

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30,

(In Thousands)	1995	1994
ASSETS		
Entity Assets:		
Intragovernmental Assets:		
Fund Balances with Treasury (Note 2)	\$55,679	\$64,186
Accounts Receivable, Federal (Note 3A)	10,841	78
Investments (Note 4)	1,292,066	1,175,384
Governmental Assets:		
Accounts Receivable, Net, Non-Federal (Note 3B)	12,675	13,651
Advances and Prepayments, Non-Federal	54	4
Cash (Imprest)	21	38
Property, Plant and Equipment, Net (Note 5)	5,610	5,558
Total Entity Assets	1,376,946	1,258,899
Non-Entity Assets:		
Governmental Assets (from all other sources):		
Resources Transferable to U.S. Treasury (Note 3C)	123	996
Total Non-Entity Assets	123	996
Total Assets	1,377,069	1,259,895
LIABILITIES		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accounts Payable, Federal	145	249
Governmental Liabilities:		
Accounts Payable, Non-Federal	10,083	3,702
Accrued Payroll and Benefits	2,050	2,109
Deferred Revenue, Non-Federal (Note 6)	0	639
Total Liabilities Covered by Budgetary Resources:	12,278	6,699
Liabilities not Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Other Federal Liabilities (Note 3C)	123	1,169
Governmental Liabilities:		
Suspended Liabilities, Non-Federal (Note 7)	1,188	4,420
Accrued Leave	4,944	4,468
Total Liabilities not Covered by Budgetary Resources	6,255	10,057
Total Liabilities	18,533	16,756
NET POSITION		
Balances: (Note 8)		
Unexpended Appropriations	356,960	382,474
Invested Capital	5,610	5,385
Cumulative Results of Operations	1,000,910	859,748
Less Future Funding Requirements	(4,944)	(4,468)
Net Position	1,358,536	1,243,139
Total Liabilities and Net Position	\$1,377,069	\$1,259,895

The accompanying notes are an integral part of these statements.

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30,

(In Thousands)	1995	1994
REVENUES AND FINANCING SOURCES		
Appropriations Expensed	\$307,533	\$299,426
Revenues from Sales of Goods and Services (Note 9)		
Intragovernmental	237	1,070
Governmental	1,568	188
AML Interest, Non-Federal (Note 10)	3,007	1,931
Investment Interest Earned, Federal	69,291	40,085
Revenue from Fees Assessed	256,385	249,135
Other Revenues and Financing Sources (Note 11)	11,990	4,408
Less: Miscellaneous Receipts - Revenue to the U.S. Treasury	(6,266)	(788)
Total Revenues and Financing Sources	643,745	595,455
EXPENSES		
Grants Provided to States and Tribes	215,932	201,537
Personal Services and Benefits	57,293	59,574
Contractual Services	23,749	25,135
Rent, Communications and Utilities	7,095	7,628
Travel and Transportation	2,722	2,506
Non-capitalized equipment	1,450	1,756
Supplies	1,415	1,318
Printing and Reproduction	468	399
Other Operating Expenses	8	(59)
Total Operating Expenses (Note 12)	310,132	299,794
Depreciation Expense	892	842
Bad Debt Expense	7,632	8,807
Future Funding Requirements (Note 13)	(89)	(242)
Total Expenses	318,567	309,201
Excess of Revenues and Financing Sources Over Total Expenses Before Adjustments	325,178	286,254
Plus (Minus) Adjustments		
Prior Period Adjustments	(2,106)	(753)
Inter-Fund Transfer	(182,386)	(190,107)
Excess of Revenues and Financing Sources Over Total Expenses	140,686	95,394
CHANGE IN NET POSITION		
Net Position, Beginning Balance	1,243,139	1,157,120
Prior Period Adjustment Correcting Equity Position	0	0
Net Position, Adjusted Beginning Balance	1,243,139	1,157,120
Excess of Revenues and Financing Sources Over Total Expenses	140,686	95,394
Plus (Minus) Non-Operating Changes (Note 14)	(25,289)	(9,375)
Net Position, Ending Balance	\$1,358,536	\$1,243,139

The accompanying notes are an integral part of these statements.

