These OST loans are made through the Short Term Lending Program that provides assistance to disadvantaged, minority and women-owned businesses and is administered by the Office of Small and Disadvantaged Business Utilization.

N. Interest Payable to Treasury

FAA owes interest to Treasury based on its debt to Treasury as a result of borrowing for the Aircraft Purchase Loan Guarantee Program. Through FRA, the Amtrak Corridor Improvement Program and Railroad Rehabilitation Programs are required to make periodic interest payments to Treasury based on their debt to the U.S. Government.

O. Contingencies

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated).

DOT recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and environmental suits that have been brought to the attention of legal counsel. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

P. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Accruals for other leave (e.g., credit hours and compensatory leave) are also recorded in the financial statement. Under the Transportation Administrative Service Center, the liability for accrued annual leave is a funded item. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expended as taken.

Air Traffic Controllers covered under the Federal Employees Retirement System (FERS) are eligible, upon retirement, for a sick leave buy back option. Under this option, an employee who attains the required number of years of service for retirement shall receive a lump sum payment for forty percent of the value of his or her accumulated sick leave as of the effective date of retirement.

Q. Retirement Plan

For DOT employees who participate in the Civil Service Retirement System (CSRS), DOT contributes a matching contribution equal to 7 percent of pay. On January 1, 1987, FERS went into effect pursuant to Public Law (P.L.) 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DOT automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired since December 31, 1983, DOT also contributes the employer's matching share for Social Security.

Employing agencies are required to recognize pensions and other post retirement benefits during the employees' active years of service. Reporting the assets and liabilities associated with such benefits is the responsibility of the administering agency, the Office of Personnel Management. Therefore, DOT does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to employees.

The USCG Military Retirement System is a defined benefit plan which covers all active duty and reserve members of the USCG. This plan was established under authority of the United States Code, Titles 10 and 14. This system is funded on a "pay-as-you-go" basis.

R. Comparative Data

Comparative data for the prior year has been presented for the Balance Sheet, the Statement of Net Cost, and their related notes. Based on OMB direction, the Aquatic Resources Trust Fund (ARTF) is reported by the Department of Interior for FY 2001. Previously, balances of the ARTF had been reported by DOT. For comparative purposes, FY 2000 balances have been restated to remove ARTF amounts from balances previously reported. Amounts removed include approximately $1,164 million from assets, $618 million from liabilities, and $546 million from net position.

Note 2. Non-Entity Assets:

(Dollars in Thousands)

Intragovernmental:	FY 2001	FY 2000
Fund Balance with Treasury	$ (6,237)	$ (1,264)
Accounts Receivable	535	-
Total Intragovernmental	$ (5,702)	$ (1,264)
Accounts Receivable	16,132	14,747
Total Non-Entity Assets	$ 10,430	$ 13,483
Total Entity Assets	86,784,681	83,376,725
Total Assets	$ 86,795,111	$ 83,390,208

Based on OMB direction, the Aquatic Resources Trust Fund (ARTF) is reported by the Department of Interior for FY 2001. Previously, balances of the ARTF had been reported by DOT. For comparative purposes, FY 2000 balances have been restated to remove ARTF amounts from balances previously reported. Amounts removed include approximately $1,164 million from assets, $618 million from liabilities, and $546 million from net position.

Note 3. Fund Balances with Treasury:

	FY 2001	FY 2000
Trust Funds	$ 4,337,319	$ 992,786
Revolving Funds	657,916	521,853
Appropriated Funds	20,884,284	15,670,847
Other Fund Types	227,750	(103,663)
Total	$ 26,107,269	$ 17,081,823

Fund Balances with Treasury are the aggregate amounts of the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Other Fund Types include uncleared Suspense Accounts, which temporarily hold collections pending clearance to the applicable account, and Deposit Funds, which are established to record amounts held temporarily until ownership is determined.

Based on OMB direction, the Aquatic Resources Trust Fund (ARTF) is reported by the Department of Interior for FY 2001. Previously, balances of the ARTF had been reported by DOT. For comparative purposes, FY 2000 balances have been restated to remove ARTF amounts from balances previously reported. Amounts removed include approximately $1,164 million from assets, $618 million from liabilities, and $546 million from net position.

Note 4. Accounts Receivable:

Intragovernmental:	Gross Amount Due	Allowance for Uncollectible Amounts	FY 2001 Net Amount Due	FY 2000 Net Amount Due
Accounts Receivable	$ 688,211	$ -	$ 688,211	$ 591,987
Accrued Interest	10	-	10	4,360
Total Intragovernmental	$ 688,221	$ -	$ 688,221	$ 596,347
Public:				
Accounts Receivable	$ 260,627	$ 100,766	$ 159,861	$ 202,751
Accrued Interest	40	-	40	13
Total Public	$ 260,667	$ 100,766	$ 159,901	$ 202,764
Total Receivables	$ 948,888	$ 100,766	$ 848,122	$ 799,111

Allowance for Uncollectible Amounts is based on historical data or actual amounts that are determined to be uncollectible based upon review of individual receivables. Accrued interest includes interest, penalties and other administrative charges pertaining to accounts receivable.

Based on OMB direction, the Aquatic Resources Trust Fund (ARTF) is reported by the Department of Interior for FY 2001. Previously, balances of the ARTF had been reported by DOT. For comparative purposes, FY 2000 balances have been restated to remove ARTF amounts from balances previously reported. Amounts removed include approximately $1,164 million from assets, $618 million from liabilities, and $546 million from net position.

Note 5. Investments:

As of September 30, 2001: Intragovernmental Securities:	Cost	Amortized (Premium) Discount	Investments (Net)	Other Adjustments	Market Value Disclosure
Marketable	$ 85,216	$ 909	$ 86,125	$ -	$ 86,125
Non-Marketable:					
Par Value	14,789,076	(2,866)	14,786,210	-	14,786,210
Market-Based	24,114,775	-	24,114,775	-	24,114,775
Subtotal	$ 38,989,067	$ (1,957)	$ 38,987,110	$ -	$ 38,987,110
Accrued Interest	211,247		211,247		211,247
Total Intragovernmental	$ 39,200,314	$ (1,957)	$ 39,198,357	$ -	$ 39,198,357
Other Securities:					
Private Stock	$ 27	$ -	$ 27	$ -	$ 27
Total Public	$ 27	$ -	$ 27	$ -	$ 27

