

FINANCIAL STATEMENTS

Office of Comptroller of the Currency Balance Sheets As of September 30, 2005 and 2004

	FY 2005	FY 2004
Assets		
Intragovernmental:		
Fund balance with Treasury	\$ 1,724,161	\$ 1,701,674
Investments and related interest (Note 3)	611,975,767	487,121,232
Accounts receivable	13,300	144,332
Total intragovernmental	613,713,228	488,967,238
Cash	12,584	25,961
Accounts receivable, net	270,556	112,201
Property and equipment, net (Note 4)	46,190,939	40,147,991
Advances and prepayments	1,145,419	1,144,599
Total assets	\$ 661,332,726	\$ 530,397,990
Liabilities		
Intragovernmental:		
Other accrued liabilities	\$ 1,405,550	\$ 746,371
Total intragovernmental	1,405,550	746,371
Accounts payable	7,960,357	2,280,839
Accrued payroll and other employee benefits	17,555,891	16,203,165
Accrued annual leave	24,942,021	24,037,799
Other accrued liabilities	17,030,393	16,582,611
Deferred revenue (Note 5)	146,664,373	125,015,607
Post retirement benefits (Note 7)	11,352,850	10,071,983
Total liabilities	226,911,435	194,938,375
Net position (Note 8)	434,421,291	335,459,615
Total liabilities and net position	\$ 661,332,726	\$ 530,397,990

The accompanying notes are an integral part of these financial statements.

**Office of Comptroller of the Currency
Statements of Net Cost
For the Years Ended September 30, 2005 and 2004**

	FY 2005	FY 2004
Program Costs		
Supervise National Banks		
Intragovernmental	\$ 57,553,452	\$ 55,013,447
With the public	362,769,983	337,088,793
Subtotal - Supervise National Banks	\$ 420,323,435	\$ 392,102,240
Regulate National Banks		
Intragovernmental	\$ 9,279,718	\$ 9,119,549
With the public	56,650,420	54,522,477
Subtotal - Regulate National Banks	\$ 65,930,138	\$ 63,642,026
Charter National Banks		
Intragovernmental	\$ 2,232,906	\$ 2,418,481
With the public	13,228,352	14,049,294
Subtotal - Charter National Banks	\$ 15,461,258	\$ 16,467,775
Total Program Costs	\$ 501,714,831	\$ 472,212,041
Less: Earned revenues not attributed to programs	(577,742,644)	(497,764,476)
Net Cost of Operations	\$ (76,027,813)	\$ (25,552,435)

The accompanying notes are an integral part of these financial statements.

**Office of Comptroller of the Currency
Statements of Changes in Net Position
For the Years Ended September 30, 2005 and 2004**

	FY 2005	FY 2004
Beginning Balances	\$ 335,459,615	\$ 287,373,440
Other Financing Sources:		
Imputed financing from costs absorbed by others (Note 7)	22,933,863	22,533,740
Net Cost of Operations	76,027,813	25,552,435
Net Change	98,961,676	48,086,175
Ending Balances	\$ 434,421,291	\$ 335,459,615

The accompanying notes are an integral part of these financial statements.

**Office of Comptroller of the Currency
Statements of Budgetary Resources
For the Years Ended September 30, 2005 and 2004**

	FY 2005	FY 2004
Budgetary Resources:		
Unobligated balance:		
Beginning of period	\$ 398,535,082	\$ 339,989,380
Spending authority from offsetting collections:		
Earned		
Collected	596,213,085	507,438,496
Receivable from federal sources	(1,011,814)	569,956
Subtotal	595,201,271	508,008,452
Total Budgetary Resources	\$ 993,736,353	\$ 847,997,832
Status of Budgetary Resources		
Obligations incurred	\$ 487,113,339	\$ 449,462,750
Unobligated balance available	506,623,014	398,535,082
Total Status of Budgetary Resources	\$ 993,736,353	\$ 847,997,832
Relationship of Obligations to Outlays		
Obligated balance, net, beginning of period	80,658,172	82,639,683
Obligated balance, net, end of period:		
Accounts receivable	(4,678,768)	(5,690,582)
Undelivered orders	18,703,188	16,425,985
Accounts payable and accruals, net of assessments refunds	80,247,061	69,922,769
Outlays:		
Disbursements	\$ 474,511,844	\$ 450,874,306
Collections	(596,213,085)	(507,438,496)
Net Outlays	\$ (121,701,241)	\$ (56,564,190)

The accompanying notes are an integral part of these financial statements.

