

Part 3. Financial Section

Principal Financial Statements

The principal financial statements included in Interior's FY 2004 Annual Report on Performance and Accountability have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's (OMB) Bulletin No. 01-09, "Form and Content of Agency Financial Statements." These statements include the following:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Consolidated Statement of Financing
- Consolidated Statement of Custodial Activity

The responsibility for the integrity of the financial information included in these statements rests with management of the Department of the Interior. The audit of Interior's principal financial statements was performed by an independent certified public accounting firm, selected by the Department's Office of Inspector General. The auditors' report issued by the independent certified public accounting firm is included in Part 4 of this report.

Consolidated Balance Sheet
as of September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 30,866,144	\$ 28,698,208
Investments, Net (Note 4)	6,187,329	5,609,992
Accounts and Interest Receivable, Net (Note 5)	348,034	387,169
Other		
Advances and Prepayments	1,211	3,624
Total Intragovernmental Assets	37,402,718	34,698,993
Cash (Note 3)	1,081	1,094
Investments, Net (Note 4)	191,844	182,637
Accounts and Interest Receivable, Net (Note 5)	1,347,641	1,226,984
Loans and Interest Receivable, Net (Note 6)	227,514	233,656
Inventory and Related Property, Net (Note 7)	324,319	338,714
General Property, Plant, and Equipment, Net (Note 8)	17,154,211	16,955,915
Other		
Advances and Prepayments	126,579	126,866
Other Assets, Net (Note 9)	170,371	201,544
Stewardship Assets (Note 1.1)		
TOTAL ASSETS (Note 10)	\$ 56,946,278	\$ 53,966,403
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	\$ 76,826	\$ 67,838
Debt (Note 11)	1,304,879	1,364,452
Other		
Accrued Payroll and Benefits	171,092	185,437
Advances and Deferred Revenue (Note 12)	1,754,256	1,236,739
Deferred Credits	2,745	19,326
Custodial Liability	671,478	763,387
Aquatic Resource Amounts Due to Others	420,896	389,762
Judgment Fund	178,878	179,725
Other Liabilities	157,889	143,961
Total Intragovernmental Liabilities	4,738,939	4,350,627
Accounts Payable	1,024,845	965,509
Loan Guarantee Liability (Note 6)	60,081	52,185
United States Park Police Pension Actuarial Liability (Note 27)	604,640	-
Federal Employees Compensation Act Liability (Note 13)	664,855	712,250
Environmental Cleanup Costs (Note 14)	101,808	116,086
Other		
Accrued Payroll and Benefits	535,277	434,225
Advances and Deferred Revenue (Note 12)	125,024	137,497
Deferred Credits	690,785	498,545
Contingent Liabilities (Note 14)	781,453	776,546
Other Liabilities (Note 15)	644,014	410,068
TOTAL LIABILITIES (Note 15)	9,971,721	8,453,538
Commitments and Contingencies (Notes 14, 16, and 28)		
Net Position		
Unexpended Appropriations	4,080,359	3,929,302
Cumulative Results of Operations	42,894,198	41,583,563
Total Net Position	46,974,557	45,512,865
TOTAL LIABILITIES AND NET POSITION	\$ 56,946,278	\$ 53,966,403

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

Consolidated Statement of Net Cost
for the years ended September 30, 2004 and 2003
(dollars in thousands)

	Resource Protection		Resource Use		Recreation		Serving Communities		Reimbursable Activity and Other		FY 2004
Cost - Services Provided to the Public		\$ 2,941,070		3,384,911		2,138,937		6,398,034		381,059	\$ 15,244,011
Revenue Earned from the Public		511,134		941,325		238,306		407,603		109,317	2,207,685
Net Cost of Services to the Public		\$ 2,429,936		2,443,586		1,900,631		5,990,431		271,742	\$ 13,036,326
Cost - Services Provided to Federal Agencies		105,593		145,001		21,535		383,874		1,893,020	2,549,023
Revenue Earned from Federal Agencies		100,128		140,931		20,647		366,267		1,898,327	2,526,300
Net Cost (Revenue) of Services Provided to Federal Agencies		\$ 5,465		\$ 4,070		\$ 888		\$ 17,607		\$ (5,307)	\$ 22,723
Net Cost of Operations (Notes 17 & 18)		\$ 2,435,401		\$ 2,447,656		\$ 1,901,519		\$ 6,008,038		\$ 266,435	\$ 13,059,049

	Protect the Environment and Preserve Our Nation's Natural & Cultural Resources		Manage Natural Resources for a Healthy Environment and Provide Recreation for America		Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities		Reimbursable Activity and Other		Costs Not Associated with Programs		FY 2003
Cost - Services Provided to the Public		\$ 4,306,918		2,113,487		1,264,688		2,420,119		216,330	\$ 13,953,782
Revenue Earned from the Public		462,597		171,275		166,654		117,692		38,273	1,818,775
Net Cost of Services to the Public		\$ 3,844,321		\$ 1,942,212		\$ 1,098,034		\$ 2,302,427		\$ 178,057	\$ 12,135,007
Cost - Services Provided to Federal Agencies		118,870		31,197		186,508		204,025		1,394,950	2,066,493
Revenue Earned from Federal Agencies		114,846		29,723		176,478		201,491		1,392,827	2,043,206
Net Cost (Revenue) of Services Provided to Federal Agencies		\$ 4,024		\$ 1,474		\$ 10,030		\$ 2,534		\$ 2,123	\$ 23,287
Costs Not Associated with Programs		-		-		-		-		-	81,100
Net Cost of Operations (Notes 17 & 18)		\$ 3,848,345		\$ 1,943,686		\$ 1,108,064		\$ 2,304,961		\$ 180,180	\$ 12,239,394

Consolidated Statement of Changes in Net Position
for the years ended September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
UNEXPENDED APPROPRIATIONS		
Beginning Balances, as adjusted	\$ 3,929,302	\$ 3,846,318
Budgetary Financing Sources		
Appropriations Received, General Funds	10,061,570	9,610,818
Appropriations Transferred In/Out	89,861	81,820
Appropriations-Used	(9,871,434)	(9,519,709)
Other Adjustments	(128,940)	(89,945)
Total Budgetary Financing Sources	151,057	82,984
Ending Balance - Unexpended Appropriations	\$ 4,080,359	\$ 3,929,302
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances, as adjusted	\$ 41,583,563	\$ 39,908,117
Cumulative Effect of Change in Accounting (Note 20)	(649,300)	-
Beginning Balances, as adjusted	40,934,263	39,908,117
Budgetary Financing Sources		
Appropriations-Used	9,871,434	9,519,709
Royalties Retained (Note 21)	3,491,208	2,582,663
Transfers In/Out without Reimbursement	(40,424)	127,338
Non-Exchange Revenue		
Tax Revenue	717,364	659,217
Abandoned Mine Fees	286,160	282,411
Donations and Forfeitures of Cash and Cash Equivalents	29,710	39,833
Other Non-Exchange Revenue	153,466	130,544
Other Budgetary Financing Sources and Adjustments	2,422	13,361
Other Financing Sources		
Imputed Financing From Costs Absorbed by Others (Note 19)	519,171	570,544
Transfers In/Out without Reimbursement	(27,222)	(57,643)
Donations and Forfeitures of Property	15,695	46,863
Total Financing Sources	15,018,984	13,914,840
Net Cost of Operations	(13,059,049)	(12,239,394)
Ending Balance - Cumulative Results of Operations	\$ 42,894,198	\$ 41,583,563

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

Combined Statement of Budgetary Resources
for the years ended September 30, 2004 and 2003
(dollars in thousands)

	FY 2004		FY 2003	
	Total Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts	Total Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:				
Budget Authority:				
Appropriations Received	\$ 14,712,390	\$ -	\$ 14,003,754	\$ -
Borrowing Authority	-	8,625	-	18,906
Net Transfers, Current Year Authority	(139,167)	-	(70,350)	-
Unobligated Balance:				
Beginning of Fiscal Year	4,905,271	67,678	4,478,411	55,779
Net Transfers, Unobligated Balance, Actual	25,980	-	(29,833)	-
Spending Authority From Offsetting Collections:				
Earned				
Collected	4,722,696	26,240	4,784,999	8,322
Receivable From Federal Sources	(4,537)	-	(146,516)	(475)
Change in Unfilled Customer Orders				
Advance Received	547,677	-	517,626	-
Without Advance From Federal Sources	28,869	-	(159,721)	-
Subtotal: Spending Authority From Offsetting Collections	5,294,705	26,240	4,996,388	7,847
Recoveries of Prior Year Obligations	393,579	26	304,691	137
Temporarily Not Available Pursuant to Public Law	(2,249)	-	-	-
Permanently Not Available	(177,829)	(6,189)	(207,623)	2,487
Total Budgetary Resources (Note 23)	\$ 25,012,680	\$ 96,380	\$ 23,475,438	\$ 85,156
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	\$ 14,667,176	\$ 19,544	\$ 14,035,601	\$ 17,478
Reimbursable	5,136,048	-	4,534,566	-
Total Obligations Incurred (Note 23)	19,803,224	19,544	18,570,167	17,478
Unobligated Balance: (Note 23)				
Apportioned	5,072,733	76,836	4,738,941	66,160
Exempt From Apportionment	39,444	-	41,349	-
Unobligated Balance not Available (Note 23)	97,279	-	124,981	1,518
Total Status of Budgetary Resources	\$ 25,012,680	\$ 96,380	\$ 23,475,438	\$ 85,156
Relationship of Obligations to Outlays:				
Obligations Incurred	\$ 19,803,224	\$ 19,544	\$ 18,570,167	\$ 17,478
Obligated Balance, Net, Beginning of Fiscal Year	5,740,974	8,063	4,953,205	11,601
Obligated Balance, Net, End of Fiscal Year:				
Accounts Receivable	326,657	-	331,195	-
Unfilled Customer Orders From Federal Sources	552,221	-	523,353	-
Undelivered Orders	(6,288,774)	(3,952)	(5,345,138)	(8,063)
Accounts Payable	(1,359,920)	(3,823)	(1,250,384)	-
Total Obligated Balance, Net, End of Fiscal Year	(6,769,816)	(7,775)	(5,740,974)	(8,063)
Less: Spending Authority Adjustments	(417,910)	(26)	1,546	338
Outlays:				
Disbursements	18,356,472	19,806	17,783,944	21,354
Collections	(5,270,374)	(26,240)	(5,302,624)	(8,322)
Subtotal	13,086,098	(6,434)	12,481,320	13,032
Less: Offsetting Receipts	(4,269,067)	-	(3,661,729)	-
Net Outlays	\$ 8,817,031	\$ (6,434)	\$ 8,819,591	\$ 13,032

Consolidated Statement of Financing
for the years ended September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 19,822,768	\$ 18,587,645
Less: Spending Authority From Offsetting Collections/Recoveries	(5,714,550)	(5,309,063)
Obligations Net of Offsetting Collections and Recoveries	14,108,218	13,278,582
Less: Offsetting Receipts	(4,269,067)	(3,661,729)
Net Obligations	9,839,151	9,616,853
Other Resources:		
Donations and Forfeitures of Property	15,695	46,863
Transfers In/Out Without Reimbursement	(27,222)	(57,643)
Imputed Financing From Costs Absorbed by Others	519,171	570,544
Net Other Resources Used to Finance Activities	507,644	559,764
Total Resources Used to Finance Activities	10,346,795	10,176,617
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		
	(391,696)	(47,223)
Resources That Fund Expenses Recognized in Prior Periods	131,102	(264,012)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowances for Subsidy		
	17,193	15,408
Offsetting Receipts Not Part of the Net Cost of Operations	2,832,565	2,547,888
Resources That Finance the Acquisition of Assets	(819,203)	(870,147)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	37,256	(20,454)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	1,807,217	1,361,460
Total Resources Used to Finance the Net Cost of Operations	12,154,012	11,538,077
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase (Decrease) in Annual Leave Liability	17,922	12,013
Increase (Decrease) in Environmental and Disposal Liability	(15,777)	(102,365)
Upward/Downward Reestimates in Credit Subsidy Expense	(335)	1,510
Increase (Decrease) in Exchange Revenue Receivable From the Public	(1,166)	(10,978)
Other	53,487	(115,399)
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	54,131	(215,219)
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	460,946	455,939
Revaluation of Assets or Liabilities	44,791	81,100
Components of Net Cost of Operations Related to Transfer Accounts Where Budget Amounts are Reported by Other Federal Entities (Note 24)		
	358,936	367,938
Other	(13,767)	11,559
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	850,906	916,536
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	905,037	701,317
Net Cost of Operations	\$ 13,059,049	\$ 12,239,394

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

Consolidated Statement of Custodial Activity
for the years ended September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	\$ 7,498,235	\$ 6,716,830
Offshore Lease Sales	560,225	485,841
Strategic Petroleum Reserve (Note 22)	1,191,284	1,044,350
Total Revenue	\$ 9,249,744	\$ 8,247,021
Disposition of Revenue		
Distribution to Department of the Interior		
National Park Service Conservation Funds	\$ 1,049,000	\$ 1,049,000
Bureau of Reclamation	924,486	753,374
Minerals Management Service	1,300,525	1,070,294
Bureau of Land Management	16,216	72,843
Fish and Wildlife Service	737	2,909
Distribution to Other Federal Agencies		
Department of the Treasury	4,375,632	4,208,092
Department of Agriculture	25,232	22,920
Department of Energy (Note 22)	1,191,284	1,044,350
Distribution to Indian Tribes and Agencies	93,892	79,544
Distribution to States and Others	75,777	65,488
Change in Untransferred Revenue	196,963	(121,793)
Total Disposition of Revenue	\$ 9,249,744	\$ 8,247,021

U.S. Department of the Interior Notes to Principal Financial Statements As of September 30, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department of the Interior is a cabinet-level agency of the Executive branch of the Federal Government. Created in 1849 by Congress as the Nation's principal conservation agency, the Interior has responsibility for most of the Nation's publicly owned lands and natural resources. Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives and affiliated island communities.