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED SEPTEMBER 30,

(In Thousands)	1995	1994
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Excess of Revenues and Financing Sources Over Total Expenses	\$140,686	\$95,394
Adjustments Affecting Cash Flow:		
Appropriations Expensed	(307,533)	(299,426)
Decrease (Increase) in Accounts Receivable	(9,836)	(1,317)
Decrease (Increase) in Other Assets	873	(243)
Increase (Decrease) in Accounts Payable	5,578	(261)
Increase (Decrease) in Other Liabilities	(3,717)	4,894
Other Adjustments (Prior Year Adjustments)	0	0
Total Adjustments	(314,635)	(296,353)
Net Cash Provided (Used) by Operating Activities	(173,949)	(200,959)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(271)	(761)
Sale of Securities (Note 4)	5,118,915	6,883,375
Purchase of Securities (Note 4)	(5,248,455)	(6,971,060)
Other Investing Cash Provided (Used)	12,858	9,365
Net Cash Provided (Used) by Investing Activities	(116,953)	(79,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations:		
Current Year Appropriations	292,778	300,659
Appropriated Revenue	331	519
Add:		
Transfers of Cash From Others	0	7,200
Deduct:		
Rescissions	697	0
Withdrawals	2,096	4,444
Transfers To Others	7,938	13,333
Net Appropriations	282,378	290,601
Net Cash Provided (Used) by Financing Activities	282,378	290,601
Net Cash Provided (Used) by Operating, Non-Operating and Financing Activities	(8,524)	10,561
Fund Balances with Treasury, Cash, and Foreign Currency, Beginning	64,224	53,663
Fund Balances with Treasury, Cash, and Foreign Currency, Ending	\$55,700	\$64,224

U.S Department of the Interior
Office of Surface Mining Reclamation and Enforcement
STATEMENT OF BUDGET AND ACTUAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 1995

(In Thousands)

Program Name	Resources	BUDGET		ACTUAL
		Obligations		Expenses
		Direct	Reimbursed	
Abandoned Mine Lands	\$261,130	\$193,970	\$472	\$209,041
Regulation and Technology	110,272	109,265	577	103,460
Civil Penalties	1,113	529	0	4,449
Bond Forfeiture	1,146	(869)	948	814
Other (Receipt/Special Funds)	0	0	0	803
Totals	\$373,661	\$302,895	\$1,997	\$318,567

Budget Reconciliation:

Total Expenses \$318,567

Add:

Capital Acquisitions 1,163

Expenditures for Soil Conservation Service 10,848

Unfunded Personnel Benefits 89

Less:

Depreciation 892

Bad Debt Expense Unappropriated 7,632

Accrued Expenditures 322,143

Less Reimbursements and other Revenue 3,319

Accrued Expenditures, Direct **\$318,824**

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
Notes to Combined Financial Statements
For the Fiscal Years (FY) Ended September 30, 1995 and 1994

Note 1. Summary of Significant Accounting Policies:

A. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Office of Surface Mining Reclamation and Enforcement (OSM), as required by the Chief Financial Officers Act of 1990. The statements have been prepared from the books and records of OSM using the accrual basis of accounting, which recognizes the financial effects of transactions as they occur. In addition, the statements were prepared in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 94-01, and OSM's accounting policies.

B. Reporting Entity

The Office of Surface Mining was established as a regulatory agency in the Department of the Interior by Public Law 95-87, also known as the Surface Mining Control and Reclamation Act of 1977 (SMCRA). SMCRA was passed by Congress on August 3, 1977, and has since undergone several revisions, the most recent being the Energy Policy Act of 1992 (Public Law 102-486). Although SMCRA initially empowered OSM with the authority to collect a statutory coal reclamation fee through FY 1992, the 1992 revision extended this authority through the year 2004.

The purpose of this fee is to fund, among other things, the reclamation of coal mines abandoned prior to August 3, 1977. OSM's mission is further defined by SMCRA to include administering programs designed to (1) protect society and the environment from the effects of coal mining operations, (2) reclaim existing and future mined areas which pose both a hazard to public health and safety and affect the quality of the nation's natural resources, and (3) provide technical and financial assistance to states with primary regulatory authority over jurisdictional coal mining activities.

Budget authority of funds appropriated for SMCRA is vested to OSM, which is also responsible for the administrative oversight and policy direction of the program. OSM is required by the U.S. Department of the Treasury (U.S. Treasury), the General Accounting Office (GAO), and OMB to report on the accounting for SMCRA funds. The U.S. Treasury acts as custodian over all monies appropriated and collected by OSM, except for imprest funds.

The Office of Surface Mining is responsible for segregating accounting entries by category of source or use, otherwise known as funds. For reporting purposes, OSM has consolidated accounting data into three types:

Regulation and Technology -- These funds consist of expenditure accounts used to record financial transactions arising from congressional appropriations to spend general revenue. This category supports the financing of state administrative grants, research and development facilitating the transfer of reclamation expertise to India, and the partial financing of all OSM operations and maintenance costs. Funding is appropriated on an annual basis.