**Office of Comptroller of the Currency
Statements of Financing
For the Years Ended September 30, 2005 and 2004**

	FY 2005	FY 2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 487,113,339	\$ 449,462,750
Less: Spending authority from offsetting collections	(595,201,271)	(508,008,452)
Net obligations	(108,087,932)	(58,545,702)
Other Resources		
Imputed financing from costs absorbed by others (Note 7)	22,933,863	22,533,740
Total resources used to finance activities	(85,154,069)	(36,011,962)
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	(2,278,023)	7,278,008
Resources that finance the acquisition of assets	(17,874,784)	(16,304,977)
Other resources or adjustments to net obligated resources that do not affect net cost of operations	(158,355)	320,570
Total resources used to finance items not part of the net cost of operations	(20,311,162)	(8,706,399)
Total resources used to finance the net cost of operations	(105,465,231)	(44,718,361)
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Change in deferred revenue	21,648,766	7,967,380
Total components that will require or generate resources in future periods	21,648,766	7,967,380
Components not Requiring or Generating Resources:		
Depreciation and amortization	11,203,799	8,869,905
Net (increase) decrease in bond premium	(4,043,186)	2,091,916
Other	628,039	236,725
Total components that will not require or generate resources	7,788,652	11,198,546
Total components of net cost of operations that will not require or generate resources in the current period	29,437,418	19,165,926
Net Cost of Operations	\$ (76,027,813)	\$ (25,552,435)

The accompanying notes are an integral part of these financial statements.

**Office of Comptroller of the Currency
Statements of Custodial Activity
For the Years Ended September 30, 2005 and 2004**

	FY 2005	FY 2004
Revenue Activity:		
Sources of Cash Collections		
Civil Monetary Penalties	\$ 31,264,157	\$ 25,033,961
Accrual Adjustments	234,072	(733,784)
Total Custodial Revenue	31,498,229	24,300,177
Disposition of Custodial Revenue		
Transferred to Treasury	(31,117,164)	(25,577,843)
(Increase)/Decrease in Amounts Yet to be Transferred	(381,065)	1,277,666
Total Disposition for Custodial Revenue	(31,498,229)	(24,300,177)
Net Custodial Activity	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Note 1 — Organization

The OCC was created as a bureau within the U.S. Department of the Treasury by an act of Congress in 1863. The OCC was created to establish and regulate a system of federally chartered national banks. The National Currency Act of 1863, rewritten and reenacted as the National Bank Act of 1864, authorized the OCC to supervise national banks and to regulate the lending and investment activities of federally chartered institutions.

The OCC's revenue is derived primarily from assessments and fees paid by national banks and income on investments in U.S. government securities. The OCC does not receive congressional appropriations to fund any of its operations. Therefore, the OCC does not have any unexpended appropriations.

By federal statute 12 USC 481, the OCC's funds are maintained in a U.S. government trust revolving fund. The funds remain available to cover the annual costs of the OCC's operations in accordance with policies established by the Comptroller.

The Departmental Offices (DO), another entity of the U.S. Department of the Treasury, provides certain administrative services to the OCC. The OCC pays the DO for services rendered pursuant to established interagency

agreements. Administrative services provided by the DO totaled \$2,933,794 in FY 2005, and \$2,467,099 in FY 2004.