The accompanying financial statements include all Federal funds under Interior's control or which are a component of the reporting entity, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), Custodial Funds, and the Aquatic Resources Trust Fund. The financial statements, however, do not include non-federal trust funds, trust related deposit funds, or other related accounts that are administered, accounted for, and maintained by Interior's Office of the Special Trustee for American Indians on behalf of Native American Tribes and individuals. Interior prepares financial statements for these Tribal and Other Trust Funds and Individual Indian Monies under separate cover. A summary of the trust fund balances and changes in trust fund balances managed on behalf of Indian Tribes and individuals is included in Note 25. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the Federal government as a whole, such as public borrowing or certain tax revenue, which may in part be attributable to the Interior.

B. Organization and Structure of Interior

Interior is composed of the following nine operating bureaus and Departmental Offices (bureaus):

- National Park Service (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- Fish and Wildlife Service (includes the Aquatic Resources Trust Fund)
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service (includes the Environmental Improvement and Restoration Fund)
- U.S. Geological Survey
- Bureau of Indian Affairs
- Departmental Offices

An overview of the operating performance of Interior and its components is presented in the Management's Discussion and Analysis portion of this report. In addition, more detailed information about the bureaus may be found in the individual financial reports prepared by each bureau.

The U.S. Bureau of Mines (USBM) was closed in 1996. Although it no longer exists, certain transactions and data related to USBM programs and activities are reflected in the Interior's FY 2004 and FY 2003 financial statements and notes.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, custodial activities, changes in net position, budgetary resources, and reconciliation of net cost to budgetary obligations of the Interior as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of the Interior in accordance with generally accepted accounting principles (GAAP), OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal government. These financial statements present proprietary and budgetary information. Interior, pursuant to OMB directives, prepares additional financial reports that are used to monitor and control Interior's use of budgetary resources.

OMB financial statement reporting guidelines require the presentation of comparative financial statements for all of the principal financial statements. Interior has presented comparative FY 2004 financial statements for the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, Consolidated Statement of Financing, and the Statement of Custodial Activity. Certain prior year amounts have been reclassified to conform to current year presentation.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

D. Fund Balance with Treasury and Cash

Interior maintains all cash accounts with the Department of the Treasury (Treasury) except for imprest fund accounts. The account, Fund Balance with Treasury, includes several types of funds available to pay current liabilities and finance authorized purchases as well as funds restricted until future appropriations are received. The types of funds are: (1) general funds are funds not earmarked by law for a specific purpose; (2) special funds are funds earmarked for specific purposes; (3) revolving funds are funds that conduct continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations; (4) trust funds are funds that are designated by law as a trust fund where the receipt accounts collect earmarked receipts for specific purposes and the associated trust fund expenditure accounts track spending of the receipts; and (5) other funds include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others.

Treasury processes cash receipts and disbursements and Interior's records are reconciled with those of Treasury on a regular basis.

Cash consists primarily of Federal funds held by private banks and investing firms for the Office of Trust Funds Management.

E. Investments, Net

Interior invests funds in Federal government and public securities on behalf of various Interior programs and for amounts held in certain escrow accounts.

The Federal government securities include marketable Treasury securities and non-marketable par value or non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Par value securities are special issue bonds or certificates of indebtedness that bear interest determined by legislation or Treasury. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

Public securities include, but are not limited to, marketable securities issued by government-sponsored entities and consist mainly of various mortgage instruments, bond, and bank notes. Mortgage instruments are with the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation, the Private Export Funding Corporation, the Federal Farm Credit Banks Consolidated System, the Federal Agricultural Mortgage Corporation, and the Government National Real Estate Mortgage Investment Conduit. Bonds and bank notes are with the Federal Home Loan Bank and the Federal Judiciary.

It is expected that Investments will be held until maturity; therefore, they are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method of amortization for short-term securities (i.e., bills) and the interest method for longer-term securities (i.e., notes). Interest on investments is accrued as it is earned.

The market value is estimated as the sales price of the security multiplied by the bid price at year end.

F. Accounts and Interest Receivable, Net

Accounts and interest receivable consists of amounts owed to Interior by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances.

G. Loans and Interest Receivable, Net

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated after the effective date of the Credit Reform Act, October 1, 1990, the amount of the Federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. The allowance for subsidy cost is reestimated annually, on September 30.

For loans obligated prior to October 1, 1990, principal, interest, and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances, and other direct knowledge relating to specific loans.

H. Inventory and Related Property

Interior's inventory and related property is primarily composed of published maps, gas and storage rights, airplane parts and fuel, operating supplies for the Working Capital Fund, and recoverable below-ground crude helium. These inventories were categorized based on Interior's major activities and services Interior provides to the Federal government and the public. There are no restrictions on these inventories.

The USGS maintains maps and map products that are located at several Earth Science Information Centers across the United States. This inventory is valued at historical cost using a weighted average cost variation method, less an allowance, which is based on inventory turnover and current stock levels.

The BLM maintains a helium stockpile inventory which is stored in a partially depleted natural gas reservoir. The inventory is valued at cost and the volume of helium is accounted for on a perpetual basis. Annually, the volume is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The values shown for stockpile helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at historical cost. A depletion allowance is computed annually to record gas consumed in the processing of helium for sale.

Under the Helium Privatization Act of 1996, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence when the Helium Privatization Act was enacted. Interior also has the authority to sell crude stockpile helium until January 1, 2015, at which time the helium reserves will be sold.

Aircraft fuel and parts are held in inventory to be consumed or sold in future operations and are valued at historical cost, based on the moving average cost method. The value of this inventory is adjusted based on the results of periodic physical inventories.

The Interior's Working Capital Fund maintains an inventory of operating materials that will be consumed during future operations and is stated at historical cost using the weighted average cost method. These operating materials are maintained for sign construction, employee uniforms, and the Interior's standard forms functions.

I. General Property, Plant, and Equipment, Net

General Purpose Property, Plant, and Equipment. General purpose property, plant, and equipment consists of buildings, structures, and facilities used for general operations, power, irrigation, fish protection, wildlife enhancement, and recreation; land and land improvements acquired for general operating purposes; equipment, vehicles, and aircraft; construction in progress; capital leases; leasehold improvements; and internal use software.

All general purpose property, plant, and equipment are capitalized at acquisition cost and depreciated using the straight-line amortization method over the assigned useful lives of the property. Buildings, structures, and facilities are depreciated over a useful life of from 20 to 50 years with the exception of dams and certain related property which are depreciated over useful lives of up to 100 years. Equipment, vehicles, and aircraft are depreciated over useful lives generally ranging from 5 to 20 years. Capital leases and leasehold improvements are amortized over the life of the lease. For land, buildings, structures, land improvements, leasehold improvements, and facilities purchased prior to October 1, 2003, capitalization thresholds were established by the individual bureaus and generally ranged from \$50,000 to \$500,000. For these same items purchased subsequent to September 30, 2003, Interior has established a capitalization threshold of \$100,000 with the exception of dams and certain related property, which are fully capitalized. For equipment, vehicles and aircraft, and capital leases, Interior has established a capitalization threshold of \$15,000. There are no restrictions on the use or convertibility of the Interior's general purpose property, plant, and equipment.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard (SFFAS) No. 6, Interior recorded certain general property, plant, and equipment acquired on or before September 30, 1996, at its estimated net book value (i.e. gross cost less accumulated depreciation) or its estimated gross cost. Interior estimated these costs and net book values based on available historic supporting

documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition.

Construction in Progress. Construction in Progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of construction in progress when the project is substantially completed.

Internal Use Software. Internal use software includes purchased commercial off-the-shelf software (COTS), contractor-developed software, and software that was internally developed by agency employees. Internal use software is capitalized at cost if the acquisition cost is \$100,000 or more. For COTS software, the capitalized costs include the amount paid to the vendor for the software; for contractor-developed software it includes the amount paid to a contractor to design, program, install, and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. The estimated useful life is 2 to 5 years for calculating amortization of software using the straight-line method.

Stewardship Assets. Stewardship assets consists of public domain land and heritage assets such as national monuments and historic sites that have been entrusted to Interior to be maintained in perpetuity for the benefit of current and future generations.

The majority of public lands, presently under the management of Interior, were acquired by the Federal government during the first century of the Nation's existence and are considered stewardship land. A portion of these lands has been reserved as national parks, wildlife refuges, and wilderness areas, while the remainder is managed for multiple uses.

Interior is also responsible for maintaining a variety of cultural and natural heritage assets, which include national monuments, historic structures, archeological artifacts, and library and museum collections.

The stewardship land and heritage assets managed by Interior are considered priceless and irreplaceable. Because of this, Interior assigns no financial value to them and the property, plant, and equipment capitalized and reported on the Balance Sheet excludes these assets. This is in accordance with Federal accounting standards.

The Required Supplementary Stewardship Information (RSSI) section of this report provides additional information concerning stewardship land and heritage assets.

J. Advances and Prepayment

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

K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by Interior as the result of a transaction or event that has already occurred. No liability can be paid by Interior absent an appropriation of funds by the U.S. Congress, and the payment of all liabilities other than for contracts can be abrogated by Interior. Liabilities for which an appropriation has not been enacted are, therefore, disclosed as liabilities not covered by budgetary resources, or unfunded liabilities. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. There is no legal certainty that the appropriations will be enacted.

Interior estimates certain accounts payable balances based on past history of payments in current periods that relate to prior periods or on a current assessment of services/products received but not paid.

Environmental Cleanup Costs and Contingent Liabilities. Interior has responsibility to remediate its sites with environmental contamination, and it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal government. Interior has accrued environmental liabilities where losses are determined to be probable and the amounts can be estimated. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is “probable” when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination.

When Interior is not legally liable, but chooses to accept financial responsibility, it is considered “Government-acknowledged.” Government-acknowledged events are events that are of financial consequence to the Federal government because it chooses to respond to the event. When Interior accepts financial responsibility for cleanup, has an appropriation for the cleanup, and has begun incurring cleanup costs, then any unpaid amounts for work performed are reported as accounts payable.

Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. Interior discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior for departmental operations.

Changes in cleanup cost estimates are developed in accordance with Departmental policy, which addresses systematic processes for cost estimating and places added emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based on progress made in and revision of the cleanup plans, assuming current technology, laws, and regulations.

L. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a Federal agency unless and until funds have been made available by congressional appropriation. Thus, the existence of all financing sources is dependent upon congressional appropriation.

Appropriations. Congress appropriates the majority of Interior’s operating funds from the general receipts of the Treasury. These funds are made available to Interior for a specified time period (one or more fiscal years) or until expended. For example, funds for general operations are generally made available for one fiscal year; funds for long-term projects such as major construction are generally available to Interior until expended; and funds used to establish revolving fund operations are generally available indefinitely (i.e., no year funds). The greater majority of operating funds for Interior are available for either multiple years or until expended. Appropriations are reflected as a financing source entitled “Appropriations Used” on the Consolidated Statement of Changes in Net Position once goods and services have been received. The Combined Statement of Budgetary Resources presents information about the resources appropriated to Interior.

Exchange and Non-Exchange Revenue. Interior classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park entrance fees; map sales; reimbursements for services performed for other Federal agencies and the public; reimbursements for the cost of constructing and maintaining irrigation and water facilities; and other sales of goods and services. These revenues are presented on Interior’s

Consolidated Statement of Net Cost and serve to reduce the reported cost of operations borne by the taxpayer. Interior does not anticipate any losses to occur. Non-exchange revenues result from donations to the government and from the government's sovereign right to demand payment, including taxes, fines for violation of environmental laws and Abandoned Mine Land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of the Interior's operations and are reported on the Consolidated Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by Federal agencies are processed through the Treasury central accounting system. Regardless of whether they derive from exchange or non-exchange transactions, all receipts that are not earmarked by congressional appropriation for immediate departmental use are deposited in the general or special funds of the Treasury. Amounts not retained for use by Interior are reported as transfers to other government agencies on Interior's Consolidated Statement of Changes in Net Position.

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. In certain cases, the prices charged by Interior are set by law or regulation, which for program and other reasons may not represent full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended to recover the full costs (cost plus administrative fees) incurred by these activities.