Reclamation Programs -- Funds for these programs come from revenues collected from excise taxes (Trust Fund), civil penalty assessments, and performance bond forfeitures for the purpose of reclamation projects.

Trust Funds -- These funds were established by SMCRA for the deposit of coal reclamation fees, related late payment interest, and administrative charges recovered in pursuing collections. Available reclamation fees are used solely to finance the Abandoned Mine Land (AML) Reclamation program. However, before AML funds can be used, a congressional appropriation is necessary to authorize yearly spending limits.

Investment Fund -- Available Trust Fund balances, in excess of current cash requirements, are regularly invested in non-marketable federal securities as authorized under Public Law 101-508.

Other -- These are temporary holding accounts for resources pending distribution. Also included in this category are OSM's unfunded contingencies and capitalized assets.

Deposit Funds -- These funds account for receipts awaiting proper classification, amounts held in escrow, and proceeds from the sale of vehicles. Vehicle proceeds, which are reserved exclusively for the purchase of replacement vehicles, are not treated as earned until replacement vehicles are acquired.

Receipt Funds -- The Office of Surface Mining's financial statements include: (1) miscellaneous judicial service fees, (2) fines, (3) administrative fees, (4) miscellaneous receipts, (5) interest, and (6) unclaimed monies which are credited annually to the U.S. Treasury's general government fund. In the billing and collection of these funds, OSM is merely acting as a collection

agent for the U.S. Treasury. The Statement of Financial Position includes receivables and an offsetting liability to the U.S. Treasury.

C. Financing Sources

1. Realized Operating Revenue

Appropriations Financing sources are provided through congressional appropriations on both an annual and no-year basis. They are realized each fiscal year to the extent the funds have been expended.

Other Revenue Revenue is also realized when earned but not collected based on recorded accounts receivable. Therefore, the only noncash expenses not funded by revenue are those requiring future funding, such as earned but unused annual leave. This example would be funded with future appropriations.

2. Assessments

The Bond Forfeiture Fund receives operating authority based on revenue provided from forfeited performance bonds. This fund is used to reclaim lands that are site-specific to the forfeited bond.

The Civil Penalty Fund receives appropriated revenue from assessments levied against permittees who violate any permit condition or any other provision of Title 30 U.S.C. 1268. This fund is used to reclaim lands adversely affected by coal mining practices on or after August 3, 1977.

3. Abandoned Mine Land Fees (AML)

The Abandoned Mine Land program is funded by a reclamation fee assessed on coal mine operators. The fee is based on the type and volume of coal produced for sale, transfer, or use. As appropriated by Congress, monies received and deposited in this trust fund are used to reclaim lands adversely affected by coal mining that took place prior to August 3, 1977.

Since its inception, SMCRA has required that half of the AML reclamation fees be distributed to the state of origin as the state share. The distribution formula has historically been based on each state's portion of the AML reclamation fees, late payment interest, and post-judgment interest. However, effective with FY 1992, legislation altered the state-share distribution formula. The revised state-share distribution is based on AML reclamation fees alone. All remaining funds are designated as the federal share.

4. Transfers In/Transfers Out

The Office of Surface Mining annually transfers a portion of its AML appropriations to the Department of Agriculture's Soil Conservation Service for administering the Rural Abandoned Mine Program. The transfer of OSM's appropriated funding authority to another federal agency is reported on the Statement of Cash Flow as a deduction from Financing Activities.

The Office of Surface Mining also administers and accounts for financial activity affecting no-year funds which, in earlier years, had been transferred to OSM from the U.S. Department of State (India Fund). The purpose of the India transfer was to fund research and development of India's reclamation program within the framework of SMCRA.

D. Centralized Federal Financing Activities

The Office of Surface Mining's financial activities interact with and are dependent on the financial activities of the centralized management functions of the federal government that are undertaken for the benefit of the whole federal government. These activities include public debt and employee retirement, life insurance, and health benefit programs. Accordingly, OSM's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the whole government.

These statements are not intended to report OSM's proportionate share of the federal deficit. The Office of Surface Mining funds its operations and maintenance from the Regulation and Technology and AML appropriations. While financing for the AML program is provided by appropriated Abandoned Mine Land fee collections held in trust, financing for the Regulation and Technology program may be from tax revenue, public borrowing, or a combination of both.

E. Allowance for Doubtful Accounts

The Office of Surface Mining uses two different methodologies to recognize bad debts arising from uncollectible accounts receivable. The net of the allowance method, which was revised effective the fourth quarter of FY 1992, is used for trust fund and civil penalty accounts receivable. Under this method, an allowance for doubtful accounts is calculated quarterly based upon OSM's past experience in successfully collecting delinquent accounts receivable by aging category. OSM's allowance methodology is representative of the collectability of delinquent debt.