As of September 30, 2000: Intragovernmental Securities:	Cost	Amortized (Premium) Discount	Investments (Net)	Other Adjustments	Market Value Disclosure
Marketable	$ 158,017	$ (2,195)	$ 155,822	$ -	$ 155,822
Non-Marketable:					
Par Value	14,296,964	(39,416)	14,257,548	-	14,257,548
Market-Based	31,101,489	(2,581)	31,098,908	-	31,098,908
Subtotal	$ 45,556,470	$ (44,192)	$ 45,512,278	$ -	$ 45,512,278
Accrued Interest	182,363		182,363		182,363
Total Intragovernmental	$ 45,738,833	$ (44,192)	$ 45,694,641	$ -	$ 45,694,641
Other Securities:					
Private Stock	$ 27	$ -	$ 27	$ 46	$ 73
Total Public	$ 27	$ -	$ 27	$ 46	$ 73

Marketable Federal Securities can be bought and sold on the open market. Non-marketable par value Treasury securities are special series debt securities that Treasury issues to Federal entities at face value (par value). The securities are redeemed at face value upon maturity; thus, investing entities recover the full amount invested, plus interest. Non-marketable market-based Treasury securities are debt securities that Treasury issues to Federal entities without statutorily-determined interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities. Amortization is done using the interest or straight-line method. Private corporation stock consists of common stock in USCG's Gift Fund.

Based on OMB direction, the Aquatic Resources Trust Fund (ARTF) is reported by the Department of Interior for FY 2001. Previously, balances of the ARTF had been reported by DOT. For comparative purposes, FY 2000 balances have been restated to remove ARTF amounts from balances previously reported. Amounts removed include approximately $1,164 million from assets, $618 million from liabilities, and $546 million from net position.

Note 6. Other Assets:

Intragovernmental:

	FY 2001	FY 2000
Advances and Prepayments	$ 52,283	$ 130,986
Undistributed Assets and Payments	95,136	20,734
Total Intragovernmental	$ 147,419	$ 151,720

Public:

	FY 2001	FY 2000
Advances to States for Rights of Way	$ 109,780	$ 129,102
Other Advances and Prepayments	84,993	79,608
Total Public	$ 194,773	$ 208,710

Intragovernmental Other Assets are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods or services not yet received and undistributed assets and payments for which DOT is awaiting documentation. Public Other Assets are comprised of Highway Trust Fund advances to the States for rights of way and advances to employees and contractors.

Note 7. Cash, Foreign Currency and Other Monetary Assets:

	FY 2001	FY 2000
Cash	$ 48,217	$ 73,582
Other Monetary Assets	445	328
Total Cash and Other Monetary Assets	$ 48,662	$ 73,910

Cash consists of undeposited collections and imprest fund balances. Other Monetary Assets consist of USCG Cadet Savings Accounts.

Note 8. Direct Loans and Loan Guarantees, Non-Federal Borrowers:

DOT operates the following direct loan or loan guarantee programs:

(1) Amtrak Corridor Improvement Program
(2) Railroad Rehabilitation Improvement Program
(3) Alameda Corridor Transportation Authority Loan
(4) Office of Small & Disadvantaged Business Utilization (OSDBU) Short Term Lending Program
(5) Transportation Infrastructure Finance Innovation Act (TIFIA) Loan
(6) Federal Ship Financing Fund (Title XI)
(7) Aircraft Purchase Loan Guarantee Program
(8) Maritime Guaranteed Loan
(9) Office of Small & Disadvantaged Business Utilization (OSDBU) Guaranteed Loan Program

An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy and administrative costs associated with the direct loans and loan guarantees is provided in the following sections:

Direct Loans Obligated Prior to FY 1992 (Present Value Method):

FY 2001 Loan Programs	Loans Receivable, Gross	Interest Receivable	Value of Assets Related to Direct Loans
(1) Amtrak Corridor	$ 3,395	$ 34	$ 3,429
(2) Railroad Rehabilitation	43,552	1,406	44,958
Total	$ 46,947	$ 1,440	$ 48,387
FY 2000			
(1) Amtrak Corridor	$ 4,318	$ 1,418	$ 5,736
(2) Railroad Rehabilitation	48,909	-	48,909
Total	$ 53,227	$ 1,418	$ 54,645

Direct Loans Obligated After FY 1991:

FY 2001 Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
(2) Railroad Rehabilitation	$ 3,400	$ 8	$ (311)	$ 3,097
(3) Alameda Corridor	400,000	78,205	54,292	532,497
(4) OSDBU Loan	4,730	-	(242)	4,488
(5) TIFIA Loan	300,000	-	(7,770)	292,230
Total	$ 708,130	$ 78,213	$ 45,969	$ 832,312

FY 2000				
(2) Railroad Rehabilitation	$ 3,549	$ 9	$ (311)	$ 3,247
(3) Alameda Corridor	400,000	47,935	54,293	502,228
(4) OSDBU Loan	7,660	-	(654)	7,006
(5) TIFIA Loan	300,000	-	(7,770)	292,230
Total	$ 711,209	$ 47,944	$ 45,558	$ 804,711

Defaulted Guaranteed Loans from Pre-1992 Guarantees (Present Value Method):

FY 2001 Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Defaulted Guaranteed Loans Receivable, Net
(6) Federal Ship Financ Fund	$ 1,703	$ 12	$ 1,715
Total	$ 1,703	$ 12	$ 1,715

FY 2000

N/A

Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):

FY 2001 Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Defaulted Guaranteed Loans Receivable, Net
(7) Aircraft Purch Loan Guar	$ 569	$ -	$ (569)	$ -	$ -
Total	$ 569	$ -	$ (569)	$ -	$ -
FY 2000					
(7) Aircraft Purch Loan Guar	$ 613	$ 7	$ -	$ (337)	$ 283
(6) Federal Ship Financ Fund	19,548	-	(17,308)	2,277	4,517
Total	$ 20,161	$ 7	$ (17,308)	$ 1,940	$ 4,800

Defaulted Guaranteed Loans from Post 1991 Guarantees:

FY 2001 Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable
(8) Maritime Guar Loan	$ 124,785	$ 1,698	$ (90,810)	$ 35,673
Total	$ 124,785	$ 1,698	$ (90,810)	$ 35,673
FY 2000				
(8) Maritime Guar Loan	$ 60,340	$ 344	$ (27,683)	$ 33,001
Total	$ 60,340	$ 344	$ (27,683)	$ 33,001

Guaranteed Loans Outstanding:

FY 2001 Loan Programs	Outstanding Principal, Guaranteed Loans Face Value	Amount of Outstanding Principal Guaranteed
(6) Federal Ship Financ Fund	$ 181,526	$ 181,526
(8) Maritime Guar Loan	2,893,147	2,893,147
(9) OSDBU Guar Loan	6,592	4,952
Total	$ 3,081,265	$ 3,079,625