Interior transfers a portion of royalty collections from the custodial fund to the operating funds for distribution to certain States. In accordance with SFFAS No. 7, Interior reports these State amounts as "Royalties Retained" on the Consolidated Statement of Changes in Net Position rather than on the Consolidated Statement of Net Cost, because MMS incurred minimal costs in earning this revenue.

Custodial Revenue. Interior's Minerals Revenue Management (MRM), administered by the MMS, collects royalties, rents, bonuses, and other receipts for Federal and Indian oil, gas, and mineral leases, and distributes the proceeds to the Treasury, other Federal agencies, and States, in accordance with legislated allocation formulas. MMS is authorized to retain a portion of the rental income collected as part of the custodial activity provided by the MRM Program to fund operating costs. BLM collects and remits to MMS first year bonuses and rents for on-shore mineral leases. Interior records custodial revenue based on accounts reported by producers. Custodial revenue is reported when the Government has a legal claim to the revenue. The royalty accrual represents royalties on September oil and gas lease activity that Interior receives in October and November. The royalty accrual is estimated based on an analysis of the last 12 months of royalty activity and recent events. Interior does not record a liability for potential overpayments and refunds until requested by the payor or until Interior completes a compliance audit and determines the refundable amount. This is in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (P.L. 97-451, 96 Stat. 2447, 30 U.S.C. 1701).

Royalty-in-Kind (RIK). Interior, under the provisions of the Mineral Lands Leasing Act of 1920 and the Outer Continental Shelf Lands Act (OCSLA) of 1953, may take part or all of its oil and gas royalties in-kind (a volume of the commodity) as opposed to in value (cash). Interior may either transfer the volume of oil or gas commodity taken in-kind to Federal agencies for internal use or sell the commodity on the open market at fair market value and transfer the cash received. Interior reflects royalty-in-kind as mineral lease revenue on the Statement of Custodial Activity.

Interior assists the Administration's initiative to fill the Strategic Petroleum Reserve. Interior transfers to the Department of Energy (DOE) royalty oil received-in-kind from Federal leases in the Gulf of Mexico. Interior determines the value of the commodity transferred using the fair market value on the date of transfer. Interior reports these transfers as mineral lease revenue and transfers to the DOE on the Statement of Custodial Activity.

Aquatic Resources Trust Fund. Interior presents the Aquatic Resources Trust Fund (ARTF) in its financial statements in accordance with the requirements of Statement of Federal Financial Concepts No.2, “Entity and Display.” The source of funding for the ARTF includes excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are used to make grants available to States for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefit from sport fish resources. The ARTF also provides funding for boating safety programs conducted by the U.S. Coast Guard and coastal wetlands initiatives conducted by the U.S. Army Corps of Engineers. The Appropriations Act of 1951 authorized amounts equal to revenues credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended.

Reclamation Fund. The Reclamation Fund is a restricted, unavailable receipt fund into which a substantial portion of Reclamation’s revenues (mostly repayment of capital investment costs, associated interest and operating and maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmission) are deposited. No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into Reclamation’s appropriated expenditure funds or other Federal agencies pursuant to specific appropriation acts authorized by the U.S. Congress.

The funds transferred from the Reclamation Fund to the other Federal agencies are primarily for the purpose of funding operating and maintenance and capital investment activities at Western Area Power Administration (Western), a component entity of the DOE. Western recovers the capital investments, associated interest, and operating and maintenance costs through future power rates, and subsequently deposits amounts recovered into the Reclamation Fund.

These transfers, and subsequent recoveries, are recorded in the Reclamation Fund, as transfers in/out without reimbursement on the Consolidated Statement of Changes in Net Position in accordance with SFFAS No. 7 Accounting for Revenue and Other Financing Sources and using current Treasury Standard General Ledger guidance. Transfers to Reclamation and other Federal agencies are recorded at the time appropriations are made. Cost recoveries are recorded in the Reclamation Fund as transfers in upon receipt.

During FY 2004, the Accounting and Auditing Policy Committee (AAPC) published an exposure draft for a new Federal financial accounting and auditing technical release, entitled, “Recognition of the Transfer of Funds Between Interior’s Reclamation Fund and Energy’s Western Area Power Administration: In Accordance with SFFAS 1, Accounting for Selected Assets and Liabilities and SFFAS 5, Accounting for Liabilities of the Federal Government.” Interior has not completed its analysis of the impact of the technical release on projects other than those funded by the Reclamation Fund as of the date of this report. If the proposed technical release is passed as proposed, the Interior will need to record a receivable when funds are transferred out of the Reclamation Fund and reduce the receivable when funds are transferred back into the Reclamation Fund. Resolution of the exposure draft is not expected to occur until late FY 2005.

Imputed Financing Sources. In certain instances, operating costs of Interior are paid out of funds appropriated to other Federal agencies. For example, the Office of Personnel Management (OPM), by law, pays certain costs of retirement programs, and certain legal judgments against Interior are paid from the Judgment Fund maintained by Treasury. When costs that are identifiable to Interior and directly attributable to Interior’s operations are paid for by other agencies, Interior recognizes these amounts as operating expenses. In addition, Interior recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position to indicate the funding of Interior operations by other Federal agencies.

Deferred Revenue. Unearned revenue is recorded as deferred revenue until earned.

M. Personnel Compensation and Benefits

Annual and Sick Leave Program. Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave since from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees rather than from amounts that were appropriated to Interior as of the date of the financial statements. The amount accrued is based upon current pay rates of the employees. Sick leave and other types of leave are expensed when used and no future liability is recognized for these amounts, as employees do not vest in these benefits.

Federal Employees Workers' Compensation Program. The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from Interior for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by Interior. Interior reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a 2 to 3 year lag between payment by DOL and reimbursement by Interior. As a result, Interior recognizes a liability for the actual claims paid by DOL and to be reimbursed by Interior.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year.

DOL also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

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

Retirement Programs. Interior employees participate in one of three retirement programs: (1) the Civil Service Retirement System (CSRS); (2) the Federal Employees Retirement System (FERS), which became effective on January 1, 1987; or (3) the United States Park Police (USPP) Pension Plan. Most Interior 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. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, Interior contributes an amount equal to one percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute 14 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of 9 percent of their gross earnings and receive no matching contribution from Interior.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including Interior employees. Interior has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by Interior and covered CSRS employees.

Police Officers hired on or before December 31, 1983, by the NPS participate in the USPP Pension Plan, which is administered by the District of Columbia. Each in-service member contributes 7 percent of their gross earnings. The normal retirement benefit is 2.5 percent for each year of service up to 20 with an additional 3 percent for each year beyond 20, but no more than an aggregate of 80 percent. Retirement is permitted after 20 years of service but mandatory by the age of 60. Annual benefits paid from the USPP Pension Plan are funded on a pay-as-you-go basis through a permanent indefinite appropriation from the Treasury's General Fund.

Interior reports the USPP pension liability and associated expense in accordance with OMB guidance. An actuary estimates Interior's future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations.

The actuarial liabilities are measured as of the first day of the year, with a "roll-forward" or projection to the end of the year, in accordance with SFAS Interpretation No. 3, Measurement Date for Pension and Retirement Health Care Liabilities. The "roll-forward" considers all major factors that affect the measurement that occurred during the reporting year, including any raises, cost of living allowances, and material changes in the number of participants.

N. Federal Government Transactions

Interior's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefit programs. The financial statements of Interior do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire government. However, expenses have been recognized as expenses incurred by other agencies on behalf of Interior, including settlement of claims and litigation paid by Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

Transactions and balances among the Interior's entities have been eliminated from the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, and the Consolidated Statement of Changes in Net Position. As provided for by OMB Bulletin No. 01-09, the Combined Statement of Budgetary Resources is presented on a combined basis, therefore, intra-departmental transactions and balances have not been eliminated from this statement. In accordance with OMB Bulletin No. 01-09, intra-departmental transactions and balances

have been eliminated from all the amounts on the Consolidated Statement of Financing, except for obligations incurred and spending authority from offsetting collections and adjustments, which are presented on a combined basis. Intra-departmental transactions have been eliminated within the Consolidated Statement of Custodial Activity. In order to present all custodial activity, the distributions to the Department's entities have not been eliminated on the Consolidated Statement of Custodial Activity and the Statement of Changes in Net Position. The distributions, however, are reported separately on the Consolidated Statement of Custodial Activity.

O. Income Taxes

As an agency of the Federal government, Interior is generally exempt from all income taxes imposed by any governing body, whether it be a Federal, State, commonwealth, local, or foreign government.

P. Estimates

Interior has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare these financial statements. Actual results could differ from these estimates.

NOTE 2. FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all Federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of Interior to draw down funds from Treasury for expenses and liabilities.

Fund Balance with Treasury by fund type as of September 30, 2004 and 2003 consists of the following:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
General Funds	\$ 5,033,062	\$ 4,680,540
Special Funds	22,524,320	21,402,983
Revolving Funds	2,686,055	2,064,659
Trust Funds	199,996	155,973
Other Fund Types	422,711	394,053
Total Fund Balance with Treasury by Fund Type	\$ 30,866,144	\$ 28,698,208

Interior's fund types and purpose are described below:

General funds. These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations, as well as receipt accounts.

Special funds. These accounts are credited with receipts from special sources that are earmarked by law for a specific purpose. When collected, these receipts are available immediately for expenditure for special programs, such as providing housing for employees on field assignments; Land and Water Conservation and Historic Preservation Fund activities; sales of public lands, timber, mineral leases; cleanup associated with the Exxon Valdez oil spill; and operating science and cooperative programs.

Revolving funds. These funds account for cash flows to and from the government resulting from operations of the helium operations, Interior franchise fund, and other bureau working capital funds. The revolving funds are restricted to the purposes set forth in the legislation that established the funds and related investment plans, and do not fund normal operating expenses of the bureau.

Trust funds. These funds are used for the acceptance and administration of funds contributed from public and private sources and programs and in cooperation with other Federal and State agencies or private donors, and

other activities such as maintaining the Boyhood Home of Abraham Lincoln; trust fund construction; highway maintenance and construction; and managing the Land and Resource Management trust fund, the Alaska Townsite Trustee fund, and the Aquatic Resources Trust Fund.

Other Fund Types. These include miscellaneous receipt accounts, transfer accounts, performance bonds, deposit and clearing accounts maintained to account for receipts, and disbursements awaiting proper classification.

Status of Fund Balance with Treasury as of September 30, 2004 and 2003 consists of the following:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Unobligated		
Available	\$ 3,855,516	\$ 3,975,260
Unavailable	21,151,222	19,958,000
Obligated Not Yet Disbursed	5,859,406	4,764,948
Total Status of Fund Balance with Treasury	\$ 30,866,144	\$ 28,698,208

The status of the Fund Balance may be classified as unobligated available, unobligated unavailable, and obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable amounts are primarily composed of funds in unavailable collection accounts, such as the Land and Water Conservation Fund and the Reclamation Fund, which are not available to Interior for use unless appropriated by Congress. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not available to fund new obligations. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received or goods and services received but for which payment has not yet been made.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported on the Combined Statement of Budgetary Resources because: (1) the budgetary balances include amounts supported by other than fund balance with Treasury, such as investments in Treasury Securities and allocation transfers (transferring agency); and (2) the fund balance with Treasury amounts include items for which budgetary resources are not recorded, such as deposit funds and unavailable collections and allocation transfers (receiving agency). Allocation transfers result in differences for both the transferring and receiving agency because the budgetary amounts are reported by the agency transferring the funds but the proprietary amounts are reported by the receiving agency.

NOTE 3. CASH

The cash amount includes balances held by private banks and investing firms and change-making funds maintained in offices where maps are sold over the counter.

Cash as of September 30, 2004 and 2003 consists of the following:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Cash Not Yet Deposited to Treasury	\$ 417	\$ 415
Imprest Fund	664	679
Total Cash	\$ 1,081	\$ 1,094

NOTE 4. INVESTMENTS, NET**A. Investments in Treasury Securities**

The BIA, BLM, Departmental Offices, MMS, NPS, OSM, and FWS invest funds in securities on behalf of various Interior programs.