Note 2 — Significant Accounting Policies

Basis of Accounting

The OCC's financial statements have been prepared from its accounting records in conformity with generally accepted accounting principles (GAAP) in the United States of America. The financial statements consist of a balance sheet, and the statements of net cost, changes in net position, budgetary resources, financing, and custodial activity. These financial statements are presented on a comparative basis providing information for FYs 2005 and 2004.

The OCC collects CMPs due to the federal government that are assessed through court-enforced legal actions against a national bank and/or its officers. Outstanding CMPs at September 30, 2005, and 2004, amounted to \$1,514,789 and \$1,280,718, respectively.

The financial statements reflect both the accrual and budgetary bases of accounting. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to cash receipt or payment. The budgetary method recognizes the obligation of funds according to legal requirements, which, in many cases, is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is

essential for compliance with legal constraints and controls over the use of federal funds.

Fund Balance with Treasury

The OCC's cash receipts and disbursements are processed by the U.S. Treasury. Sufficient funds are maintained in a U.S. government trust revolving fund and are available to pay current liabilities. The OCC invests all the funds that are not immediately needed in U.S. government securities (Note 3).

Accounts Receivable

Accounts receivable represent monies owed to the OCC for services and goods provided. Accounts receivable from the public are reduced to their net realizable value by an Allowance for Doubtful Accounts. The OCC reserves an allowance equal to 100 percent of accounts with outstanding balances exceeding one year, and 50 percent of accounts with balances exceeding six months but less than one year. At September 30, 2005, and 2004, accounts receivable from the public amounted to \$294,552 less an allowance of \$23,996 and \$147,597 less an allowance of \$35,396, respectively.

Advances and Prepayments

Advances and prepayments to the public consist of rent and insurance paid. The amounts are recorded as prepaid expenses at the time of payment and are expensed when related goods and services are received.

Liabilities

Liabilities represent the amounts owing or accruing under contractual or other arrangements governing the transactions, including operating expenses incurred but not yet paid. Payments are made in a timely manner in accordance with the Prompt Payment Act. Interest penalties are paid when payments are late. Discounts are taken when cost effective, and the invoice is paid within the discount period. FY 2004 intragovernmental accounts payable are presented this year as other accrued liabilities.

Annual, Sick, and Other Leave

Annual leave is accrued and funded by the OCC as it is earned, and the accrual is reduced as leave is taken or paid. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. Sick leave and other types of leave are expended as taken.

Use of Estimates

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could affect the amounts reported and disclosed herein.

**Note 3 —
Investments and Related Interest**

Investments are U.S. Treasury securities stated at amortized cost and the related accrued interest. The OCC plans to hold these investments to maturity. Premiums and

discounts are amortized over the term of the investment using the straight-line method, which approximates the effective yield method. The fair market value of investment securities was \$603,096,812 at September 30, 2005, and \$484,401,551 at September 30, 2004.

Investments and Related Interest Receivable

	FY 2005	FY 2004
Par Value	\$ 600,379,000	\$ 478,652,000
Net Unamortized Discount/Premium	6,931,298	2,922,982
Net Unamortized Value	607,310,298	481,574,982
Interest Receivable	4,665,469	5,546,250
Total	\$ 611,975,767	\$ 487,121,232

FY 2005 Investment Portfolio

Maturity	Par Value	Coupon Rate
Overnight	\$ 218,379,000	3.460%
During 2006	29,000,000	5.750%
	25,000,000	6.875%
During 2007	30,000,000	3.500%
	30,000,000	4.375%
During 2008	30,000,000	3.000%
	30,000,000	2.625%
During 2009	21,000,000	3.375%
	21,000,000	3.875%
During 2010	35,000,000	3.500%
	35,000,000	5.750%
During 2011	64,000,000	5.000%
During 2012	32,000,000	4.875%
Total	\$ 600,379,000	