Notes to Combined Financial Statements Continued

For all other fund types, the allowance is based on an analysis of each accounts receivable.

F. Grant Expenditures

The Office of Surface Mining awards grants to states and Indian tribes to facilitate the accomplishment of its overall mission. To meet immediate cash needs, grantees draw down funds which are disbursed through an automated payment system. OSM accrues these draw-downs as expenditures. All disbursements are made by the U.S. Treasury. Either semiannually or annually, grantees report costs incurred to OSM.

G. Administrative Expenses

Executive and general administrative expenses incurred by OSM benefit both the Regulation and Technology and AML funds. Since there is no reasonable means to directly charge shared expenses, both Regulation and Technology and AML receive an equitable reallocation of indirect costs through a budget-based formula.

H. Distribution of AML Appropriation for Reclamation Grants

It is OSM's policy to distribute the state-share portion of the current AML appropriation based on the percentage of each state's balance in the AML Trust Fund. Additional grants are distributed from the federal-share portion of the AML appropriation based upon state historical coal production prior to 1978. OSM also supports a \$1.5 million minimum program for states with high-priority projects that would not otherwise receive this base amount through the normal distribution process. State emergency program funds also are available from the federal-share portion of the appropriation.

I. Principal Financial Statements

The Office of Surface Mining's principal financial statements were prepared in accordance with *OMB Bulletin No. 94-01, Form and Content of Agency Financial Statements*. The overall financial condition of the bureau, as presented, consists of four statements:

- Statement of Financial Position
- Statement of Operations and Changes In Net Position
- Statement of Cash Flow
- Statement of Budget and Actual Expenses

Additional supplemental statements are presented after these notes.

Note 2. Fund Balances with Treasury (in thousands):

	*Net Obligated	Unobligated Available	*Restricted	Total
Reclamation Programs	\$ 269,596	\$ 47,566	\$ 977,587	\$1,294,749
Regulation and Technology	36,925	0	14,883	51,808
Other	0	0	1,188	1,188
Total	\$ 306,521	\$ 47,566	\$ 993,658	\$1,347,745
Less Investments	268,478	46,001	977,587	1,292,066
Fund Balances in Cash	\$ 38,043	\$ 1,565	\$ 16,071	\$ 55,679

*The Net Obligated figures are net of Accounts Receivable and Accounts Payable as reported on the FY 1995 Yearend Closing Statement filed with the U.S. Treasury. The Restricted Column includes Unappropriated Available Receipts, Expired Regulation and Technology Funds, and Deposited Suspend Funds.

Note 3A. Accounts Receivable, Federal:

These receivables, \$10,841,000, represent interest due on investment securities with the U.S. Treasury. In FY 1995, the yearend accrual was recorded as an accounts receivable in lieu of an amortized discount as reported in FY 1994.

Note 3B. Accounts Receivable, Non-Federal (in thousands):

Program	Total Accounts Receivable	Delinquent Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable, Net
Regulatory Audit:				
Principal	13,643	8,156	7,341	6,302
Other	11,490	7,881	7,353	4,137
AML Fees:				
Principal	8,697	8,399	7,713	984
Other	12,166	12,020	11,554	612
Civil Penalties:				
Principal	19,822	19,539	19,417	405
Other	3,668	3,668	3,626	42
DFM:				
Principal	241	53	48	193
Total Principal	42,403	36,147	34,519	7,884
Total Other	27,324	23,569	22,533	4,791
Grand Total	69,727	59,716	57,052	12,675

Note 3C. Resources Transferable to Treasury (in thousands):

Program	Total Accounts Receivable	Delinquent Accounts Receivable	Allowance for Doubtful Accounts	Account Receivable, Net
Civil Penalties:				
Other	9,345	9,345	9,238	107
DFM:				
Principal	1	1	0	1
Other	15	15	0	15
Total	16	16	0	16
Grand Total	9,361	9,361	9,238	123

The Resources Transferable to Treasury are offset in Other Federal Liabilities. The amount present in Other Federal Liabilities is the same as the Resources Transferable to Treasury.

Note: The *Other* category represents accounts receivable for interest, penalties, and administrative costs.

Note 4. Investments:

Effective October 1, 1991, the Office of Surface Mining (OSM) was given authority to invest available AML trust funds in non-marketable federal securities under P.L. 101-508. The Bureau of Public Debt is the sole issuer of authorized non-marketable federal securities, which are purchased by OSM directly from the U.S. Treasury. OSM may invest in bills, notes, bonds, par value special issues, and one-day certificates. There are no restrictions on federal agencies as to the use or convertibility of Treasury non-marketable securities.