Investments as of September 30, 2004, consist of the following:

FY 2004					
<i>(dollars in thousands)</i>	Investment Type	Cost	Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	\$ 68,565	\$ -	\$ 68,565	\$ 68,565
Bureau of Land Management	Non-Marketable, par value	826,076	2,620	828,696	828,465
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	152,427	(8,658)	143,769	143,551
Natural Resources Damage Assessment and Restoration Fund	Non-Marketable, market-based	170,592	(1,414)	169,178	168,962
Tribal Trust and Special Funds	Non-Marketable, market-based	27,755	-	27,755	27,753
	Marketable	49,860	(49)	49,811	49,792
Minerals Management Service - Conservation	Non-Marketable, market-based	1,003,203	(6,911)	996,292	1,007,471
Minerals Management Service - Custodial	Non-Marketable, market-based	27,758	8	27,766	27,769
National Park Service	Non-Marketable, market-based	64	1	65	65
Office of Surface Mining	Non-Marketable, market-based	2,042,801	168	2,042,969	2,042,969
U.S. Fish and Wildlife Service	Non-Marketable, market-based	363,832	(1,073)	362,759	363,614
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,455,389	(4,045)	1,451,344	1,446,897
Total U.S. Treasury Securities		6,188,322	(19,353)	6,168,969	6,175,873
Accrued Interest		18,360	-	18,360	-
Total Non-Public Investments		6,206,682	(19,353)	6,187,329	6,175,873
Public Securities					
Bureau of Indian Affairs	Marketable	1,077	-	1,077	1,078
Departmental Offices - Tribal Trust and Special Funds	Marketable	188,966	476	189,442	189,679
Total Public Securities		190,043	476	190,519	190,757
Accrued Interest		1,325	-	1,325	-
Total Public Investments		191,368	476	191,844	190,757
Total Investments		\$ 6,398,050	\$ (18,877)	\$ 6,379,173	\$ 6,366,630

Investments as of September 30, 2003, consist of the following:

FY 2003					
(dollars in thousands)	Investment Type	Cost	Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	\$ 68,334	\$ -	\$ 68,334	\$ 68,334
Bureau of Land Management	Non-Marketable, par value	369,097	1,218	370,315	370,400
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	139,874	(946)	138,928	139,694
Natural Resources Damage Assessment and Restoration Fund	Non-Marketable, market-based	156,025	(713)	155,312	155,552
Tribal Trust and Special Funds	Non-Marketable, market-based	29,966	-	29,966	29,966
	Marketable	45,875	45	45,920	46,150
Minerals Management Service - Conservation	Non-Marketable, market-based	977,236	285	977,521	977,595
Minerals Management Service - Custodial	Non-Marketable, market-based	25,071	3	25,074	25,074
National Park Service	Non-Marketable, market-based	64	1	65	65
Office of Surface Mining	Non-Marketable, market-based	1,926,867	-	1,926,867	1,926,867
U.S. Fish and Wildlife Service	Non-Marketable, market-based	454,807	(1,083)	453,724	454,998
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,418,172	(2,359)	1,415,813	1,416,278
Total U.S. Treasury Securities		5,611,388	(3,549)	5,607,839	5,610,973
Accrued Interest		2,153	-	2,153	-
Total Non-Public Investments		5,613,541	(3,549)	5,609,992	5,610,973
Public Securities					
Bureau of Indian Affairs	Marketable	1,097	-	1,097	1,099
Departmental Offices - Tribal Trust and Special Funds	Marketable	179,734	323	180,057	184,490
Total Public Securities		180,831	323	181,154	185,589
Accrued Interest		1,483	-	1,483	-
Total Public Investments		182,314	323	182,637	185,589
Total Investments		\$ 5,795,855	\$ (3,226)	\$ 5,792,629	\$ 5,796,562

Bureau of Indian Affairs. The BIA invests irrigation and power receipts in Treasury and public securities until the funds are required for project operations. Federal investments are purchased under the Treasury Overnighter Program and in marketable Treasury bills and notes. BIA's investments in public securities are discussed more fully below.

Bureau of Land Management. The BLM is authorized to invest in special non-marketable par value Treasury securities. These securities include Treasury bills, notes, bonds, and one-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. The BLM invests in these securities of the Treasury pursuant to authorizing legislation for two accounts: (1) the proceeds of certain land sales as authorized by the Southern Nevada Public Land Management Act enacted in October 1998; and (2) the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000.

Departmental Offices. Departmental Offices invest funds, contributed to the Utah Reclamation Mitigation and Conservation Account by the Utah Reclamation Mitigation and Conservation Commission, in non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Departmental Offices invest funds, for the Natural Resources Damage Assessment and Restoration Fund (NRDAR), in non-marketable market-based securities issued by Treasury. Funds are invested in both long and short-term securities, depending upon the program's needs for their funds.

Departmental Offices invest a portion of Tribal Trust and Special Funds in marketable and non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

Minerals Management Service. Investments consist of non-marketable, market-based Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. The MMS has limited investment authority based on two categories: Environmental Improvement and Restoration and Custodial Investments.

The Environmental Improvement and Restoration Fund (EIRF) is available for investment under the Interior and Related Agencies Appropriations Act of 1998. Congress has permanently appropriated 20 percent of the prior fiscal year interest earned by the EIRF to the Department of Commerce. The remaining 80 percent of interest earned remains in the fund and may be appropriated by Congress to certain other agencies, as provided by the law. This investment was initially funded in 2000 by the settlement of the boundary dispute with the State of Alaska.

MMS is also required by regulation to invest the 1/5 Outer Continental Shelf (OCS) bid amounts from the apparent high bidders for all OCS lease sales. Should any of the apparent high bids be later rejected, the 1/5 bid and actual interest earned are returned to the bidder. The investment earned on accepted bids reverts to Treasury when the bids are accepted.

National Park Service. The NPS administers an endowment on behalf of the Lincoln Farm Association. Endowment funds are invested in non-marketable Treasury securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Investment earnings from this endowment are used to provide for maintenance and upkeep of Abraham Lincoln's birthplace.

Office of Surface Mining. Effective October 1, 1991, the OSM was authorized to invest available Abandoned Mine Land (AML) funds in non-marketable market based securities issued by the Federal Investment Branch of the Bureau of the Public Debt in the Treasury. The OSM has authority to invest AML trust funds in Treasury bills, notes, bonds, and one-day certificates. A portion of the AML investment interest earned is transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and dependents.

U.S. Fish and Wildlife Service. The FWS has investments in non-marketable market-based Treasury securities that consist of various bills purchased through the Federal Investment Branch of the Bureau of the Public Debt. The invested funds consist of excise tax receipts from the Federal Aid in Wildlife Restoration Fund, the Aquatic Resources Trust Fund, and the Multi-National Species Conservation Fund.

The Treasury collects, invests, and maintains on behalf of the FWS, the Aquatic Resources Trust Fund (ARTF), which includes FWS's Sport Fish Restoration Account. Although the FWS has advisory authority for ARTF investment decisions, the Treasury has legal responsibility for investing ARTF funds.

Consistent with authorizing legislation and Treasury fiscal investment policies, the Secretary of the Treasury invests such portions of the ARTF balance deemed by the program agencies not necessary to meet current withdrawals to cover program and related costs as defined by law. Such investments are in non-marketable par value or non-marketable market-based securities as authorized by legislation and are issued and redeemed by the Federal Investment Branch of the Bureau of the Public Debt, in the Treasury. These securities are held in the name of the Secretary of the Treasury for the ARTF.

B. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in marketable Treasury and public securities. Investments in public securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes, and bonds. Mortgage instruments are issued by the Federal National Mortgage Association (Fannie Mae) and similar government-sponsored enterprises and government corporations. Bonds and bank notes are issued by Federal Home Loan Banks, the Federal Judiciary, and the Federal Farm Credit Banks. Investments in public securities reflect investments held by BIA's Power and Irrigation program and are recorded at cost.

Departmental Offices invest a portion of the Tribal Trust and Special Funds in marketable securities issued by government-sponsored entities. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

NOTE 5. ACCOUNTS AND INTEREST RECEIVABLE, NET

Due From the Public, Net. Accounts receivable due to Interior from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by Interior are diverse and include mineral leases sold by MMS, from which royalties are then collected, the sale of water and hydroelectric power by BOR, and water testing and other scientific studies conducted for State and local governments by the USGS. Fines and penalties are imposed by OSM, MMS, FWS, and other bureaus in the enforcement of various environmental laws and regulations. Unbilled receivables reflect work performed to date on agreements and uncollected revenue for royalties due subsequent to year-end, which will be billed in the future.

Accounts Receivable from the Public consist of the following:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Accounts Receivable from the Public		
Current	\$ 109,110	\$ 118,470
1 - 180 Days Past Due	30,403	103,609
181 - 365 Days Past Due	49,476	75,063
Over 1 Year Past Due	301,665	260,291
Total Billed Accounts Receivable - Public	490,654	557,433
Unbilled Accounts Receivable	1,172,570	1,016,261
Total Accounts Receivable - Public	1,663,224	1,573,694
Allowance for Doubtful Accounts - Public	(315,583)	(346,710)
Total Accounts Receivable - Public Net of Allowance	\$ 1,347,641	\$ 1,226,984
Change in Allowance for Doubtful Accounts - Public		
Allowance for Doubtful Accounts, beginning	\$ 346,710	\$ 350,582
Additions	9,274	19,555
Deletions	(40,401)	(23,427)
Allowance for Doubtful Accounts - Public	\$ 315,583	\$ 346,710

Due from Federal Agencies, Net. Accounts Receivable Due from Federal Agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal government resulting in a lower cost of Federal programs

and services. Substantially all receivables from other Federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts is used occasionally to recognize billing disputes.

Accounts Receivable from Federal entities consist of the following:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Accounts Receivable from Federal Agencies		
Current	\$ 40,963	\$ 66,035
1 - 180 Days Past Due	519	5,728
181 - 365 Days Past Due	399	197
Over 1 Year Past Due	307	783
Total Billed Accounts Receivable - Federal	42,188	72,743
Unbilled Accounts Receivable	305,846	316,003
Total Accounts Receivable - Federal	348,034	388,746
Allowance for Doubtful Accounts - Federal	-	(1,577)
Total Accounts Receivable - Federal, Net of Allowance	\$ 348,034	\$ 387,169
Change in Allowance for Doubtful Accounts - Federal		
Allowance for Doubtful Accounts, beginning	\$ 1,577	\$ 5,170
Additions	-	1,577
Deletions	(1,577)	(5,170)
Allowance for Doubtful Accounts - Federal	\$ -	\$ 1,577

Recovery of Reimbursable Capital Costs. The BOR enters into long-term repayment contracts and water service contracts with non-Federal (public) water users that allow the use of irrigation and municipal and industrial (M&I) water facilities in exchange for annual payments to repay a portion of the Federal investment allocated to the construction of reimbursable irrigation and M&I facilities. Also, power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on BOR's behalf. Costs associated with multipurpose plants are allocated to the various purposes (mainly power, irrigation, M&I water, fish and wildlife enhancement, recreation, and flood control) through a cost allocation process. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. The typical repayment contract is up to 40 years but may extend to 50 years or more if authorized by the Congress.

Unmatured repayment contracts are recognized on the Consolidated Balance Sheet when the annual repayment amount is earned, at which time current accounts receivable and current period exchange revenue is recorded. As of September 30, 2004 and 2003, amounts not yet earned under unmatured repayment contracts were \$2.7 billion and \$2.6 billion respectively.

Transfers to Western Area Power Administration. As discussed in Note 1.L., funds are transferred from the Reclamation Fund to the Western Area Power Administration (Western) to fund power project operation and maintenance and capital investment activities. As Western sells power to customers, it transfers funds back into the Reclamation Fund. Interior reports these transactions as transfers in and out without reimbursement on the Consolidated Statement of Changes in Net Position.

The net (unrecovered) transfers between the Reclamation Fund and Western as of September 30, 2004 and 2003 are approximately \$2.3 to \$3.1 billion and \$2.1 to \$3.0 billion, respectively.

NOTE 6. LOANS AND INTEREST RECEIVABLE, NET

Direct loans and loan guarantees made prior to FY 1992 were funded by congressional appropriation from the general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans. BOR's loan programs are authorized under the Small Reclamation Projects Act of 1956, the Distribution System Loans Act, the Rural Policy Development Policy Act of 1980, and the Rehabilitation and Betterment Act.

Direct loans and loan guarantees made after FY 1991 are accounted for in accordance with the requirements of the Credit Reform Act of 1990 and are referred to as credit reform loans. Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates. In FY 2004, there were no changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates.

Included in the financial statements is a subsidy re-estimate computed at the end of the fiscal year. The amounts included in the consolidated financial statements are not reported in the budget until the following fiscal year.

BIA and BOR administer loan programs while the Departmental Offices and NPS provide loans on an individual basis under special circumstances. An analysis of the loans and the nature and amounts of the subsidy and associated administrative costs are provided in the following tables.