FY 2004 Investment Portfolio

Maturity	Par Value	Coupon Rate
Overnight	\$ 27,652,000	1.720%
T-Bill	20,000,000	1.770%
	120,000,000	1.590%
During 2005	55,000,000	5.875%
	40,000,000	6.500%
During 2006	29,000,000	5.750%
	25,000,000	6.875%
During 2007	30,000,000	3.500%
	30,000,000	4.375%
During 2008	30,000,000	3.000%
	30,000,000	2.625%
During 2009	21,000,000	3.375%
	21,000,000	3.875%
Total	\$ 478,652,000	

**Note 4 —
Property and Equipment, net**

Property and equipment purchased at a cost greater than or equal to the noted thresholds below with useful lives of five years or more are capitalized at cost and depreciated or amortized, as applicable. Leasehold improvements are amortized on a straight-line basis over the lesser of the terms of the related leases or their estimated useful lives. All other property and equipment are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The tables presented below summarize property and equipment balances as of September 30, 2005, and 2004.

Note 5 — Deferred Revenue

The OCC’s activities are primarily financed by assessments on assets held by national banks and the federal branches of foreign banks. These assessments are due January 31 and July 31 of each year based on asset balances as of call reports dated December 31 and June 30, respectively. Assessments are paid in advance and are recognized as earned revenue on a straight-line basis over the six months following the call date. The unearned portions are reduced accordingly.

FY 2005 Property and Equipment, net

Class of Assets	Capitalization Threshold/ Useful Life	Cost	Accumulated Depreciation	Net Book Value
Leasehold Improvements	\$50,000 5-20	\$ 26,429,648	\$ (19,271,689)	\$ 7,157,959
Equipment	\$50,000 5-10	15,075,850	(9,379,463)	5,696,387
Furniture and Fixtures	\$50,000 5-10	1,336,778	(971,877)	364,901
Internal Use Software	\$500,000 5-10	31,383,723	(14,199,259)	17,184,464
Internal Use Software-Dev	\$500,000 5-10	15,317,047	-	15,317,047
Leasehold Improvements-Dev	\$50,000 5-20	470,181	-	470,181
Total		\$ 90,013,227	\$ (43,822,288)	\$ 46,190,939

FY 2004 Property and Equipment, net

Class of Assets	Capitalization Threshold/ Useful Life	Cost	Accumulated Depreciation	Net Book Value
Leasehold Improvements	\$50,000 5-20	\$ 25,633,257	\$ (18,780,875)	\$ 6,852,382
Equipment	\$50,000 5-10	11,562,453	(7,265,324)	4,297,129
Furniture and Fixtures	\$50,000 5-10	1,336,778	(907,841)	428,937
Internal Use Software	\$500,000 5-10	30,489,430	(8,201,611)	22,287,819
Internal Use Software-Dev	\$500,000 5-10	5,145,251	-	5,145,251
Leasehold Improvements-Dev	\$50,000 5-20	1,136,473	-	1,136,473
Total		\$ 75,303,642	\$ (35,155,651)	\$ 40,147,991

Note 6 — Leases

The OCC leases office space for headquarters operations in Washington, D.C., and for district and field operations. The lease agreements expire at various dates. In FY 2005, the OCC

signed renewal options for its headquarters, Data Center and Central District leases. In addition, a new 10-year lease was executed for the Northeastern District. These leases are treated as operating leases.

FY 2005 Future Lease Payments

Year	Amount
2006	\$ 22,789,699
2007	24,954,737
2008	23,774,977
2009	22,589,732
2010	21,751,178
2011 and beyond	34,436,469
Total	\$ 150,296,792

FY 2004 Future Lease Payments

Year	Amount
2005	\$ 22,930,047
2006	15,332,707
2007	6,904,679
2008	6,532,164
2009	6,141,103
2010 and beyond	25,968,478
Total	\$ 83,809,178