FY 2000

N/A

Liability for Loan Guarantees (Present Value Method, pre 1992):

FY 2001 Loan Programs	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
(8) Maritime Guar Loan	$ 400,359	$ 400,359
(9) OSDBU Guar Loan	4	4
Total	$ 400,363	$ 400,363

FY 2000

N/A

Liability for Loan Guarantees (Estimated Future Default Claims, pre 1992):

FY 2001

N/A

FY 2000	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
(8) Maritime Guar Loan	$ 213,167	$ 213,167
Total	$ 213,167	$ 213,167

Subsidy Expense for Post-1991 Direct Loans:

Direct Loans

FY 2001

N/A

FY 2000	Interest Differential	Defaults	Fees	Total
(2) Railroad Rehabilitation	$ -		$ 7	$ 7
(3) Alameda Corridor	87,960	-	-	87,960
(4) OSDBU Loan	-	328	-	328
Total	$ 87,960	$ 328	$ 7	$ 88,295

Total Direct Loan Subsidy Expenses

Loan Programs	FY 2001	FY 2000
(4) OSDBU Loan	$ -	$ 328
(5) TIFIA Loan	-	7,770
Total	$ -	$ 8,098

Subsidy Expense for Post-1991 Loan Guarantees:

Loan Guarantees

FY 2001

Loan Programs	Defaults	Fees	Interest Supplement	Total
(8) Maritime Guar Loan	$ (62,526)	$ 18,738	$ 35,088	$ (8,700)
(9) OSDBU Guar Loan	166	-	-	166
Total	$ (62,360)	$ 18,738	$ 35,088	$ (8,534)

FY 2000

N/A

Loan Guarantee Modifications and Reestimates

FY 2001

Loan Programs	Modifications	Reestimates
(8) Maritime Guar Loan	$ -	$ 169,374

FY 2000

N/A

Total Loan Guarantee Subsidy Expense

Loan Programs	FY 2001	FY 2000
(8) Maritime Guar Loan	$ 26,518	$ 119,780
(9) OSDBU Guar Loan	166	-
Total	$ 26,684	$ 119,780

Administrative Expense:

Direct Loans

Loan Programs	FY 2001	FY 2000
(4) OSDBU Loan	$ 58	$ 123
Total	$ 58	$ 123

Loan Guarantees

Loan Programs	FY 2001	FY 2000
(8) Maritime Guar Loan	$ 3,978	$ 3,725
(9) OSDBU Guar Loan	20	-
Total	$ 3,998	$ 3,725

The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: (1) Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans obligations or loan guarantees, and (2) Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The Act provides that, for direct loan obligations or loan guarantee commitments made after FY 1991, the present value of the subsidy costs (which arises from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value. Foreclosed property is valued at the net realizable value.

Note 9. Inventory and Related Property:

	Cost	Allowance for Loss	FY 2001 Net	FY 2000 Net
Inventory:				
Inventory Held for Current Sale	$ 143,758	$ (209)	$ 143,967	$ 56,152
Inventory Held in Reserve for Future Sale	420,904	55,167	365,737	2,691
Excess, Obsolete and Unserviceable Inventory	40,444	15,787	24,657	-
Inventory Work In Process	(214)	-	(214)	-
Other	14,293	-	14,293	246
Total Inventory	$ 619,185	$ 70,745	$ 548,440	$ 59,089
Operating Materials and Supplies:				
Items Held for Use	$1,505,881	$ -	$1,505,881	$1,742,173
Items Held in Reserve for Future Use	114,146	-	114,146	9,788
Excess, Obsolete and Unserviceable Items	14,333	6,588	7,745	52,525
Items Held for Repair	465,960	115,626	350,334	444,168
Other	-	-	-	-
Total Operating Materials & Supplies	$2,100,320	$ 122,214	$1,978,106	$2,248,654
Total Inventory and Related Property			$2,526,546	$2,307,743

All DOT inventory is in FAA, USCG, and TASC. Valuation methods used include moving weighted average, standard price/specific identification, and last acquisition price.

DOT operating materials and supplies are in USCG, FAA, and MARAD. Valuation methods used include historical cost, last acquisition price, weighted average, and moving weighted average. The only restrictions on use are that USCG consumption must be in accordance with USCG Directives and FAA is not permitted to donate.

Note 10. General Property, Plant and Equipment:

Major Classes	Service Life *	Acquisition Value	Accumulated Depreciation	FY 2001 Net Book Value	FY 2000 Net Book Value
Land		$ 138,220	$ -	$ 138,220	$ 145,378
Buildings and Structures	Various	5,832,118	2,994,842	2,837,276	2,963,672
Furniture and Fixtures	Various	2,403	2,009	394	5,815
Equipment	Various	11,016,461	4,484,152	6,532,309	6,457,869
ADP Software	Various	115,951	15,598	100,353	26,926
Electronics	6-10	159,494	83,844	75,650	68,928
Assets Under Capital Lease	Various	111,748	39,946	71,802	81,568
Leasehold Improvements	Various	22,982	4,585	18,397	27,659
Aircraft	11-20	2,103,414	1,293,244	810,170	860,484
Ships and Vessels	>20	3,674,183	1,495,808	2,178,375	2,119,272
Small Boats	Various	280,937	101,758	179,179	152,842
Other Vehicles	1-5	17,653	15,114	2,539	2,765
Construction in Progress		3,861,185	-	3,861,185	3,262,188
Property Not in Use		966	966	-	-
Total		$ 27,337,715	$ 10,531,866	$ 16,805,849	$ 16,175,366

Depreciation is computed using the straight line method. Net book value of multi-use heritage assets is now included in general property, plant and equipment, while "physical quantity" information is included in the Heritage Assets section of Required Supplemental Stewardship Information.

*** Key:**

Range of Service Life

1-5 - 1 to 5 years
6-10 - 6 to 10 years
11-20 - 11 to 20 years
>20 - Over 20 years

Note 11. Liabilities Not Covered by Budgetary Resources:

Intragovernmental:	FY 2001	FY 2000
Debt	$ -	$ 26
Other Liabilities	225,128	239,605
Total Intragovernmental	$ 225,128	$ 239,631
Federal Employee and Veterans' Benefits Payable	28,789,852	20,927,237
Environmental and Disposal Liabilities	2,178,272	2,279,517
Other Liabilities	1,756,846	1,426,597
Total Liabilities Not Covered by Budgetary Resources	$ 32,950,098	$ 24,872,982
Total Liabilities Covered by Budgetary Resources	8,558,250	6,204,271
Total Liabilities	$ 41,508,348	$ 31,077,253

Based on OMB direction, the Aquatic Resources Trust Fund (ARTF) is reported by the Department of Interior for FY 2001. Previously, balances of the ARTF had been reported by DOT. For comparative purposes, FY 2000 balances have been restated to remove ARTF amounts from balances previously reported. Amounts removed include approximately $1,164 million from assets, $618 million from liabilities, and $546 million from net position.