The subsidy rates disclosed pertain only to the current year cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

A. Direct Loan and Loan Guarantee Program Names

	FY 2004	FY 2003
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 22,826	\$ 25,334
Bureau of Indian Affairs - Direct Loans (Credit Reform)	9,920	11,291
Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	558	658
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	254	760
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	56,753	59,846
Bureau of Reclamation - Direct Loans (Credit Reform)	110,147	106,775
Departmental Offices - Virgin Island (Pre-Credit Reform)	7,824	9,834
Departmental Offices - American Samoa Government (Credit Reform)	15,274	14,841
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,958	4,317
Total Loans and Interest Receivable, Net	<u>\$ 227,514</u>	<u>\$ 233,656</u>

Direct Loans (dollars in thousands)**B. Direct Loans Obligated Prior to FY 1992:**

Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):

Direct Loan Programs	Loans	Interest	Allowance	Foreclosed	Value of Assets
	Receivable, Gross	Receivable	For Loan Losses	Property	Related to Direct Loans
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 21,529	\$ 7,281	\$ (5,984)	\$ -	\$ 22,826
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	63,929	79	(7,255)	-	56,753
Departmental Offices - Virgin Island (Pre-Credit Reform)	7,640	184	-	-	7,824
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,958	-	-	-	3,958
FY 2004 Total	\$ 97,056	\$ 7,544	\$ (13,239)	\$ -	\$ 91,361
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 27,153	\$ 8,685	\$ (10,504)	\$ -	\$ 25,334
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	67,131	933	(8,218)	-	59,846
Departmental Offices - Virgin Island (Pre-Credit Reform)	9,605	229	-	-	9,834
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	4,317	-	-	-	4,317
FY 2003 Total	\$ 108,206	\$ 9,847	\$ (18,722)	\$ -	\$ 99,331

C. Direct Loans Obligated After FY 1991:

Direct Loan Programs	Loans	Interest	Foreclosed	Allowance for	Value of Assets
	Receivable, Gross	Receivable	Property	Subsidy Cost (Present Value)	Related to Direct Loans
Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ 9,528	\$ 685	\$ -	\$ (293)	\$ 9,920
Bureau of Reclamation - Direct Loans (Credit Reform)	119,624	-	-	(9,477)	110,147
Departmental Offices - American Samoa Government (Credit Reform)	17,142	695	-	(2,563)	15,274
FY 2004 Total	\$ 146,294	\$ 1,380	\$ -	\$ (12,333)	\$ 135,341
Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ 20,781	\$ 5,638	\$ -	\$ (15,128)	\$ 11,291
Bureau of Reclamation - Direct Loans (Credit Reform)	121,134	-	-	(14,359)	106,775
Departmental Offices - American Samoa Government (Credit Reform)	17,324	415	-	(2,898)	14,841
FY 2003 Total	\$ 159,239	\$ 6,053	\$ -	\$ (32,385)	\$ 132,907

D. Total Amount of Direct Loans Disbursed (Post 1991):

Direct Loan Programs	FY 2004	FY 2003
Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 4,111	\$ 800
Departmental Offices - American Samoa Government (Credit Reform)	-	3,100
Total	\$ 4,111	\$ 3,900

E. Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Direct Loans Disbursed:

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 2	\$ -	\$ -	\$ -	\$ 2
FY 2004	Total	\$ 2	\$ -	\$ -	\$ -	\$ 2

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 438	\$ -	\$ -	\$ -	\$ 438
	Departmental Offices - American Samoa Government (Credit Reform)	(6)	481	-	-	475
FY 2003	Total	\$ 432	\$ 481	\$ -	\$ -	\$ 913

Modifications and Reestimates

	Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ -	\$ -	\$ 267	\$ 267
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	-	2	2
	Departmental Offices - American Samoa Government (Credit Reform)	-	(1,297)	962	(335)
FY 2004	Total	\$ -	\$ (1,297)	\$ 1,231	\$ (66)

	Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ -	\$ -	\$ 1,608	\$ 1,608
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	-	(13,868)	(13,868)
FY 2003	Total	\$ -	\$ -	\$ (12,260)	\$ (12,260)

Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY 2004	FY 2003
Bureau of Indian Affairs - Direct Loans (Credit Reform)	\$ 267	\$ 1,608
Bureau of Reclamation - Direct Loans (Credit Reform)	2	(13,430)
Departmental Offices - American Samoa Government (Credit Reform)	(335)	475
Total	\$ (66)	\$ (11,347)

F. Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Cohorts:

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
	Departmental Offices - American Samoa Government (Credit Reform)	-0.2%	13.8%	0.0%	0.0%	13.6%
FY 2004	Total	-0.2%	13.8%	0.0%	0.0%	13.6%

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
	Departmental Offices - American Samoa Government (Credit Reform)	-0.2%	15.8%	0.0%	0.0%	15.6%
FY 2003	Total	-0.2%	15.8%	0.0%	0.0%	15.6%

G. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2004	FY 2003
Beginning balance of the subsidy cost allowance	\$ 32,385	\$ 48,452
Add: Subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	2	432
(b) Default costs (net of recoveries)	-	481
Total of the above subsidy expense components	<u>2</u>	<u>913</u>
Adjustments:		
(a) Loans written off	(15,410)	(25)
(b) Subsidy allowance amortization	(4,406)	(4,695)
(c) Other	(170)	-
Ending balance of the subsidy cost allowance before reestimates	<u>12,401</u>	<u>44,645</u>
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(1,297)	-
(b) Technical/default reestimate	1,229	(12,260)
Total of the above reestimate components	<u>(68)</u>	<u>(12,260)</u>
Ending balance of the subsidy cost allowance	<u>\$ 12,333</u>	<u>\$ 32,385</u>

The allowance for Subsidy Account reflects the unamortized credit reform subsidy for direct loans.

Defaulted Guaranteed Loans (dollars in thousands)**H. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):**

Loan Guarantee Programs	Defaulted Guaranteed Loans			Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
	Receivable, Gross	Interest Receivable	Foreclosed Property		
Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ 11,087	\$ 7,503	\$ -	\$ (18,032)	\$ 558
FY 2004 Total	<u>\$ 11,087</u>	<u>\$ 7,503</u>	<u>\$ -</u>	<u>\$ (18,032)</u>	<u>\$ 558</u>
Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ 16,963	\$ 11,725	\$ -	\$ (28,030)	\$ 658
FY 2003 Total	<u>\$ 16,963</u>	<u>\$ 11,725</u>	<u>\$ -</u>	<u>\$ (28,030)</u>	<u>\$ 658</u>

I. Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):

	Loan Guarantee Programs				Value of Assets	
		Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2004	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 2,148	\$ 779	\$ -	\$ (2,673)	\$ 254
	Total	\$ 2,148	\$ 779	\$ -	\$ (2,673)	\$ 254
FY 2003	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 6,148	\$ 3,027	\$ -	\$ (8,416)	\$ 760
	Total	\$ 6,148	\$ 3,027	\$ -	\$ (8,416)	\$ 760

Loan Guarantees (dollars in thousands)

J. Guaranteed Loans Outstanding as of September 30, 2004:

Guaranteed Loans Outstanding

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
	Pre-1992	\$ 9,181
FY 1992	1,917	1,712
FY 1993	3,412	3,004
FY 1994	16,488	14,810
FY 1995	4,147	3,468
FY 1996	10,790	9,546
FY 1997	9,835	8,696
FY 1998	8,334	7,183
FY 1999	34,840	31,058
FY 2000	49,933	44,730
FY 2001	34,502	25,615
FY 2002	47,750	42,280
FY 2003	48,446	43,384
FY 2004	55,855	49,850
Total	\$ 335,430	\$ 293,562

New Guaranteed Loans Disbursed (Current reporting year):

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
	Amount Paid in FY 2004 for Prior Years	\$ 32,315
Amount Paid in FY 2004 for 2004 Guarantees	55,855	49,850
FY 2004 Total	\$ 88,170	\$ 78,933
Amount Paid in FY 2003 for Prior Years	\$ 27,951	\$ 25,156
Amount Paid in FY 2003 for 2003 Guarantees	28,249	25,255
FY 2003 Total	\$ 56,200	\$ 50,411

K. Liability for Loan Guarantees:

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

	Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees, for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
FY 2004	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ -	\$ (60,081)	\$ (60,081)
	Total	\$ -	\$ (60,081)	\$ (60,081)
FY 2003	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	\$ -	\$ (52,185)	\$ (52,185)
	Total	\$ -	\$ (52,185)	\$ (52,185)

L. Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
FY 2004	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 3,976	\$ 3,220	\$ (1,592)	\$ -	\$ 5,604
	Total	\$ 3,976	\$ 3,220	\$ (1,592)	\$ -	\$ 5,604
FY 2003	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 1,841	\$ 2,021	\$ (821)	\$ -	\$ 3,041
	Total	\$ 1,841	\$ 2,021	\$ (821)	\$ -	\$ 3,041

Modifications and Reestimates:

	Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FY 2004	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ -	\$ -	\$ 451	\$ 451
	Total	\$ -	\$ -	\$ 451	\$ 451
FY 2003	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ -	\$ -	\$ 377	\$ 377
	Total	\$ -	\$ -	\$ 377	\$ 377

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Programs	FY 2004	FY 2003
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 6,055	\$ 3,418
Total	\$ 6,055	\$ 3,418

M. Subsidy Rates for Loan Guarantees by Program and Component:

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

	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
<u>Loan Guarantee Programs</u>					
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	4.7%	3.3%	-1.8%	0.0%	6.1%
FY 2004 Total	<u>4.7%</u>	<u>3.3%</u>	<u>-1.8%</u>	<u>0.0%</u>	<u>6.1%</u>
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	4.6%	4.1%	-1.8%	0.0%	6.9%
FY 2003 Total	<u>4.6%</u>	<u>4.1%</u>	<u>-1.8%</u>	<u>0.0%</u>	<u>6.9%</u>

N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY 2004	FY 2003
Beginning balance of the loan guarantee liability	\$ 52,185	\$ 49,097
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	3,976	1,841
(b) Default costs (net of recoveries)	3,220	2,021
(c) Fees and other collections	(1,592)	(821)
Total of the above subsidy expense components	<u>5,604</u>	<u>3,041</u>
Adjustments:		
(a) Fees received	1,422	972
(b) Interest supplements paid	(1,564)	(1,788)
(c) Claim payments to lenders	(1,281)	(706)
(d) Interest accumulation on the liability balance	<u>3,264</u>	<u>1,192</u>
Ending balance of the loan guarantee liability before reestimates	59,630	51,808
Add or subtract subsidy reestimates by component:		
(a) Technical/default reestimate	<u>451</u>	<u>377</u>
Total of the above reestimate components	<u>451</u>	<u>377</u>
Ending balance of the loan guarantee liability	<u>\$ 60,081</u>	<u>\$ 52,185</u>

O. Administrative Expense:

	<u>Direct Loan Programs</u>		<u>Loan Guarantee Programs</u>	
	Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 113	Bureau of Indian Affairs - Guaranteed Loan Programs	\$ 4,405
	Departmental Offices - American Samoa Government (Credit Reform)	836		
FY 2004	Total	\$ 949		\$ 4,405
	Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 119	Bureau of Indian Affairs - Guaranteed Loan Programs	\$ 303
	Departmental Offices - American Samoa Government (Credit Reform)	783		
FY 2003	Total	\$ 902		\$ 303

Bureau of Indian Affairs. The BIA provides guaranteed loans to Indian Tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The BIA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the Credit Reform Act, and a Liquidating Fund for loans made prior to 1992.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 360 day year for pre-credit reform loans and a 365 day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act rate that was effective at the time the loan was made. Interest is accrued on current and delinquent loans. Late fees accrue if a payment is received 15 days after its due date. For pre-credit reform loans, the amount of interest and late fees receivable is reduced by an allowance for uncollectible accounts. For credit reform direct loans, the interest and late fees receivable are considered in the subsidy allowance account.

Bureau of Reclamation. The BOR operates loan programs that provide Federal assistance to non-Federal organizations for constructing or improving water resource projects in the Western States. Reclamation's loan programs are authorized under the Small Reclamation Projects Act of 1956, the Distribution System Loans Act, and the Rehabilitation and Betterment Act. The loan programs are classified into two categories, credit reform loans and other loans made prior to the Credit Reform Act.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to Reclamation, net of an allowance for estimated uncollectible loan balances. The allowance amount is determined by reviewing a loans receivable aging report to identify loan balances that are considered uncollectible based on various factors, including age, past experience, present market conditions, and characteristics of debtors.

Loan interest rates vary depending on the applicable legislation; in some cases, there is no stated interest rate on agricultural and Native American loans. Interest on applicable loans does not accrue until the loan enters repayment status.

The subsidy expense reported for FY 2003 also includes modifications and reestimates. In FY 2003, a technical reestimate of FY 1992-2002 cohorts resulted in a net downward reestimate of the subsidy allowance. The technical reestimate adjusted for differences between the original projections of cash flows that were expected based on actual experience.

Departmental Offices. Departmental Offices has two loans, one pre-credit reform loan to the U.S. Virgin Islands and one post-credit reform loan to the American Samoa Government (ASG).

In 1977, a loan was extended to the Virgin Islands. The loan receivable from the Virgin Islands has an offsetting liability to the Federal Financing Bank. It has a final payment due date of January 2, 2007. Principal and interest are due in January and July of each year. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. The interest is accrued at year end based upon the period of July - September.

In 2001, a loan was extended to the American Samoa Government. The total has been approved for \$18.6 million and made available to the ASG bearing interest at a rate equal to the Treasury cost of borrowing for obligations of similar duration. The proceeds of the loan will be used by the ASG for debt reduction and fiscal reform. As payments become due, they shall be secured and accomplished with funds from the Escrow Account. The Escrow Account was established under the terms and conditions of the Tobacco Master Settlement Agreement and a judgment granted by the High Court of American Samoa on January 5, 1999. The parties entered into the Agreement on November 23, 1998.