Note 7 — Retirement Plans and Other Benefits

Retirement

OCC employees are eligible to participate in one of two retirement plans. Employees hired prior to January 1, 1984, are covered by the CSRS, unless they elected to join the FERS and Social Security during the election period. Employees hired after December 31, 1983, are automatically covered by FERS and Social Security. The distribution of the OCC's workforce by retirement plan is 70 percent FERS and 29 percent CSRS. The remaining 1 percent of employees qualify only for Social Security benefits. For employees covered by CSRS, the OCC contributes 7 percent of their adjusted base pay to the plan. OCC contributions to CSRS were \$6,219,879 in FY 2005 and \$6,582,430 in FY 2004. For employees covered by FERS, the OCC contributes 11.2 percent of their adjusted base pay. OCC contributions totaled \$17,001,247 in FY 2005, and \$15,129,774 in FY 2004.

Furthermore, the OPM contributed an additional \$22,933,863 toward these retirement plans during FY 2005, and \$22,533,740 in FY 2004. The OCC recognized these contributions as "Imputed costs absorbed by others" and an offset in equal amount to "Imputed financing from costs absorbed by others" as a result of not having to reimburse the OPM.

The OCC does not report in its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts, such as plan assets,

accumulated plan benefits, or unfunded liabilities, if any, are presently the responsibility of the OPM.

Other Benefits

OCC employees are eligible to participate in the Federal Thrift Savings Plan (TSP). For those employees under FERS, a TSP account is automatically established, and the OCC contributes a mandatory 1 percent of adjusted base pay to this account. In addition, the OCC matches employee contributions up to an additional 4 percent of pay, for a maximum OCC contribution amounting to 5 percent of adjusted base pay. Employees under CSRS may participate in the TSP, but do not receive the automatic (1 percent) and matching employer contributions. TSP contributions by the OCC totaled \$6,890,694 in FY 2005 and \$6,437,886 in FY 2004. The OCC also contributed a total of \$12,632,597 for Social Security and Medicare benefits for all eligible employees in FY 2005, and \$12,332,480 in FY 2004.

Employees can elect to contribute up to 10 percent of their adjusted base pay in the OCC 401(k) Plan, subject to Internal Revenue regulations. Prudential Financial Incorporated administers the plan. Currently, the OCC contributes a fixed 2 percent of the adjusted base pay to the plan for all qualified employees, regardless of whether they contribute to the Plan or not. In addition, the OCC matches the first 1 percent of an employee's contribution to the Plan, for a total agency contribution of 3 percent. Approximately 2,390 employees receive the maximum of 3 percent contribution and 370 employees benefit from the basic 2

percent contribution. In FY 2005, the OCC funded a one-time contribution of \$1,000 to be deposited in the 401(k) accounts of all permanent employees. The total cost of the OCC's contributions plus associated administration fees amounted to \$9,227,442 during FY 2005, and \$4,138,146 in FY 2004.

The OCC sponsors a life insurance benefit plan for current and retired employees. This plan is a defined benefit plan. Premium payments made during FY 2005 totaled \$289,348 and \$128,258 in FY 2004.

The weighted-average discount rate used in determining the accumulated post-retirement benefit obligation was 5.5 percent. Gains or losses due to changes in actuarial assumptions are amortized over the service life of the plan.

Employees and retirees of the OCC are eligible to participate in Federal Employees Health Benefits (FEHB) and Federal Employees Group Life Insurance (FEGLI) plans that involve a cost sharing of bi-weekly coverage premiums by employee and employer. Both of these employee benefit plans are administered by the OPM. Total OCC contributions for active employees who participate in the FEHB plans were \$14,567,345 for FY 2005, and \$13,589,369 for FY 2004. OCC contributions for active employees who participate in the FEGLI plan were \$213,267 for FY 2005, and \$201,697 for FY 2004.