Note 12. Accounts Payable:

	FY 2001	FY 2000
Intragovernmental	$ 179,496	$ 266,818
Public	3,528,850	1,121,543
Total Accounts Payable	$ 3,708,346	$ 1,388,361

There are no interest, penalties or administrative fees associated with accounts payable.

Based on OMB direction, the Aquatic Resources Trust Fund (ARTF) is reported by the Department of Interior for FY 2001. Previously, balances of the ARTF had been reported by DOT. For comparative purposes, FY 2000 balances have been restated to remove ARTF amounts from balances previously reported. Amounts removed include approximately $1,164 million from assets, $618 million from liabilities, and $546 million from net position.

Note 13. Debt:

Intragovernmental Debt:	FY 2000 Beginning Balance	Net Change During Fiscal Year	FY 2000 Ending Balance	Net Change During Fiscal Year	FY 2001 Ending Balance
Debt to the Treasury	$ 432,671	$ 375,913	$ 808,584	$ 89,302	$ 897,886
Debt to the Federal Financing Bank	3,689	(140)	3,549	(142)	3,407
Total Intragovernmental Debt	$ 436,360	$ 375,773	$ 812,133	$ 89,160	$ 901,293

Net Change During Fiscal Year includes new borrowing, repayments and net change in accrued payables. Debt to the Treasury and to the Federal Financing Bank is for FRA direct loans to railroads, for FHWA direct loans under the Transportation Infrastructure Finance and Innovation Act (TIFIA), for OST direct loans in the Short Term Lending Program administered by the Office of Small and Disadvantaged Business Utilization, for MARAD Title XI guaranteed loans, and for the FAA Aircraft Purchase Loan Guarantee Program.

Note 14. Environmental and Disposal Liabilities:

Public:		FY 2001		FY 2000
Environmental Cleanup Liabilities:				
FAA Environmental Remediation	$	382,200	$	441,944
FAA Environmental Cleanup and Decommissioning		1,373,800		1,373,800
USCG Environmental Remediation and Cleanup		102,272		109,367
MARAD Environmental Cleanup (PCB, Lead, Oil)		-		9,406
Asset Disposal Liabilities:				
MARAD Scrapping of 115 Non-Retention Vessels		320,000		345,000
Total Public	$	2,178,272	$	2,279,517

Environmental cleanup generally occurs under the Resource Conservation and Recovery Act of 1976 (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund), or the Toxic Substances Control Act (TSCA). Environmental remediation includes the fuel storage tank program, fuels, solvents, industrial, and chemicals, and other environmental cleanup associated with normal operations or as a result of an accident. Cost estimates for environmental and disposal liabilities are not adjusted for inflation and are subject to revision as a result of changes in technology and environmental laws and regulations.

Note 15. Other Liabilities:

Intragovernmental:		Non-Current		Current		FY 2001 Total
Advances and Prepayments	$	-	$	345,723	$	345,723
Accrued Pay and Benefits		-		81,802		81,802
Undistributed and Unapplied Collections		-		3,571		3,571
Deferred Credits		-		1,082		1,082
Deposit Funds		-		(3,329)		(3,329)
FECA Billings		125,853		98,019		223,872
Undisbursed Loans		175,920		-		175,920
Other Accrued Liabilities		-		304,185		304,185
Total Intragovernmental	$	301,773	$	831,053	$	1,132,826

Public:	Non-Current	Current	FY 2001 Total
Accrued Unbilled State Payments	$ -	$ 2,177,972	$ 2,177,972
Other Accrued Unbilled Payments	-	46,119	46,119
Accrued Pay and Benefits	747,994	500,586	1,248,580
Undistributed and Unapplied Collections	(19,528)	(23,935)	(43,463)
Advances and Prepayments from Others	-	10,823	10,823
Deposit Funds	-	2,221	2,221
Deferred Credits	59,335	-	59,335
Legal Claims	679,023	-	679,023
FAA Return Rights	10,100	-	10,100
Capital Leases	80,323	58	80,381
Other Accrued Liabilities	109,346	16,451	125,797
Total Public	$ 1,666,593	$ 2,730,295	$ 4,396,888

Intragovernmental:	Non-Current	Current	FY 2000 Total
Advances and Prepayments	$ -	$ 423,807	$ 423,807
FECA Billings	122,521	117,224	239,745
Accrued Pay and Benefits	116	61,246	61,362
General Fund Receipts	-	14,660	14,660
Undistributed Collections	16	6,503	6,519
Deferred Credits	-	1,195	1,195
Items on Loan	-	474	474
Recoveries, Refunds and Cancelled Checks	-	40	40
FRA Accrued Interest to Treasury	-	18	18
Deposit Funds	-	(470)	(470)
Other Accrued Liabilities	-	117,415	117,415
Total Intragovernmental	$ 122,653	$ 742,112	$ 864,765

Public:	Non-Current	Current	FY 2000 Total
Accrued Unbilled State Payments	$ 151	$ 1,968,345	$ 1,968,496
Accrued Pay and Benefits	471,440	675,652	1,147,092
Legal Claims	537,768	100	537,868
Capital Leases	87,943	153	88,096
Advances and Prepayments from Others	-	16,528	16,528
Other Accrued Unbilled Payments	-	3,005	3,005
FAA Return Rights	12,650	-	12,650
Union Station Mortgage	920	-	920
Deposit Funds	-	877	877
Deferred Credits	-	6	6
Undistributed Collections	31	(83,800)	(83,769)
Other Accrued Liabilities	332	899,505	899,837
Total Public	$ 1,111,235	$ 3,480,371	$ 4,591,606

Accrued pay and benefits pertain to unpaid pay and benefits. Undistributed Collections represent liabilities pending transfer to Treasury.

Agency expenses for payments made under the Federal Employees Compensation Act (FECA) are forwarded to the Department of Labor (DOL). Funding for FECA is normally appropriated to agencies in the fiscal year two years subsequent to the actual FECA billing from DOL.