National Park Service. The NPS has a single non-interest bearing loan with the Wolf Trap Foundation for the Performing Arts with an original loan principal totaling \$8.5 million. The loan principal is to be repaid to the NPS within 25 years from June 1, 1991. The loan principal is repaid in equal annual installments, except for the first three annual payments of \$215,000 per year. Repayment of the loan principal may include a credit of up to \$60,000 annually, for public service tickets given to entities exempt from taxation pursuant to section 501(c) (3) of the Internal Revenue Code of 1986. In FY 2004 and 2003, the NPS granted the full \$60,000 credit to Wolf Trap. The monies received for repayment of this loan may be retained until expended by the Secretary of Interior in consultation with the Wolf Trap Foundation for the maintenance of structures, facilities, and equipment of the park.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

Inventory and Related Property as of September 30, 2004 and 2003 consists of the following:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Inventory		
Published Maps Held for Current/Future Sale	\$ 11,322	\$ 11,915
Gas and Storage Rights, Held for Current/Future Sale	1,055	1,070
Airplane Parts Held for Use	73	477
Aviation Fuel Held for Use	494	46
Operating Materials		
Working Capital Fund: Inventory, Held for Use	444	350
Stockpile Materials		
Recoverable Below-Ground Crude Helium, Held for Sale	319,821	334,376
Total Inventory and Related Property	333,209	348,234
Allowance for Inventory and Related Property	(8,890)	(9,520)
Net Inventory and Related Property	\$ 324,319	\$ 338,714

NOTE 8. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

General Property, Plant, and Equipment, consists of that property which is used in operations and, with some exceptions, consumed over time.

Construction in Progress is used for the accumulation of cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of Construction in Progress when the project is substantially complete. Construction in Progress includes investigations and development which represent funds appropriated by the Congress that have been expended for such activities as general engineering studies and surveys that are directly related to project construction. Investigations and development as of September 30, 2004 and 2003 were \$75 million and \$70 million, respectively.

Construction in Progress also includes projects in abeyance. In past years, the Interior, through the BOR, began the planning of and construction on various features included in 10 projects located in California, Colorado, Arizona, Washington, North Dakota, and South Dakota, for which activities have been placed in abeyance. These projects were authorized to provide various benefits, among them irrigation, fish and wildlife conservation and enhancement, recreation, municipal water supplies, and flood control. Until congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of weather and time and to keep the asset ready for completion.

Property, Plant, and Equipment categories, with corresponding accumulated depreciation, as of September 30, 2004 and 2003, are shown in the following tables.

<i>(dollars in thousands)</i>	Gross	Accumulated Depreciation	FY 2004 Net
Land and Land Improvements	\$ 2,035,912	\$ 58,184	\$ 1,977,728
Buildings	2,685,764	1,107,695	1,578,069
Structures and Facilities	19,595,462	8,729,097	10,866,365
Leasehold Improvements	34,104	3,449	30,655
Construction in Progress			
Construction in Progress - General	1,332,970	-	1,332,970
Construction in Progress in Abeyance	557,054	-	557,054
Equipment, Vehicles, and Aircraft	1,780,236	1,095,542	684,694
Assets Under Capital Lease	28,185	2,185	26,000
Internal Use Software:			
In Use	121,564	50,924	70,640
In Development	30,036	-	30,036
Total Property, Plant, and Equipment	\$ 28,201,287	\$ 11,047,076	\$ 17,154,211

<i>(dollars in thousands)</i>	Gross	Accumulated Depreciation	FY 2003 Net
Land and Land Improvements	\$ 2,046,277	\$ 53,522	\$ 1,992,755
Buildings	2,529,076	1,051,546	1,477,530
Structures and Facilities	19,284,074	8,579,158	10,704,916
Leasehold Improvements	29,733	48	29,685
Construction in Progress			
Construction in Progress - General	1,344,981	-	1,344,981
Construction in Progress in Abeyance	556,879	-	556,879
Equipment, Vehicles, and Aircraft	1,726,156	1,021,360	704,796
Assets Under Capital Lease	31,199	755	30,444
Internal Use Software:			
In Use	90,275	38,317	51,958
In Development	61,971	-	61,971
Total Property, Plant, and Equipment	\$ 27,700,621	\$ 10,744,706	\$ 16,955,915

NOTE 9. OTHER ASSETS, NET

Other Assets were \$170.4 million and \$201.5 million as of September 30, 2004 and 2003, respectively. Other Assets primarily consists of BOR costs for power rights. Net power rights were \$140.6 million and \$151.4 million as of September 30, 2004 and 2003, respectively. Power rights were subject to annual amortization amounts of \$10.8 million as of September 30, 2004 and 2003.

Included in this category for FY 2003 is Fractional Land Interest Pending Disposition, which contains the cost of fractional interests in Indian land allotments acquired under the Indian Land Consolidation Act of 2000. The Indian Land Consolidation Act of 2000 provides for BIA to purchase fractional shares of Trust property to be held in trust for eventual transfer to tribal entities after revenues produced provide funds to repay Treasury for the purchase. Disposition includes sale at purchase price to tribal members holding interest in tract, transfer to Tribe upon recovery of purchase price from income produced from the interest, or transfer to the Tribe based on a Secretarial finding. Fractional Land Interest Pending Disposition was \$23 million on September 30, 2003. In FY 2004, BIA created a reserve for the entire amount of the asset as the recoverability was in question.

NOTE 10. ASSETS ANALYSIS

Assets of Interior include entity assets (unrestricted and restricted) and non-entity assets. Unrestricted assets are those available for use by Interior. Restricted assets, as defined by Interior, are certain large unavailable receipt funds that are only available for Interior use when appropriated by Congress. Non-entity assets are currently held by, but not available to, Interior and will be forwarded to Treasury or other agencies at a future date.

Entity restricted assets consist of the Land and Water Conservation Fund, the Historic Preservation Fund, the portion of the Aquatic Resources Trust Fund not designated for other Federal agencies, the Environmental Improvement and Restoration Fund, the Reclamation Fund, and other unavailable receipt funds. See Note 26, Dedicated Collections, for additional information on some of these funds.

Non-entity assets, restricted by nature, consist of MMS's custodial royalty activity, a portion of the Aquatic Resources Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

The Interior's assets as of September 30, 2004 and 2003, are summarized into the following categories:

<i>(dollars in thousands)</i>	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2004
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 10,170,437	\$ 20,251,642	\$ 444,065	\$ 30,866,144
Investments, Net	3,937,294	1,642,228	607,807	6,187,329
Accounts and Interest Receivable, Net	120,358	9,827	217,849	348,034
Other Assets				
Advances and Prepayments	1,211	-	-	1,211
Total Intragovernmental Assets	14,229,300	21,903,697	1,269,721	37,402,718
Cash	1,081	-	-	1,081
Investments, Net	191,844	-	-	191,844
Accounts and Interest Receivable, Net	157,582	3,780	1,186,279	1,347,641
Loans and Interest Receivable, Net	170,761	35,804	20,949	227,514
Inventory and Related Property, Net	324,319	-	-	324,319
General Property, Plant, and Equipment, Net	17,154,211	-	-	17,154,211
Other				
Advances and Prepayments	126,579	-	-	126,579
Other Assets, Net	170,371	-	-	170,371
Stewardship Assets				
TOTAL ASSETS	\$ 32,526,048	\$ 21,943,281	\$ 2,476,949	\$ 56,946,278

<i>(dollars in thousands)</i>	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2003
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 9,112,736	\$ 19,315,217	\$ 270,255	\$ 28,698,208
Investments, Net	3,436,549	1,600,043	573,400	5,609,992
Accounts and Interest Receivable, Net	190,369	1,700	195,100	387,169
Other				
Advances and Prepayments	3,624	-	-	3,624
Total Intragovernmental Assets	12,743,278	20,916,960	1,038,755	34,698,993
Cash	1,094	-	-	1,094
Investments, Net	182,637	-	-	182,637
Accounts and Interest Receivable, Net	183,101	2,483	1,041,400	1,226,984
Loans and Interest Receivable, Net	173,810	37,648	22,198	233,656
Inventory and Related Property, Net	338,714	-	-	338,714
General Property, Plant, and Equipment, Net	16,955,915	-	-	16,955,915
Other				
Advances and Prepayments	126,866	-	-	126,866
Other Assets, Net	201,544	-	-	201,544
Stewardship Assets				
TOTAL ASSETS	\$ 30,906,959	\$ 20,957,091	\$ 2,102,353	\$ 53,966,403

NOTE 11. INTRAGOVERNMENTAL DEBT

Interior's debt to Treasury consists of: (1) the helium production fund; (2) borrowings to finance the credit reform loan programs; and (3) borrowings to finance loans under the Federal Financing Bank.

Intragovernmental debt to Treasury activity as of September 30, 2004 and 2003, is summarized as follows:

(dollars in thousands)	FY 2003 Beginning Balance	Borrowing / (Repayments)	FY 2003 Ending Balance	Borrowing / (Repayments)	FY 2004 Ending Balance
Helium Fund	\$ 1,309,204	\$ (110,000)	\$ 1,199,204	\$ (60,000)	\$ 1,139,204
Credit Reform Borrowings	134,332	21,311	155,643	2,391	158,034
Federal Financing Bank	11,426	(1,821)	9,605	(1,964)	7,641
Total Loans Due to Treasury	\$ 1,454,962	\$ (90,510)	\$ 1,364,452	\$ (59,573)	\$ 1,304,879

A. Helium Fund - Bureau of Land Management

The Helium Fund was established in the late 1950s and early 1960s to ensure that the Federal government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start-up capital was loaned to the helium program, with the expectation that the capital would be repaid with the proceeds of sales to other Federal government users of helium. However, subsequent changes in the market price of helium and the need of government users for the commodity made the repayment of the capital and subsequent accrued interest impractical. Given the intragovernmental nature of the loan, unless the loan is forgiven, the funds for repayment to Treasury must come from the Treasury, either in the form of appropriations to the helium fund to repay the loan or in the form of appropriations to other government users of helium to pay the higher prices necessary to permit loan repayment.

Net Worth Debt reported in the following table reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund. It also includes any monies expended thereafter by Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. Additional borrowing from Treasury represents funds borrowed for the acquisition and construction of helium plants and facilities and other related purposes including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed. However, as funding has not been received to repay the amounts due, the amounts could not be repaid.

Interest on borrowing is compound interest on the debts described above, at rates determined by the Secretary of the Treasury taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate was determined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

Until FY 2002, Interior had generally paid \$10 million annually on its debt to Treasury. Due to the increased revenue in the helium fund, as a result of the sale of stockpile crude helium which began in March 2003 and will continue until January 1, 2015, Interior is planning to repay at least \$50 million each year, with exact amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the stockpile crude helium sales cease. At that time the repayment plan will be revised.

Debt as of September 30, 2004 and 2003, is summarized as follows:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Principal:		
Net Worth Debt	\$ -	\$ -
Additional Borrowing from Treasury	251,651	251,650
Total Principal	251,651	251,650
Interest:		
Beginning Balance	947,553	1,029,562
Repayments	(60,000)	(82,009)
Ending Balance	887,553	947,553
Loan Due to Treasury - Helium Fund	\$ 1,139,204	\$ 1,199,203

B. Intragovernmental Debt to Treasury under Credit Reform

BIA, BOR, and Departmental Offices (Office of Insular Affairs) have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs.

Bureau of Indian Affairs. The Credit Reform Act authorizes the BIA to borrow from Treasury the amount of a direct loan disbursement, less the subsidy. The Act provides that the present value of the subsidy costs (i.e. interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act Rate that was effective at the time the loan was made and ranges from 4.87 percent to 11.12 percent. These loans have various maturity dates from 2004 to 2028.

Bureau of Reclamation. As discussed in Note 6, Reclamation makes loans that are subject to the provisions of Credit Reform. Under the Credit Reform Act, loans consist of two components - the part borrowed from the Treasury and the appropriated part to cover the estimated subsidy. The maturity dates for these loans range from 2012 to 2047. The weighted average interest rate used to calculate interest owed to Treasury ranges from 6.01 percent to 6.88 percent.

Departmental Offices. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The weighted average interest rate used to calculate interest owed to Treasury is 5.4 percent. The loan has a final payment date of September 30, 2027.

C. Intragovernmental Debt to Treasury under Federal Financing Bank

Departmental Offices (Office of Insular Affairs) has borrowed funds from Treasury in accordance with the Federal Financing Bank Act of 1973 for the purpose of operating a direct loan and loan guarantee program. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. Principal and interest payments are due in January and July of each year. Interest is accrued at year end based upon the July to September period. The interest rate charged on each loan ranges from 7.85 percent to 12.7 percent. The loan has a final payment due date of January 2, 2007.

NOTE 12. ADVANCES AND DEFERRED REVENUE

The majority of the advances and deferred revenue received from the public represents upfront funding received from certain power customers who benefit from current and future power deliveries. The repayments are recognized as revenue incrementally as power benefits are provided.

The majority of the advances and deferred revenue received from Federal agencies represents cash advances to the Interior Franchise Fund (IFF) and the National Business Center (NBC). The IFF and NBC provide shared administrative services and commonly required products to Federal agencies.

Advances and Deferred Revenue as of September 30, 2004 and 2003, are shown below:

<i>(dollars in thousands)</i>	FY 2004		FY 2003	
Received from Federal Agencies	\$	1,754,256	\$	1,236,739
Received from the Public		125,024		137,497
Total Advances and Deferred Revenue	\$	1,879,280	\$	1,374,236

NOTE 13. FEDERAL EMPLOYEE COMPENSATION ACT LIABILITY DUE TO THE PUBLIC

The Federal Employees Compensation Act (FECA) authorizes income and medical cost protection to covered federal civilian employees that are injured on the job or that have incurred a work-related occupational disease, and beneficiaries of deceased employees whose death is attributable to a job-related injury or occupational disease. FECA benefit claims for the Interior employees are initially paid by the DOL and subsequently reimbursed by Interior. DOL is responsible for calculating the FECA liability of future compensation benefits for all federal agencies. This 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. Projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. The resulting liability is then distributed by DOL to each benefiting agency.