Presently, all earnings from AML investments are reinvested, thus providing a source of continuous funding to further enhance AML Trust Fund equity. However, with the enactment of P. L. 102-486 on October 24, 1992, and effective with FY 1996, OSM will be required to transfer annually up to \$70 million in interest earned from the invested AML trust funds to the United Mine Workers of America Combined Benefit Fund. These AML investment proceeds will then be available to provide health benefits for certain eligible retired coal miners and their dependents.

When previously issued Treasury bills are purchased by OSM, the unamortized (discount) or premium is calculated by Treasury at the time of purchase. As of September 30, 1995, OSM's outstanding investments in Treasury non-marketable securities consisted of:

Type of Investment	Cost/Market Value (in thousands)	Amortized Discount	Investments Net (in thousands)
Treasury Bills	\$ 1,292,066	\$ 0	\$ 1,292,066

The Cash Flow Statement for FY 1994 was restated to show the total purchases and sales instead of the cumulative changes for that reporting year.

Note 5. Property, Plant and Equipment, Net:

All property and equipment are valued at cost. Property and equipment are capitalized whenever the initial acquisition cost is \$5,000 or more and the estimated useful life is two years or longer. There is one exception: computer software is not capitalized unless the acquisition cost is \$25,000 or more.

Fixed Assets (in thousands)	Depreciation Method	Service Life	Acquisition Value	Accumulated Depreciation	Net Book Value
ADP Equipment	SL	15	\$ 5,165	\$ (1,623)	\$ 3,542
Office Equipment	SL	11-20	1,481	(500)	981
Vehicles	SL	6-10	2,999	(1,912)	1,087
Total			\$ 9,645	\$ (4,035)	\$ 5,610

Note 6. Deferred Revenue:

The appropriation law covering forfeited bonds states that collections are made available for expenditure until the bond site is reclaimed. In FY 1994, the revenue was recognized as Deferred Revenue at the time of the collection and revenue at the time reclamation expenses were recorded. Based on new guidance from the Department of the Treasury, the FY 1995 revenue was recognized at the time of collection.

Note 7. Other Public Liabilities:

Suspended Liabilities: These are deposits received by OSM that are held in suspense pending legal action, identification, or other further action. These deposits have been identified as (1) *Reimbursable Advances* receipts from recipients of services yet to be performed; (2) *Other Escrows* permit fees held by OSM until the permit is issued; (3) *Civil Penalties Escrow* funds collected from civil penalties held in escrow pending any appeal processes which will determine whether OSM will refund the collections or transfer the collections to appropriate accounts for use by the federal government; (4) *Cash* held by OSM, in lieu of performance bonds, until the coal operator has fully reclaimed the specific bonded site; (5) *Vehicle Sale Receipts* funds from the sale of vehicles are made available for replacement vehicles. When new vehicles are purchased, funds are transferred from suspense to offset the cost of the replacement vehicles. If these funds are not used within two years, the funds are transferred to the Treasury General Fund for future appropriations; and (6) *Other*.

	(in thousands)
Reimbursable Advances	\$ 652
Other Escrows	280
Civil Penalties Escrow	165
Bonds	79
Vehicle Sale Receipts	11
Other Deposits	1
	<u>\$1,188</u>

Pension and Retirement Plans: The Office of Surface Mining's employees participate in one of two government-sponsored pension and retirement plans. The Civil Service Retirement System (CSRS), the older of the two plans, requires set payroll contributions by participating employees. Participation in the Federal Employees Retirement System (FERS) is required for employees hired after December 31, 1983, and was offered as an option for employees hired prior to that date. As part of its benefit package, FERS offers both a pension plan and a thrift savings plan, which is underwritten by employee contributions that are matched by OSM.

Notes to Combined Financial Statements Continued

These statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to OSM employees. The administration of government-wide pension and retirement plans rests solely with the Office of Personnel Management (OPM). All pension and retirement data is compiled and reported by OPM.

The Office of Surface Mining's FY 1995 contributions to the CSRS and FERS pension plans were \$2.2 million and \$1.5 million, respectively. In addition, OSM's contribution to the FERS thrift savings plan was \$572,691 for FY 1995.