Note 16. Federal Employee and Veterans' Benefits:

	Value of Projected Plan Benefits	
	FY 2001	FY 2000
Pensions:		
USCG Retired Pay	$ 16,130,300	$ 15,199,900
Other Retirement Benefits:		
USCG Military Health Care	11,458,900	4,641,400
Other Post-Employment Benefits:		
Federal Employees Compensation Act Actuarial Liability	1,201,160	1,086,404
Total Federal Employee and Veterans Benefits	$ 28,790,360	$ 20,927,704

The Coast Guard Military Retirement System (covering both retirement pay and health care benefits) is funded through annual appropriations and, as such, is essentially a pay-as-you-go system. Consequently, the only assets in the system are unintentional overpayments in the past which are due to be repaid by participants. The unfunded figures reported above reflect the actuarial accrued liability for both retired pay and health care benefits. Calculation of these numbers is a multi-step process. First, an "actuarial present value of accumulated plan benefits" is derived from the future payments that are attributable under the retirement plan's provisions to a member's credited service as of the valuation date (e.g., benefits to retired members or their beneficiaries). The accumulated plan benefits are converted to a present value of future benefits by applying assumptions to reflect the time value of money and the probability of payment between the valuation date and expected date of payments. The significant actuarial assumptions used in this conversion include: life expectancy, cost of living increases, and investment return. The present value of future benefits is then converted to an unfunded accrued liability by subtracting the present value of future employer/employee normal contributions as well as any assets in the system.

FY 2001 USCG Military Health Care amounts include $6 billion of "prior service cost from plan amendments." This was not a routine annual expense but was caused by a legislative change in military and retiree health benefits. It includes the new Tricare for Life benefits effective for April 1, 2001, for prescription drugs, and October 1, 2001, for all other benefits.

Federal Employees' Compensation Act liabilities include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

2001	2000
5.21% in year 1,	6.275% in year 1,
5.21% in year 2,	6.300% in year 2,
and thereafter	And thereafter

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) were applied to the calculation of projected future benefits. These factors were also used to adjust the methodology's historical payments to current year constant dollars.

The compensation COLAs and CPIMs used in the projections for various charge back years (CBY) were as follows:

	CBY	COLA	CPIM
	2001	3.33%	
4.44%	2002	3.00%	
4.15%	2003	2.56%	
4.09%	2004	2.50%	
4.09%	2005+	2.50%	
4.09%			

The model's resulting projections were analyzed to insure that the estimates were reliable. The analysis was based on two tests: (1) a comparison of the percentage change in the liability amount by agency to the percentage of 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.

<u>Note 17. Leases</u>:

ENTITY AS LESSEE:

Capital Leases:

Summary of Assets Under Capital Lease by Category:	FY 2001	FY 2000
(1) Land and Buildings	$ 110,514	$ 109,319
(2) Machinery and Equipment	1,234	454
(3) Other	-	-
Accumulated Depreciation	(39,946)	(28,205)
Net Assets Under Capital Lease	$ 71,802	$ 81,568

Description of Lease Arrangements: Capital leases cover land and buildings at FAA's Mike Monroney Aeronautical Center (MMAC) in Oklahoma City, Oklahoma, and at the William J. Hughes Technical Center (WJHTC) located in Pomona, New Jersey. FAA's capital lease payments are funded annually. FAA and USCG also have capital leases on machinery and equipment.

Future Payments Due:

	Asset Category			
Fiscal Year	(1)	(2)	(3)	Totals
Year 1 (2002)	$ 15,043	$ 277	$ -	$ 15,320
Year 2 (2003)	15,169	113	-	15,282
Year 3 (2004)	15,167	-	-	15,167
Year 4 (2005)	14,277	-	-	14,277
Year 5 (2006)	12,254	-	-	12,254
After 5 Years (2007+)	66,947	-	-	66,947
Total Future Lease Payments	$ 138,857	$ 390	$ -	$ 139,247
Less: Imputed Interest	58,811	55	-	58,866
Executory Costs	-	-	-	-
Net Capital Lease Liability	$ 80,046	$ 335	$ -	$ 80,381

Liabilities Covered by Budgetary Resources	$ -
Liabilities Not Covered by Budgetary Resources	$ 80,381

Operating Leases:

Description of Lease Arrangements: Operating leases include a RSPA lease for the Transportation Safety Institute North Campus and FAA leases for property, aircraft, equipment, and telecommunications.

Future Payments Due:

	Asset Category			
Fiscal Year	(1)	(2)	(3)	Totals
Year 1 (2002)	$ 55,024	$ 4,749	$ 427	$ 60,200
Year 2 (2003)	91,817	3,163	368	95,348
Year 3 (2004)	86,933	2,094	349	89,376
Year 4 (2005)	80,808	1,497	340	82,645
Year 5 (2006)	75,925	757	264	76,946
After 5 Years (2007+)	118,181	699	436	119,316
Total Future Lease Payments	$ 508,688	$ 12,959	$ 2,184	$ 523,831

ENTITY AS LESSOR:

Capital Leases:

N/A

Operating Leases:

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

Future Projected Receipts:

	Asset Category			
Fiscal Year	(1)	(2)	(3)	Totals
Year 1 (2002)	$ 5,308	$ 90	$ 34	$ 5,432
Year 2 (2003)	5,402	90	34	5,526
Year 3 (2004)	5,501	90	34	5,625
Year 4 (2005)	5,601	90	34	5,725
Year 5 (2006)	5,704	90	-	5,794
After 5 Years (2007+)	139,890	90	-	139,980
Total Future Operating Lease Receivables	$ 167,406	$ 540	$ 136	$ 168,082

Note 18. Contingencies:

Legal Proceedings. As of September 30, 2001 and 2000, respectively, FAA recognized a contingent liability of $679.0 million and $537.8 million for legal claims that were asserted and pending, an increase of $141.2 million. Of the $679.0 million FY 2001 liability, $63 million was estimated to be paid from agency appropriations with the remaining $616 million to be paid from the permanent appropriation for judgments, awards, and compromise settlements (Judgment Fund) administered by the Department of Justice. During FY 2001, FAA recognized the $141.2 million increase in the liability as legal claims expense. As of September 30, 2001, FAA's maximum exposure for loss for contingent liabilities associated with asserted and pending legal claims is estimated at $20.1 billion.

FAA normally processes all its claims through traditional judicial and administrative forums. However, there are certain claims, e.g., EEO cases and contract disputes, that are resolved using consensual dispute resolution techniques, such as mediation and neutral evaluation. As of September 30, 2001 and 2000, the FAA had identified $3.9 million and $5.4 million, respectively, of these types of cases, as well as other threatened matters of litigation.