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who

Accrued Post-Retirement Benefit Cost and Net Periodic Post-Retirement Benefit Cost

Components	FY 2005	FY 2004
Accumulated Post-Retirement Benefit Obligation	\$ (16,272,887)	\$ (12,613,233)
Unrecognized Transition Obligation	3,710,166	1,158,542
Unrecognized Net Gain	1,209,871	1,382,708
Total	\$ (11,352,850)	\$ (10,071,983)
Service Cost	\$ 509,425	\$ 468,500
Interest Cost	844,237	663,926
Amortization of Transition Obligation	172,837	172,837
Amortization of Unrecognized Loss	186,069	-
Total	\$ 1,712,568	\$ 1,305,263

have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the OCC's employees under FECA are administered by the U.S. Department of Labor (DOL) and later billed to the OCC. The OCC accrued \$5,260,569 of workers' compensation costs as of September 30, 2005, and \$6,001,044 as of September 30, 2004. This amount includes unbilled costs of \$280,603 in FY 2005 and \$436,140 in FY 2004 and an actuarial estimated liability of \$4,979,966 in FY 2005 and \$5,564,904 in FY 2004 based on calculations provided by the DOL at year-end.

Note 8 — Net Position

The OCC sets aside a portion of its Net Position as Contingency, Special, and Asset

Replacement Reserves to be used at the discretion of the Comptroller. In addition, funds are set aside to cover the cost of on-going operations.

The Contingency Reserve supports the OCC's ability to accomplish its mission in the case of foreseeable but rare events. Foreseeable but rare events are beyond the control of the OCC, such as a major change in the national banking system or a disaster, such as a fire, flood, or significant impairment of its information technology systems.

The Special Reserve supplements revenue from assessments and other sources that are made available to fund the OCC's annual budget. The Special Reserve reduces the effect on operations of unforecasted revenue shortfalls or unbudgeted and unanticipated requirements or opportunities.

Net Position Availability

Components	FY 2005	FY 2004
Contingency Reserve	\$ 280,828,551	\$ 219,473,390
Special Reserve	15,000,000	15,000,000
Asset Replacement Reserve	38,709,695	17,532,950
Earmarked for On-going Operations:		
Undelivered Orders	18,703,188	16,425,985
Consumption of Assets	55,488,907	45,401,954
Capital Investments	25,690,950	17,235,357
District Offices Restructuring	-	4,389,979
Net Position	\$ 434,421,291	\$ 335,459,615

The asset replacement reserve was established in FY 2004. It ensures the incremental funding of leasehold improvements and replacement of furniture and equipment scheduled for future years. A specific amount is accumulated each year based on the expected cost and useful life of the asset to ensure that adequate funds are available when the time comes for the leasehold improvement or asset replacement. The FY 2006 budget authorized the use of approximately \$10.3 million from the reserve balance to fund various capital projects and set a target level for reserve contribution of \$35.4 million by September 30, 2006.

Note 9 — Expenses by Budget Object Classification

The following table illustrates the OCC's costs by major budget object class for FYs 2005 and 2004.

Note 10 — Contingencies

The OCC is party to various administrative proceedings, legal actions, and claims. In the opinion of the management and the Chief Counsel, the probability is remote that the ultimate resolution of these matters, individually or in the aggregate, will have a material adverse effect on the OCC's financial position or the results of its operations.

Budget Object Class	FY 2005	FY 2004
Personnel Compensation	\$ 256,653,020	\$ 253,743,442
Personnel Benefits	85,542,831	72,166,389
Benefits to Former Employees	626,059	3,053,268
Travel and Transportation of Persons	31,160,567	27,366,170
Travel and Transportation of Things	1,446,824	1,893,377
Rent, Communication, and Utilities	33,530,892	32,130,835
Printing and Reproduction	859,851	914,616
Other Contractual Services	44,696,702	38,102,100
Supplies and Materials	3,382,594	3,365,474
Equipment	5,452,810	4,811,125
Land and Structures - Leasehold Improvements	3,521,380	2,872,330
Insurance Claims and Indemnities	75,601	152,545
Depreciation	11,203,799	8,869,905
Loss on Asset Disposal	628,038	236,725
Imputed Costs	22,933,863	22,533,740
Total	\$ 501,714,831	\$ 472,212,041