DOL calculates the estimated future benefit payments based on various assumptions. The interest rates used to discount the estimated future benefit payments to present values are 4.88 percent in year one and 5.24 percent in all subsequent years. The wage inflation factors and medical inflation factors used in the calculation are shown in the following table.

Fiscal Year	FY 2004		FY 2003	
	Cost of Living Adjustment	Consumer Price Index Medical Adjustment	Cost of Living Adjustment	Consumer Price Index Medical Adjustment
2005	2.03%	4.14%	2.00%	3.54%
2006	2.73%	3.96%	1.83%	3.64%
2007	2.40%	3.98%	1.97%	3.80%
2008	2.40%	3.99%	2.17%	3.92%
2009	2.40%	4.02%	2.17%	3.92%
Thereafter	2.40%	4.02%	2.17%	3.92%

As of September 30, 2004 and 2003, Interior recorded an estimated, unfunded actuarial liability for the expected future cost for death, disability, and medical claims under FECA of approximately \$665 million and \$712 million, respectively.

NOTE 14. ENVIRONMENTAL CLEANUP COSTS AND CONTINGENT LIABILITIES

Interior has responsibility to remediate sites with environmental contamination, and it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal government. Interior has accrued liabilities where losses are determined to be probable and the amounts can be estimated. Interior has disclosed contingent liabilities where the conditions for liability recognition are not met and the likelihood of unfavorable outcome is more than remote.

The accrued and potential Environmental Cleanup Costs and Contingent Liabilities as of September 30, 2004 and 2003, are summarized in the categories below:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Environmental Cleanup Cost	\$ 101,808	\$ 116,086
Contingent Liabilities	781,453	776,546
Total Environmental and Contingent Liabilities - Accrued	\$ 883,261	\$ 892,632

<i>(dollars in thousands)</i>	Additional Potential Liabilities			
	FY 2004		FY 2003	
	Lower End of Range	Upper End of Range	Lower End of Range	Upper End of Range
Environmental Cleanup Cost	\$ 71,286	\$ 378,641	\$ 44,338	\$ 396,529
Contingent Liabilities	393,138	2,452,010	443,199	1,394,297
Total Environmental and Contingent Liabilities - Potential	\$ 464,424	\$ 2,830,651	\$ 487,537	\$ 1,790,826

Environmental Cleanup Costs. Interior is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination may be present. The major Federal laws covering environmental response, cleanup and monitoring are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), Oil Pollution Act (OPA), Clean Water Act (CWA), Clean Air Act (CAA), Safe Drinking Water Act (SDWA), and Asbestos Hazard Emergency Response Act (AHERA). Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances at or from facilities they own, operate, or at which they arranged for the disposal of such substances. There are no material changes in total estimated cleanup costs that are due to changes in law and technology.

Interior has recognized an estimated liability of \$102 million and \$116 million as of September 30, 2004 and 2003, respectively. This estimate includes the expected future cleanup costs, and for those sites where future liability is unknown, the cost of studies necessary to evaluate response requirements.

Interior's contingent liability for potential environmental remediation of sites that are considered reasonably estimable but do not meet the requirement for accrual, ranges from \$71 million to \$379 million and \$44 million to \$396 million as of September 30, 2004 and 2003, respectively. This estimate includes the expected future response costs, and for those sites where future cleanup costs are unknown, the cost of studies necessary to evaluate cleanup requirements.

Certain Departmental facilities may have regulated materials, e.g., asbestos, used in the construction or later renovation of the facility. These materials, while in an undisturbed or encapsulated state (e.g., non-friable asbestos), are not subject to cleanup under applicable law. Only if they become friable or otherwise released to the environment would they be considered contaminants requiring cleanup or abatement. Under normal circumstances, remediation or abatement is limited to situations such as the remodeling or demolition of a

building containing these materials where the materials could be released and cause contamination of the environment. Unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials in an undisturbed or encapsulated state are not to be accrued as environmental cleanup. Any cost for remediation or abatement would only accrue if the material becomes friable or is otherwise released into the environment. Such costs would then be reported in the same manner as any other environmental liability.

Indian Trust Funds. The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the Federal government for Indian Tribes and individuals. There have been long-standing, complicated problems with Indian trust fund accounting and management. Currently, there is significant litigation pending related to trust management for both Indian tribes and individuals.

Twenty-six Tribal trust cases currently are pending in various Federal district courts and the U.S. Court of Federal Claims. These cases, which were brought by 20 different Tribes, involve claims for trust fund and asset mismanagement, accounting, and other declaratory relief. A substantial number of the cases are stayed pending settlement negotiations. At least 3 cases are in advanced settlement negotiations, although to date no settlement agreements have been finalized.

In addition, a significant class action lawsuit has been brought on behalf of individual Indian beneficiaries of the Individual Indian Money (IIM) trust accounts. The lawsuit alleges that Interior and Treasury have breached their trust obligations with respect to the management of funds in the IIM accounts. The plaintiffs claim that they are seeking only an “accounting” of the IIM trust funds and no damages.

Notwithstanding the damages or other claims described above, no probable estimate or range of loss can be made at this time regarding any financial liability that may result from judgment or settlement of the tribal trust cases or IIM trust fund litigation.

Other Contingent Liabilities. Numerous lawsuits and claims that have been filed against Interior and its bureaus are awaiting adjudication, and other potential claims may be asserted. For cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including certain judgments that have been issued against Interior and which have been appealed, \$781 million and \$777 million has been accrued in the financial statements as of September 30, 2004 and 2003, respectively. These amounts exclude contingent liabilities reported on prior year financial statements regarding cases won on appeal. The majority of cash settlements are expected to be paid out of the Judgment Fund maintained by Treasury rather than operating resources of Interior. In suits brought through the Contract Disputes Act of 1978, the Interior is required to reimburse the Judgment Fund from future agency appropriations.

The largest of the “probable” cases have estimated liability amounts exceeding \$50 million. The plaintiffs in one of these cases claim damages exceeding \$1 billion for alleged breach of contract under Federal oil and gas leases. In another case, landowner water-users have asserted that the Federal defendants are required to construct facilities to drain lands that they farm. And in another large “probable” case, the court has awarded the plaintiff damages for a physical taking of their coal interests, and the U.S. may owe a significant amount of compound interest, along with attorney fees and costs.

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable. Interior’s potential liability for amounts that do not meet the requirements for accrual but are considered reasonably estimable, and where the likelihood of an unfavorable outcome is more than remote, may range from \$393 million to \$2.5 billion and \$443 million to \$1.4 billion for FY 2004 and FY 2003, respectively. About \$732 million of the \$2.5 billion FY

2004 potential liability relates to potential liability beyond accrued amounts in cases with probable likelihood of an unfavorable outcome.

Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims, including: (1) alleged failure to protect a Tribe's treaty rights; (2) a Tribe's allegation of title to lands as it seeks an injunction to prevent transfer of the lands; (3) claims of differing site conditions and defective specifications in a contract involving directional drilling; (4) claims of a municipal water conservation district regarding repayment obligation for costs of the Central Arizona Project and issues related to project operation; (5) a State's claim for contribution in a suit Tribes brought against the State for wrongfully depriving them of use and possession of Tribal land long ago sold to the State, allegedly without Federal approval; and (6) assertion by farmers of lost crops and reduced yields resulting from a subcontractors' application of allegedly wind-blown herbicide. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

Liabilities Related to Capital Leases. Interior has recognized a non-Federal capital lease liability in the amount of \$27 million, which is included in Other Liabilities rather than Contingent Liabilities. Of this amount, \$26.9 million relates to a NPS 20-year capital lease for space for the Western Archeological and Conservation Center in Tucson, Arizona. NPS assumes an imputed interest rate of 5.07%. Interior's future minimum lease payments and net capital lease liability are shown in the table below.

Fiscal Year	FY 2004	
	Federal	Non-Federal
2005	\$ -	\$ 2,027
2006	-	2,023
2007	-	2,019
2008	-	2,102
2009	-	2,172
After 5 years	-	31,798
Total Future Lease Payments	-	42,141
Less: Imputed Interest	-	(15,138)
Less: Executory Costs	-	-
FY 2004 Net Capital Lease Liability	\$ -	\$ 27,003
FY 2003 Net Capital Lease Liability	\$ -	\$ 27,351

NOTE 15. LIABILITIES ANALYSIS

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which congressional action is needed before budgetary resources can be provided.

Intragovernmental. Deferred Credits are amounts recorded in deposit and suspense accounts which include permit and civil penalty escrows, bonds, misapplied deposits pending correction, and excess fee payments due to be refunded or remitted to Treasury.

Custodial Liabilities represent amounts owed to royalty recipients, other Federal agencies, and offset custodial assets.

Aquatic Resource Amounts Due to Others are amounts due to the U.S. Coast Guard for boating safety programs and to the U.S. Army Corps of Engineers from coastal wetlands initiatives. The funds are also paid to States to support projects that restore sport fish resources. The amounts as of September 30, 2004 and 2003 are \$421 million and \$390 million, respectively.

Other Liabilities to Federal Agencies include receipts transferable to Treasury (\$26 million and \$30.6 million as of September 30, 2004 and 2003, respectively) and other miscellaneous amounts.

Public. Interior anticipates that the liabilities listed below will be funded from future budgetary resources when required. Interior receives budgetary resources for the Federal Employees Compensation Act liability, the Environmental Cleanup Costs liability and Contingent liabilities when they are needed for disbursements. The unfunded Accrued Payroll and Benefits due to the public represents annual leave. Budgetary resources are generally provided for annual leave when it is taken.

Deferred credits represent deposits received from customers, including monies paid to the BOR for construction of facilities, monies paid to Departmental Offices for payroll services, and monies paid to the BLM for the purchase of land. These deposits are classified as a liability until services are rendered or sales are consummated.

Advances and Deferred Revenue involves mostly power customers who benefit from current and future power deliveries.

Other Liabilities to the Public consist of the following:

<i>(dollars in thousands)</i>		FY 2004	FY 2003
BIA	Settled legal cases	\$ 27,851	\$ 4,481
BLM	Payable due to the Secure Rural Schools Act	102,387	106,492
BOR	Pre-credit reform loans provided to the Public	115	115
FWS	Grant accrual	-	22
MMS	Payments due to States	412,881	234,416
MMS	Custodial payables to Indian Tribes and Agencies	24,681	35,992
NPS	Miscellaneous receipts fund	-	18
USGS	Contractor holdbacks	1,037	1,181
	Capital leases	27,003	27,351
	Storm Damage	48,059	-
Total Other Liabilities to the Public		\$ 644,014	\$ 410,068

The Interior's liabilities covered and not covered by budgetary resources as of September 30, 2004 and 2003, are as follows:

<i>(dollars in thousands)</i>	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2004
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities:					
Accounts Payable	\$ 76,826	\$ -	\$ -	\$ -	\$ 76,826
Debt	51,065	1,245,989	1,501	6,324	1,304,879
Other					
Accrued Payroll and Benefits	32,953	-	50,562	87,577	171,092
Advances and Deferred Revenue	1,754,256	-	-	-	1,754,256
Deferred Credits	2	-	1,629	1,114	2,745
Custodial Liability	-	-	671,478	-	671,478
Aquatic Resource Amounts Due to Others	-	-	-	420,896	420,896
Judgment Fund	-	-	-	178,878	178,878
Other Liabilities	-	-	77,642	80,247	157,889
Total Intragovernmental Liabilities	1,915,102	1,245,989	802,812	775,036	4,738,939
Public Liabilities:					
Accounts Payable	1,024,845	-	-	-	1,024,845
Loan Guarantee Liability	-	60,081	-	-	60,081
United States Park Police Pension Liability	-	-	-	604,640	604,640
Federal Employees Compensation Act Liability	-	-	-	664,855	664,855
Environmental Cleanup Costs	-	6,007	-	95,801	101,808
Other					
Accrued Payroll and Benefits	158,619	-	37,743	338,915	535,277
Advances and Deferred Revenue	125,024	-	-	-	125,024
Deferred Credits	143,252	-	384,236	163,297	690,785
Contingent Liabilities	-	-	762	780,691	781,453
Other Liabilities	-	-	563,266	80,748	644,014
Total Public Liabilities	1,451,740	66,088	986,007	2,728,947	5,232,782
Total Liabilities	\$ 3,366,842	\$ 1,312,077	\$ 1,788,819	\$ 3,503,983	\$ 9,971,721

<i>(dollars in thousands)</i>	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2003
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities:					
Accounts Payable	\$ 67,838	\$ -	\$ -	\$ -	\$ 67,838
Debt	102,195	1,252,423	3,059	6,775	1,364,452
Other					
Accrued Payroll and Benefits	51,601	-	48,470	85,366	185,437
Advances and Deferred Revenue	1,236,739	-	-	-	1,236,739
Deferred Credits	17,283	-	1,943	100	19,326
Custodial Liability	-	-	763,387	-	763,387
Aquatic Resource Amounts Due to Others	-	-	-	389,762	389,762
Judgment Fund	-	-	-	179,725	179,725
Other Liabilities	-	-	59,922	84,039	143,961
Total Intragovernmental Liabilities	1,475,656	1,252,423	876,781	745,767	4,350,627
Public Liabilities:					
Accounts Payable	965,509	-	-	-	965,509
Loan Guarantee Liability	-	52,185	-	-	52,185
Federal Employees Compensation Act Liability	-	-	-	712,250	712,250
Environmental Cleanup Costs	-	4,507	-	111,579	116,086
Other					
Accrued Payroll and Benefits	112,881	-	2,720	318,624	434,225
Advances and Deferred Revenue	137,497	-	-	-	137,497
Deferred Credits	48,556	-	296,391	153,598	498,545
Contingent Liabilities	-	-	693	775,853	776,546
Other Liabilities	643	-	376,951	32,474	410,068
Total Public Liabilities	1,265,086	56,692	676,755	2,104,378	4,102,911
Total Liabilities	\$ 2,740,742	\$ 1,309,115	\$ 1,553,536	\$ 2,850,145	\$ 8,453,538

NOTE 16. OPERATING LEASES

Real Property. Most of Interior's facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. The terms of Interior's rental agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another Federal agency) or rented by GSA from the private sector. For Federally owned property, Interior either does not execute an agreement with GSA or enters into cancelable agreements, some of which do not have a formal lease expiration date. Interior can vacate these properties after giving 120 to 180 days notice of the intent to vacate, however, Interior normally occupies these properties for an extended period of time with little variation from year to year.