As of September 30, 2001 and 2000, Coast Guard had pending or potential lawsuits, administrative actions and claims of 330 and 2700, respectively, that could result in liabilities to Coast Guard funds or the Judgment Fund. Claims of 275 and 2612, respectively, were against the Oil Spill Liability Trust Fund. This fund exists for the purpose of facilitating rapid oil spill response and administering a compensation program in oil spill situations. As of September 30, 2001, Coast Guard's maximum exposure for loss for contingent liabilities associated with asserted and pending legal claims is estimated at $1 billion.

Grant Programs. The Federal Highway Administration and the Federal Transit Administration have Advance Construction and Full Funding Grant Agreements totaling approximately $24 billion which authorize States and transit authorities to establish project budgets and incur project costs with their own funds in advance of appropriations.

FAA has legal authority to issue Letters of Intent (LOIs) to enter into Airport Improvement Program (AIP) grant obligations; but these LOIs do not create obligations. Through September 30, 2001, FAA issued LOIs covering FY 1988 through FY 2014 totaling $3.9 billion. As of fiscal yearend, FAA had obligated $2.4 billion of this total amount leaving $1.5 billion unobligated. FAA anticipates obligating $242 million in FY 2002. As of September 30, 2000, LOIs covering FY 1998 through FY 2010 totaled $3.2 billion. Of this amount, FAA had obligated $2 billion, leaving $1.2 billion unobligated as of September 30, 2000.

FY 2001 AIP grant authority totaled $3.1 billion, including $1.4 billion in entitlements to specific locations. The sponsors of these entitlements have claimed $1.1 billion, and $298 million remains available from unused or newly enacted contract authority to those sponsors through FY 2002, or in the case of non-hub primary airport locations, through FY 2003. In FY 2000, AIP grant authority was $1.85 billion, including over $965 million in entitlements to specific locations. Of this amount, the sponsors had claimed $868 million through the end of FY 2000, leaving $97 million available from unused or newly enacted contract authority.

Contract Options and Negotiations. As of September 30, 2001 and 2000, FAA had $17.9 billion and $13.1 billion, respectively, in unobligated contracts. The terms of those contracts give FAA the unilateral right to purchase additional equipment or services or to extend the contract terms. Exercising this right would require the obligation of funds in future years.

As of September 30, 2001 and 2000, FAA had a total of $106.4 million and $88.9 million, respectively, in commitments (funds reserved for possible future obligations) under unexpired appropriations. The commitments were for purchases of goods and services for which contract negotiations have not been completed (i.e., agency obligations had not been incurred) at the end of each respective fiscal year.

Return Rights Program. The FAA Return Rights Program pertains to employees who previously accepted transfers to overseas or certain domestic locations for a period of 2 to 4 years, and entitles the employees to a future return move at Government expense. As of September 30, 2001 and 2000, 202 and 253 employees, respectively, were contractually entitled to these "return rights." The return rights contingent liability is estimated at the typical cost per move, $50,000. This contingent liability may be overstated because not every employee remaining in the program will exercise his or her right. If every employee in the program did exercise his or her right, the future payments comprising the contingent liability for return rights would be as follows:

As of September 30, 2001:		As of September 30, 2000:	
FY 2002	$ 6,050,000	FY 2001	$ 5,100,000
FY 2003	2,400,000	FY 2002	6,600,000
FY 2004	1,650,000	FY 2003	950,000
	$ 10,100,000		$ 12,650,000

Aviation Insurance Program. FAA is authorized to issue hull and liability insurance under the Aviation Insurance Program for air carrier operations where commercial insurance is not available on reasonable terms and where the operation to be insured is necessary to carry out the U.S. Government's policy. FAA may issue: (1) non-premium insurance, and (2) premium insurance, for which a risk-based premium is charged to the air carrier;

FAA maintains standby non-premium war-risk insurance policies for 48 carriers having approximately 1,050 aircraft available for Defense or State Department charter operations. As of September 30, 2001, non-premium insurance coverage in the amount of $8.75 million was in force to cover two helicopters under a Department of Defense charter.

On September 22, 2001, the premium insurance program was expanded by the Air Transportation Safety and System Stabilization Act to include all scheduled domestic air carriers. Under this program, the FAA provided temporary war-risk insurance to U.S. carriers whose coverage was cancelled following the terrorist attacks on September 11, 2001. As of September 30, 2001, $121.68 billion of war risk insurance was extended to 74 carriers for a period of 30 days. On October 18, this war risk coverage was extended through January 11, 2002. The issuance of temporary war-risk coverage to all scheduled domestic carriers provides necessary insurance to qualifying carriers while allowing time for the commercial insurance market to stabilize. Premiums under this program are established by the FAA and are assessed per departure. During FY 2001, the FAA recognized $4.7 million in revenue related to the Aviation Insurance Program, $4.6 million of which is insurance premiums.

Pursuant to the Air Transportation Safety and System Stabilization Act, on October 26, 2001, the Aviation Insurance Program offered to partially reimburse eligible air carriers for increases in war risk insurance premiums taking place after the September 11, 2001, terrorist attacks. Reimbursement is subject to certain specifications of the offer and limited to Aviation Insurance Program funds available for this purpose. The FAA estimates that reimbursements under this offer will range between $58 million and $65 million. This estimate includes $50 million in funding from the overall $40 billion 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States.

Under more typical circumstances, the FAA insures a small number of air carrier operations and establishes a maximum liability for losing one aircraft. Typically, the maximum liability for both hull loss and liability, per aircraft, is $1.75 billion.

No claims for losses were pending as of September 30, 2001. Since the inception of the Aviation Insurance Program (including the predecessor, the Aviation War Risk Insurance Program, dating back to 1951), only four claims, ranging from $626 to $122,469, have been paid. Because of the unpredictable nature of war risk and the absence of historical claims experience on which to base an estimate, no reserve for insurance losses has been recorded.

Overflight User Fees. The FAA issued an interim final rule (IFR) on August 1, 2000, that required aircraft operators to pay fees for air traffic control services provided to aircraft that operate in U.S.-controlled airspace but neither take off or land in the United States. The authority to charge these fees is contained in the Federal Aviation Reauthorization Act of 1996. Several airlines and an air carrier association challenged this IFR in the U.S. Court of Appeals. On July 13, 2001, the Court, in its preliminary opinion, ruled in favor of the airlines, and the FAA ceased all billing and collection activities under the IFR. In August 2001, the FAA issued a Final Rule on overflight fees authorizing the agency to begin charging fees, which were subsequently billed in October 2001. On behalf of the FAA, the Department of Justice filed a motion for reconsideration of the Court's ruling on the IFR stating that the concerns that the Court expressed on the IFR were addressed in the Final Rule. The Court granted the FAA's motion on December 28, 2001, which allowed the IFR to remain in place. The financial statements include $29.3 million in overflight user fee revenue for the year ending September 30, 2001.