Note 8. Fund Balances (in thousands):

	Reclamation Programs	Regulation & Technology	Other	Total
Unexpended Appropriations:				
Unobligated				
Available	\$ 47,566	\$ 0	\$ 0	\$ 47,566
Unavailable	0	14,883	0	14,883
Undelivered Orders	261,640	33,129	0	294,769
Unfilled Customer Orders	(79)	(179)	0	(258)
Invested Capital	0	0	5,610	5,610
Cumulative Results of Operations	1,000,910	0		1,000,910
Future Funding Requirements	0	0	(4,944)	(4,944)
Total	\$1,310,037	\$ 47,833	\$ 666	\$1,358,536

Note 9. Revenues from Sales of Goods and Services:

There are some types of receipts (e.g., reimbursable agreements with states and other federal agencies) that are recognized as revenues when earned. These revenues may be used to offset the cost of producing the product or providing the service for which they are received.

Intragovernmental

	Amount (in thousands)
Federal Agencies	
General Services Administration	\$ 173
Environmental Protection Agency	27
Minerals Management Service	21
National Park Service	10
Office of the Secretary	6
Total	\$ 237

Governmental

Kentucky	\$1,212
Indonesia	349
Miscellaneous	7
Total	\$1,568

Note 10. AML Interest:

A financing source is recognized when interest is earned on delinquent AML fees. The interest is unavailable pending congressional action.

Note 11. Other Revenues and Financing Sources:

Accrual-based accounting includes both collected and uncollected revenue as a financing source:

Other Revenue and Financing Sources (in thousands)	1995	1994
Administrative Revenue from AML fees	2,431	979
Vehicle Sales Revenue	248	0
Civil Penalty Revenue	1,682	2,641
Bond Forfeiture Revenue	1,438	0
Miscellaneous Receipts Revenue	6,191	788
Total	\$11,990	\$4,408

Note 12. Operating Expenses by Program:

Expenses incurred from funded appropriations by FY:

Operating Expenses by Program: (in thousands)	1995	1994
AML	\$205,563	\$192,570
R&T	103,460	105,359
Civil Penalty	295	176
Bond Forfeiture	814	431
Other	0	0
Total	\$310,132	\$298,536

Interest expenses paid under the Prompt Pay Act totalled \$6,000 for all programs.

Expenses incurred paid to federal agencies or bureaus (in thousands):

Department of the Interior bureaus included:	
Office of the Secretary	\$697
Bureau of Reclamation	139
U.S. Geological Survey	110
Office of Aircraft Services	106
National Park Service	33
Minerals Management Service	8
Bureau of Mines	2
Bureau of Land Management	2
Total	\$1,097
Other Federal Agencies:	
General Services Administration	\$8,158
U.S. Postal Service	210
Government Printing Office	183
Other	137
Total	\$8,688
GRAND TOTAL	\$9,785

Note 13. Future Funding Requirements:

The Department of the Interior has provided OSM with its unfunded future liability for workers' compensation benefits covered by the Federal Employees Compensation Act (FECA); and, the Departmental Payroll operation has provided data for accrued unfunded leave.

The total, \$89 thousand, consists of the following:

	Amount (in thousands)
FECA	\$27
Accrued Unfunded Leave	62
Total	\$89

Note 14. Non-Operating Changes (in thousands):

Non-operating changes in capital occur based on changes in appropriated equity and invested capital as follows:

	1995	1994
Invested Capital		
Capital Acquisition	\$1,163	\$1,431
Restatement of Assets	72	85
Offsetting Deferred Revenue	173	0
Change in Accumulated Depreciation	(82)	0
Depreciation	(892)	(842)
Net Transfers Out	(276)	(721)
Net Transfers In	66	
Other Capitalized Expenses	0	(13)
Invested Capital Change	\$224	\$ (60)
Appropriated Capital		
Unobligated Balance	\$(8,211)	\$(18,351)
Unliquidated Obligations:		
Undelivered Orders	(18,625)	10,215
Unfilled Customer Orders	1,323	(1,179)
Unliquidated Obligations	(17,302)	9,036
Appropriated Change	\$ (25,513)	\$ (9,315)
Net Non-Operating Changes	\$ (25,289)	\$ (9,375)

Other capitalized expenses include losses, trade-ins, sales, and deletions.