Note 19. Unexpended Appropriations:

	FY 2001	FY 2000
Unobligated		
Available	$ 6,567,272	$ 3,719,021
Unavailable	443,654	684,369
Undelivered Orders	6,141,655	5,836,157
Total Unexpended Appropriations	$ 13,152,581	$ 10,239,547

Note 20. Gross Cost and Earned Revenue by Budget Functional Classification:

Gross Cost and Earned Revenue by Budget Functional Classification:

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
FY 2001:			
054 Defense-Related Activities	$ 83,647	$ 348,410	$ (264,763)
304 Pollution Control and Abatement	90,668	12,912	77,756
401 Ground Transportation	36,116,269	130,980	35,985,289
402 Air Transportation	11,007,899	193,332	10,814,567
403 Water Transportation	13,143,625	199,945	12,943,680
407 Other Transportation	423,901	287,225	136,676
451 Community Development	2	-	2
808 Other General Government	2,341,934	701	2,341,233
Total	$ 63,207,945	$ 1,173,505	$ 62,034,440
FY 2000:			
054 Defense-Related Activities	$ 181,081	$ 21	$ 181,060
304 Pollution Control and Abatement	125,951	80,507	45,444
401 Ground Transportation	32,335,130	114,467	32,220,663
402 Air Transportation	9,841,503	106,289	9,735,214
403 Water Transportation	5,070,775	502,614	4,568,161
407 Other Transportation	406,851	132,260	274,591
451 Community Development	690	-	690
808 Other General Government	47	-	47
Total	$ 47,962,028	$ 936,158	$ 47,025,870

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification:

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
FY 2001:			
054 Defense-Related Activities	$ 19,511	$ 348,410	$ (328,899)
304 Pollution Control and Abatement	17,968	-	17,968
401 Ground Transportation	219,062	74,476	144,586
402 Air Transportation	1,326,709	63,219	1,263,490
403 Water Transportation	1,070,325	133,163	937,162
407 Other Transportation	380,321	283,804	96,517
808 Other General Government	25,403	701	24,702
Total	$ 3,059,299	$ 903,773	$ 2,155,526

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
FY 2000:			
054 Defense-Related Activities	$ 12,208	$ 516	$ 11,692
304 Pollution Control and Abatement	80,393	-	80,393
401 Ground Transportation	265,647	90,074	175,573
402 Air Transportation	1,318,272	68,461	1,249,811
403 Water Transportation	940,846	-	940,846
407 Other Transportation	137,198	127,678	9,520
Total	$ 2,754,564	$ 286,729	$ 2,467,835

Note 21. Net Cost by Program:

Program Costs	FY 2001	FY 2000
Surface		
Mass Transit	$ 6,784,288	$ 5,445,135
Highway Surface Transportation	6,650,186	6,581,012
National Highway System	5,256,026	4,806,733
Interstate Maintenance	3,980,379	3,823,317
Highway Minimum Guarantee	3,038,069	2,085,901
Bridge Program	2,845,309	2,394,238
Other Highway Programs	2,273,533	1,877,300
Congestion Mitigation and Air Quality	953,114	989,468
High Priority Projects	802,426	556,591
Highway Minimum Allocation	-	740,056
Highway Emergency Relief	724,265	224,557
Federal Railroad Administration Grants	554,664	594,075
Federal Lands Highways	442,918	522,343
National Highway Traffic Safety Administration Programs	434,619	352,127
Appalachian Development Highway	352,550	177,933
Highway Planning	-	294,563
Highway Research and Development	278,011	286,594
Federal Motor Carrier Safety	201,092	164,414
Woodrow Wilson Bridge	118,612	-
Other Rail Programs	113,908	100,573
Alameda Corridor	-	87,696
Other Highway Trust Fund Programs	85,658	-
Research and Special Programs Administration	86,982	87,428
State Infrastructure Bank	-	52,449
Alaska Railroad	31,560	17,067
High Speed Rail	26,826	21,219
Rail Research	24,574	25,302
Surface Transportation Board	12,702	16,268
Total Surface Program Costs	$ 36,072,271	$ 32,324,359

Program Costs		FY 2001		FY 2000
Air				
Air Traffic Services	$	6,961,746	$	6,632,88
Airports		2,178,576		1,375,29
Regulation and Certification		798,963		731,65
Research and Acquisition		663,680		541,25
Other Federal Aviation Administration Programs		(24,492)		263,70
Civil Aviation Security		226,524		183,90
Commercial Space		9,572		7,25
Total Air Program Costs	$	10,814,569	$	9,735,95
Maritime				
Coast Guard Operating Expenses	$	3,205,509	$	2,968,96
Coast Guard Retired Pay		8,527,834		518,55
Maritime Operations and Training		82,049		427,55
Coast Guard Acquisition and Construction		327,671		395,66
Maritime Security Program		98,405		235,91
Coast Guard Reserve Training		78,374		73,30
Coast Guard Boat Safety		60,088		57,99
Maritime Guaranteed Loan		212,855		(4
Coast Guard Oil Spill Liability		66,427		30,50
Maritime Ocean Freight Differential Program		141,006		22,90
Coast Guard Research, Development, Test & Evaluation		18,421		18,65
Maritime Vessel Operations Revolving Fund		(57,060)		(9,92
Maritime Operating Differential Subsidy		(27,131)		17,93
Coast Guard Environmental Compliance & Restoration		11,329		14,94
Other Coast Guard Programs		12,098		9,85
Other Maritime Programs		(1,202)		11,89
Total Maritime Program Costs	$	12,756,673	$	4,794,66
Cross-Cutting				
Volpe National Transportation Systems Center	$	3,285	$	2,81
Transportation Statistics		(1)		1
Total Cross-Cutting Program Costs	$	3,284	$	2,83

Note 22. Taxes and Other Non-Exchange Revenue:

Taxes and Other Non-Exchange Revenue:	
Gasoline Fuel	$ 20,059,032
Diesel Fuel	8,115,003
Passenger Ticket Taxes	6,482,379
Truck Retail	1,488,705
Gasohol	2,077,875
International Departure Taxes	1,351,245
Airway Fuel Taxes	907,104
Truck Use	609,611
Investment Income	922,082
Way Bill Taxes	441,616
Truck Tires	342,723
Oil Spill Liability Trust Fund Revenue	6,131
Fines and Penalties	16,897
Tax Refunds, Credits and Transfers	(1,292,757)
Total Taxes and Other Non-Exchange Revenue	$ 41,527,646

Taxes are collected by the Department of the Treasury (Treasury) Internal Revenue Service for DOT's Highway Trust Fund, the Airport and Airway Trust Fund, and the Oil Spill Liability Trust Fund. These taxes can be withdrawn only as authorized by various DOT appropriations. Treasury estimates taxes to be collected each quarter and adjusts the estimates by actual collections. The adjustment for actual collections lags about six months after the estimate. Historically there has been a variance between the estimate and actual. Therefore, a precise determination of tax collections as of September 30, 2001, will not be available until March 2002.

Note 23. Prior Period Adjustments:

Prior Period Adjustments:	
Accrual Adjustments	$ (1,657,947)
Property and Inventory Adjustments	(336,017)
Net Position Adjustments	(87,861)
Highway Trust Fund Reclassification of Advances	15,939
Prior Period Reimbursements Earned Adjustments	(5,143)
General Ledger Reconciliation	(127)
Other Miscellaneous Adjustments	(17,530)
	$ (2,088,686)

Property and inventory adjustments were due to property reconciliations and revaluation of assets.

Note 24. Statement of Budgetary Resources:

The Net Amount of Budgetary Resources Obligated for Undelivered Orders as of September 30, 2001:	$ 61,158,780
Available Contract Authority as of September 30, 2001:	$ 28,224,682
Available Borrowing Authority as of September 30, 2001:	$ 170,056

Borrowing Authority pertains to MARAD and FRA.

Adjustments During FY 2001 to Budgetary Resources Available at the Beginning of the Year:	$ 81,476,215
Cumulative Authorizations in Excess of Obligation Limitation	$ (301,940)
Rescissions	(639,373)
Prior Year Recoveries	262,130
Temporarily Not Available	48,378,702
Cancelled Authority	(49,165)
Permanently Not Available	(9,965)
Lapsed Contract Authority	30,775
Liquidated Contract Authority	33,828,600
Other Adjustments	(23,549)
Total Adjustments to Budgetary Resources	$ 81,476,215

Existence, Purpose, and Availability of Permanent Indefinite Appropriations:

FAA has permanent indefinite appropriations for the Facilities and Equipment, Grants-in-Aid, and Research, Development and Engineering appropriations in order to fully fund special projects that were on-going and spanned several years.

Additional Disclosures:

DOT does have any material differences between the information reported on the statement and the amounts described as FY 2001 "actual" in the Budget of the U.S. Government for FY 2003.

Unobligated balances of budgetary resources for unexpired accounts are available in subsequent years until expiration, upon receipt of an apportionment from OMB. Unobligated balances of expired accounts are not available.

Note 25. Dedicated Collections:

Aquatic Resources Trust Fund	FY 2001	FY 2000
Investments	$ -	$ 1,214,610
Other Assets	64,966	8,815
TOTAL ASSETS	**$ 64,966**	**$ 1,223,425**
Liabilities Payable	$ 2,553	$ 618,247
Other Liabilities	25,091	25,375
TOTAL LIABILITIES	**$ 27,644**	**$ 643,622**
TOTAL NET POSITION	**$ 37,322**	**$ 579,803**
TOTAL LIABILITIES AND NET POSITION	**$ 64,966**	**$ 1,223,425**

NET COST	$ (60,088)	$ (57,990)
OTHER FINANCING SOURCES	64,000	(483,274)
TOTAL CHANGES IN FUND BALANCE	$ 3,912	$ (541,264)
BEGINNING NET POSITION	33,410	1,121,067
TOTAL NET POSITION	**$ 37,322**	**$ 579,803**

Oil Spill Liability Trust Fund	FY 2001	FY 2000
Investments	$ 1,129,248	$ 1,159,249
Other Assets	60,883	128,969
TOTAL ASSETS	**$ 1,190,131**	**$ 1,288,218**
Liabilities Payable	$ 964	$ 13,175
Other Liabilities	38	18
TOTAL LIABILITIES	**$ 1,002**	**$ 13,193**
TOTAL NET POSITION	**$ 1,189,129**	**$ 1,275,025**
TOTAL LIABILITIES AND NET POSITION	**$ 1,190,131**	**$ 1,288,218**
NET COST	$ (66,427)	$ (30,503)
OTHER FINANCING SOURCES	(19,469)	251,939
TOTAL CHANGES IN FUND BALANCE	$ (85,896)	$ 221,436
BEGINNING NET POSITION	1,275,025	1,053,589
TOTAL NET POSITION	**$ 1,189,129**	**$ 1,275,025**

Highway Trust Fund and Airport and Airway Trust Fund dedicated collections are described in their stand-alone financial statements.

Note 26. Custodial Activity:

Revenue Activity:

Sources of Cash Collections:	FY 2001	FY 2000
Miscellaneous Receipts	$ 26,592	$ 42,680
User Fees	24,009	18,909
Fines, Penalties and Forfeitures	47,609	7,952
General Fund Proprietary	1,238	4,880
Refunds, Recoveries & Cancelled Checks & Accounts	2,155	2,940
USCG Registration and Filing Fees	1,022	799
Miscellaneous Collections	-	1
Total Cash Collections	$ 102,625	$ 78,161
Accrual Adjustment	5,912	2,381
Total Custodial Revenue	$ 108,537	$ 80,542

Disposition of Collections:

	FY 2001	FY 2000
Transferred to Treasury (General Fund)	$ 102,625	$ 78,161
(Increase) Decrease in Amounts to be Transferred	5,912	2,381
Net Custodial Revenue Activity	$ -	$ -

Note 27. Saint Lawrence Seaway Development Corporation:

Condensed Information:

	FY 2001	FY 2000
Cash and Short-Term Time Deposits	$ 13,724	$ 11,190
Long-Term Time Deposits	294	2,104
Accounts Receivable	170	141
Inventories	259	262
Property, Plant and Equipment	82,855	83,840
Deferred Charges	1,816	1,562
Other Assets	531	706
TOTAL ASSETS	**$ 99,649**	**$ 99,805**
Current Liabilities	$ 1,830	$ 1,718
Actuarial Liabilities	1,817	1,562
TOTAL LIABILITIES	**$ 3,647**	**$ 3,280**
Invested Capital	$ 97,791	$ 98,631
Cumulative Results of Operations	(1,789)	(2,106)
TOTAL NET POSITION	**$ 96,002**	**$ 96,525**
TOTAL LIABILITIES AND NET POSITION	**$ 99,649**	**$ 99,805**