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 1995

(In Thousands)	Reclamation Programs	Regulation & Technology	Other	Combined
ASSETS				
Entity Assets:				
Intragovernmental Assets:				
Fund Balances with U.S. Treasury	\$2,683	\$51,808	\$1,188	\$55,679
Accounts Receivable	10,841	0	0	10,841
Investments	1,292,066	0	0	1,292,066
Governmental Assets:				
Accounts Receivable, Net, Non-Federal	12,638	37	0	12,675
Advances and Prepayments, Non-Federal	0	54	0	54
Cash (Imprest)	21	0	0	21
Property, Plant and Equipment, Net	0	0	5,610	5,610
Total Entity Assets	1,318,249	51,899	6,798	1,376,946
Non-Entity Assets:				
Governmental Assets (from all other sources):				
Resources Transferable to Treasury	0	0	123	123
Total Non-Entity Assets	0	0	123	123
Total Assets	1,318,249	51,899	6,921	1,377,069
LIABILITIES				
Liabilities Covered by Budgetary Resources:				
Intragovernmental Liabilities:				
Accounts Payable, Federal	53	92	0	145
Governmental Liabilities:				
Accounts Payable, Non-Federal	7,615	2,468	0	10,083
Accrued Payroll and Benefits	544	1,506	0	2,050
Deferred Revenue, Non-Federal	0	0	0	0
Total Liabilities Covered by Budgetary Resources:	8,212	4,066	0	12,278
Liabilities not Covered by Budgetary Resources:				
Intragovernmental Liabilities:				
Other Federal Liabilities	0	0	123	123
Governmental Liabilities:				
Suspended Liabilities, Non-Federal	0	0	1,188	1,188
Accrued Leave	0	0	4,944	4,944
Total Liabilities not Covered by Budgetary Resources	0	0	6,255	6,255
Total Liabilities	8,212	4,066	6,255	18,533
NET POSITION				
Balances:				
Unexpended Appropriations	309,127	47,833	0	356,960
Invested Capital	0	0	5,610	5,610
Cumulative Results of Operations	1,000,910	0	0	1,000,910
Less Future Funding Requirements	0	0	(4,944)	(4,944)
Net Position	1,310,037	47,833	666	1,358,536
Total Liabilities and Net Position	\$1,318,249	\$51,899	\$6,921	\$1,377,069

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
**SUPPLEMENTAL STATEMENT OF
OPERATIONS AND CHANGES IN NET POSITION**
FOR THE YEAR ENDED SEPTEMBER 30, 1995

(In Thousands)	Reclamation Programs	Regulation & Technology	Other	Combined
REVENUES AND FINANCING SOURCES				
Appropriations Expensed	\$203,752	\$103,061	\$720	\$307,533
Revenues from Sales of Goods and Services				
Intragovernmental	18	46	173	237
Governmental	1,216	352	0	1,568
AML Interest, Non-Federal	3,007	0	0	3,007
Investment Interest Earned, Federal	69,291	0	0	69,291
Revenue from Fees Assessed	256,385	0	0	256,385
Other Revenues and Financing Sources	5,798	1	6,191	11,990
Less: Miscellaneous Receipts - Revenue to the U.S. Treasury	0	0	(6,266)	(6,266)
Total Revenues and Financing Sources	539,467	103,460	818	643,745
EXPENSES				
Grants Provided to States and Tribes	166,263	49,669	0	215,932
Personal Services and Benefits	18,215	39,078	0	57,293
Contractual Services	17,980	5,769	0	23,749
Rent, Communications and Utilities	2,354	4,741	0	7,095
Travel and Transportation	656	2,066	0	2,722
Non-capitalized equipment	609	841	0	1,450
Supplies	411	1,004	0	1,415
Printing and Reproduction	184	284	0	468
Other Operating Expenses	0	8	0	8
Total Operating Expenses	206,672	103,460	0	310,132
Depreciation Expense	0	0	892	892
Bad Debt Expense	7,632	0	0	7,632
Future Funding Requirements	0	0	(89)	(89)
Total Expenses	214,304	103,460	803	318,567
Excess of Revenues and Financing Sources Over Total Expenses Before Adjustments	325,163	0	15	325,178
Plus (Minus) Adjustments				
Prior Period Adjustments	(1,616)	0	(490)	(2,106)
Inter-Fund Transfer	(182,386)	0	0	(182,386)
Excess of Revenues and Financing Sources Over Total Expenses	141,161	0	(475)	140,686
CHANGE IN NET POSITION				
Net Position, Beginning Balance	1,198,103	44,119	917	1,243,139
Prior Period Adjustment Correcting Equity Position	0	0	0	0
Net Position, Adjusted Beginning Balance	1,198,103	44,119	917	1,243,139
Excess of Revenues and Financing Sources Over Total Expenses	141,161	0	(475)	140,686
Plus (Minus) Non-Operating Changes	(29,227)	3,714	224	(25,289)
Net Position, Ending Balance	\$1,310,037	\$47,833	\$666	\$1,358,536

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
SUPPLEMENTAL STATEMENT OF CASH FLOW
FOR THE YEAR ENDED SEPTEMBER 30, 1995

(In Thousands)	Reclamation Programs	Regulation & Technology	Other	Combined
CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Excess of Revenues and Financing Sources Over Total Expenses	\$141,161	\$0	(\$475)	\$140,686
Adjustments Affecting Cash Flow:				
Appropriations Expensed	(203,752)	(103,061)	(720)	(307,533)
Decrease (Increase) in Accounts Receivable	(9,812)	(24)	0	(9,836)
Decrease (Increase) in Other Assets	0	0	873	873
Increase (Decrease) in Accounts Payable	4,826	752	0	5,578
Increase (Decrease) in Other Liabilities	0	0	(3,717)	(3,717)
Other Adjustments (Prior Year Adjustments)	0	0	0	0
Total Adjustments	(208,738)	(102,333)	(3,564)	(314,635)
Net Cash Provided (Used) by Operating Activities	(67,577)	(102,333)	(4,039)	(173,949)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(341)	(822)	892	(271)
Sale of Securities	5,118,915	0	0	5,118,915
Purchase of Securities	(5,248,455)	0	0	(5,248,455)
Other Investing Cash Provided (Used)	12,858	0	0	12,858
Net Cash Provided (Used) by Investing Activities	(117,023)	(822)	892	(116,953)
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations:				
Current Year Appropriations	182,772	110,006	0	292,778
Appropriated Revenue	331	0	0	331
Add:				
Transfers of Cash From Others	0	0	0	0
Deduct:				
Rescissions	386	311	0	697
Withdrawals	0	2,096	0	2,096
Transfers To Others	7,853	0	85	7,938
Net Appropriations	174,864	107,599	(85)	282,378
Net Cash Provided (Used) by Financing Activities	174,864	107,599	(85)	282,378
Net Cash Provided (Used) by Operating, Non-Operating and Financing Activities	(9,736)	4,444	(3,232)	(8,524)
Fund Balances with Treasury, Cash, and Foreign Currency, Beginning	12,440	47,364	4,420	64,224
Fund Balances with Treasury, Cash, and Foreign Currency, Ending	\$2,704	\$51,808	\$1,188	\$55,700

Inspector general audit opinion



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Headquarters Audits
1350 Wilson Boulevard
Suite 401
Arlington, VA 22209

FEB . 4 1996

Memorandum

To: Director, Office of Surface Mining Reclamation and Enforcement

From: Judy Harrison *Judy Harrison*
Assistant Inspector General for Audits

Subject: Report on the Office of Surface Mining Reclamation and Enforcement
Financial Statements for Fiscal Years 1994 and 1995

In accordance with the Chief Financial Officers Act of 1990, we audited the accompanying Office of Surface Mining Reclamation and Enforcement's financial statements for the fiscal years ended September 30, 1994, and 1995. These financial statements are the responsibility of the Office of Surface Mining Reclamation and Enforcement, and our responsibility is to express an opinion, based on our audit, on these financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, "Audit Requirements for Federal Financial Statements," and was completed on January 24, 1996. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and notes. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit work provides a reasonable basis for our opinion.

Based on our audit, we found that the financial statements and accompanying notes present fairly Surface Mining's assets, liabilities, and net position; revenue, financing sources, and expenses; cash flows; and budget and actual expenses. We also found that these financial statements are presented in conformity with the accounting standards and policies described in Note 1 of the Notes to Financial Statements. Further, the supplemental financial statements were subjected to the auditing procedures applied in the audit of the financial statements and are fairly stated in relation to the financial statements taken as a whole.

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As part of our audit, we evaluated Surface Mining's internal control structure, tested Surface Mining's compliance with selected provisions of laws and regulations, and reviewed the financial information presented in Surface Mining's overview. We also reviewed Surface Mining's most recent report, required by the Federal Managers' Financial Integrity Act of 1982, and compared it with the results of our evaluation of Surface Mining's internal control structure. However, because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluations to future periods is subject to the risk that controls or the degree of compliance with the controls may deteriorate.

We found that Surface Mining's internal control structure in effect on September 30, 1995, was sufficient to safeguard assets against loss from unauthorized use or disposition; ensure that transactions were executed in accordance with laws and regulations; ensure that transactions were properly recorded, processed, and summarized; and provide reasonable assurance that any losses, noncompliance, or misstatements that are material to the financial statements would be detected. In addition, we found that there were no material instances of noncompliance with selected provisions of laws and regulations for fiscal year 1995 that we tested, and nothing came to our attention in the course of our other audit work to indicate that material noncompliance with such provisions occurred. Further, we found that the financial information in Surface Mining's overview relating to the financial statements is reliable and consistent with the information presented in the financial statements.

Our review of the Office of Inspector General and U.S. General Accounting Office audit reports related to the scope of this audit disclosed that there were no significant unresolved and unimplemented recommendations that affected the financial statements.

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