Interior also leases personal property from GSA and other entities. The terms for GSA personal property leases frequently exceed one year, although a definite lease period is not always specified.

For real and personal property, future operating lease payments are calculated based on the terms of the lease or if the lease is silent, an annual inflationary factor of 1% to 3% for years 2005 through 2009. The inflationary factors are applied against the actual 2004 rental expense.

The aggregate of Interior's future payments due under operating leases are presented in the table below:

(dollars in thousands)

Fiscal Year	Real Property		Personal Property		Total
	Federal	Non-Federal	Federal	Non-Federal	
2005	\$ 291,553	\$ 35,536	\$ 45,982	\$ 4,423	\$ 377,494
2006	280,181	32,597	47,003	4,187	363,968
2007	269,730	30,595	48,052	4,035	352,412
2008	262,417	27,508	49,125	4,074	343,124
2009	241,567	26,652	48,336	4,154	320,709
Thereafter	360,145	221,326	16,263	-	597,734
Total Future Lease Payments	\$ 1,705,593	\$ 374,214	\$ 254,761	\$ 20,873	\$ 2,355,441

NOTE 17. NET COST BY RESPONSIBILITY SEGMENT

The tables on the following pages present Interior's earned revenues for sales of goods and services to Federal agencies and to the public, gross costs associated with sales of goods and services to Federal agencies, gross costs associated with providing goods and services to the public (with or without reimbursement), and net cost of operations by program and by responsibility segment.

Responsibility Segment Presentation. The Government Performance Results Act (GPRA) requires that Federal agencies formulate Strategic Plans, identify major strategic goals, and report performance and costs related to these goals. Under GPRA, Strategic Plans are to be revised and updated every 3 years. Accordingly, Interior updated the Strategic Plan in FY 2004 and replaced the five Interior GPRA Goals applicable in FYs 2001 through 2003 with four Interior GPRA Mission Goals. The Mission Goals, which are applicable beginning FY 2004, are: Resource Protection, Resource Use, Recreation, and Serving Communities. In addition, costs are reported for "Reimbursable Activity and Other." These Mission Goals are supported by 17 Department-level end outcome goals identified in the FY 2004 Strategic Plan.

OMB Bulletin No. 01-09 "Form and Content of Agency Financial Statements" requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the Strategic Plan. Accordingly, Interior presented the earned revenues and gross costs in FY 2004 by the Mission Goals in the FY 2004 Strategic Plan and the earned revenues and gross costs for FY 2003 by the GPRA Goals in the FY 2001 Strategic Plan. As a result, the FY 2004 Consolidated Statement of Net Cost is not comparable to the FY 2003 Consolidated Statement of Net Cost. The most significant change from FY 2003 to FY 2004 is the allocation of revenues and costs related to the FY 2003 "Providing Science for a Changing World" GPRA Goal among the FY 2004 Mission Goals.

Intragovernmental Costs. Cost of services provided to Federal agencies represent the costs incurred to generate the related intragovernmental revenue. Interior estimated intragovernmental costs as intragovernmental revenue plus an allocated portion of the retirement costs paid by OPM on behalf of Interior. Interior does not bill intragovernmental customers for costs paid by OPM.

Asset Impairment. The USGS owns a Landsat 7 Global Survey satellite to monitor changes in the earth's land surface and associated environment. In addition, this satellite was expected to contribute to the development of mapping products sold by USGS. On May 31, 2003, the Landsat 7 suffered a component failure that affected its ability to acquire and distribute data collected. Subsequent tests and a recovery attempt confirmed that only 75% of the satellite functionality can be expected in the future. Based on these results, an analysis of the diminished capacity of the asset and the reduction in the potential marketability of the product sales generated by the asset, Interior estimates that the component failure caused an economic impairment of \$81.1 million during FY 2003. This impairment is reported as Costs not Associated with Programs on the FY 2003 Statement of Net Cost.

<i>(dollars in thousands)</i>	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Resource Protection				
Cost - Services Provided to the Public	\$ -	364,777	16,228	20,190
Revenue Earned from the Public	-	402,509	(209)	-
Net Cost of Services to the Public	-	(37,732)	16,437	20,190
Cost - Services Provided to Federal Agencies	-	13,541	11,347	-
Revenue Earned from Federal Agencies	-	13,032	11,122	-
Net Cost of Services Provided to Federal Agencies	-	509	225	-
Net Program Costs	-	(37,223)	16,662	20,190
Resource Use				
Cost - Services Provided to the Public	-	317,047	1,202,553	15,446
Revenue Earned from the Public	-	195,271	629,147	78
Net Cost of Services to the Public	-	121,776	573,406	15,368
Cost - Services Provided to Federal Agencies	-	1,669	138,711	2,402
Revenue Earned from Federal Agencies	-	1,587	135,055	2,386
Net Cost of Services Provided to Federal Agencies	-	82	3,656	16
Net Program Costs	-	121,858	577,062	15,384
Recreation				
Cost - Services Provided to the Public	-	129,757	22,270	-
Revenue Earned from the Public	-	21,152	24,214	-
Net Cost of Services to the Public	-	108,605	(1,944)	-
Cost - Services Provided to Federal Agencies	-	2,023	270	-
Revenue Earned from Federal Agencies	-	1,941	265	-
Net Cost of Services Provided to Federal Agencies	-	82	5	-
Net Program Costs	-	108,687	(1,939)	-
Serving Communities				
Cost - Services Provided to the Public	2,979,822	962,460	-	725,215
Revenue Earned from the Public	118,384	92,917	-	15,622
Net Cost of Services to the Public	2,861,438	869,543	-	709,593
Cost - Services Provided to Federal Agencies	223,542	293,104	-	7,037
Revenue Earned from Federal Agencies	221,869	285,828	-	6,896
Net Cost of Services Provided to Federal Agencies	1,673	7,276	-	141
Net Program Costs	2,863,111	876,819	-	709,734
Reimbursable Activity and Other				
Cost - Services Provided to the Public	-	-	120,801	179,079
Revenue Earned from the Public	-	-	56,128	14,489
Net Cost of Services to the Public	-	-	64,673	164,590
Cost - Services Provided to Federal Agencies	-	-	373,082	966,898
Revenue Earned from Federal Agencies	-	-	373,082	954,056
Net Cost (Revenue) of Services Provided to Federal Agencies	-	-	-	12,842
Net Program Costs	-	-	64,673	177,432
Total				
Cost - Services Provided to the Public	2,979,822	1,774,041	1,361,852	939,930
Revenue Earned from the Public	118,384	711,849	709,280	30,189
Net Cost of Services to the Public	2,861,438	1,062,192	652,572	909,741
Cost - Services Provided to Federal Agencies	223,542	310,337	523,410	976,337
Revenue Earned from Federal Agencies	221,869	302,388	519,524	963,338
Net Cost (Revenue) of Services Provided to Federal Agencies	1,673	7,949	3,886	12,999
Net Program Costs	\$ 2,863,111	1,070,141	656,458	922,740

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intradepartment Activity	FY 2004
-	788,966	72,131	1,475,445	203,333	-	\$ 2,941,070
-	54,661	-	45,715	8,458	-	511,134
-	734,305	72,131	1,429,730	194,875	-	2,429,936
-	7,228	-	83,305	63,602	(73,430)	105,593
-	6,956	-	81,226	61,222	(73,430)	100,128
-	272	-	2,079	2,380	-	5,465
-	734,577	72,131	1,431,809	197,255	-	2,435,401
1,624,640	-	105,883	30,445	88,897	-	3,384,911
115,669	-	105	414	641	-	941,325
1,508,971	-	105,778	30,031	88,256	-	2,443,586
-	-	1,154	110	6,024	(5,069)	145,001
-	-	1,119	107	5,746	(5,069)	140,931
-	-	35	3	278	-	4,070
1,508,971	-	105,813	30,034	88,534	-	2,447,656
-	1,523,946	-	462,964	-	-	2,138,937
-	184,919	-	8,021	-	-	238,306
-	1,339,027	-	454,943	-	-	1,900,631
-	13,825	-	14,489	-	(9,072)	21,535
-	13,305	-	14,208	-	(9,072)	20,647
-	520	-	281	-	-	888
-	1,339,547	-	455,224	-	-	1,901,519
31,314	505,747	137,373	132,976	923,127	-	6,398,034
9,632	2,760	4	674	167,610	-	407,603
21,682	502,987	137,369	132,302	755,517	-	5,990,431
-	4,635	22	3,161	210,872	(358,499)	383,874
-	4,477	22	3,072	202,602	(358,499)	366,267
-	158	-	89	8,270	-	17,607
21,682	503,145	137,369	132,391	763,787	-	6,008,038
129	38,354	42,696	-	-	-	381,059
448	38,252	-	-	-	-	109,317
(319)	102	42,696	-	-	-	271,742
1,365,015	40,222	-	-	-	(852,197)	1,893,020
1,383,164	40,222	-	-	-	(852,197)	1,898,327
(18,149)	-	-	-	-	-	(5,307)
(18,468)	102	42,696	-	-	-	266,435
1,656,083	2,857,013	358,083	2,101,830	1,215,357	-	15,244,011
125,749	280,592	109	54,824	176,709	-	2,207,685
1,530,334	2,576,421	357,974	2,047,006	1,038,648	-	13,036,326
1,365,015	65,910	1,176	101,065	280,498	(1,298,267)	2,549,023
1,383,164	64,960	1,141	98,613	269,570	(1,298,267)	2,526,300
(18,149)	950	35	2,452	10,928	-	22,723
1,512,185	2,577,371	358,009	2,049,458	1,049,576	-	\$ 13,059,049

<i>(dollars in thousands)</i>	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Protect the Environment and Preserve Our Nation's Natural & Cultural Resources				
Cost - Services Provided to the Public	\$ 427,653	596,896	137,318	11,385
Revenue Earned from the Public	427	248,106	47,881	-
Net Cost of Services to the Public	427,226	348,790	89,437	11,385
Cost - Services Provided to Federal Agencies	2,575	12,688	19,768	-
Revenue Earned from Federal Agencies	2,544	12,276	19,566	-
Net Cost of Services Provided to Federal Agencies	31	412	202	-
Net Program Costs	427,257	349,202	89,639	11,385
Provide Recreation for America				
Cost - Services Provided to the Public	-	98,007	33,362	-
Revenue Earned from the Public	-	17,581	2,876	-
Net Cost of Services to the Public	-	80,426	30,486	-
Cost - Services Provided to Federal Agencies	-	1,735	148	-
Revenue Earned from Federal Agencies	-	1,667	144	-
Net Cost of Services Provided to Federal Agencies	-	68	4	-
Net Program Costs	-	80,494	30,490	-
Manage Natural Resources for a Healthy Environment and a Strong Economy				
Cost - Services Provided to the Public	-	1,258,306	1,207,907	26,058
Revenue Earned from the Public	-	202,498	542,036	-
Net Cost of Services to the Public	-	1,055,808	665,871	26,058
Cost - Services Provided to Federal Agencies	-	54,258	134,251	4,197
Revenue Earned from Federal Agencies	-	52,965	132,456	4,183
Net Cost of Services Provided to Federal Agencies	-	1,293	1,795	14
Net Program Costs	-	1,057,101	667,666	26,072
Provide Science for a Changing World				
Cost - Services Provided to the Public	-	89,675	-	-
Revenue Earned from the Public	-	481	-	-
Net Cost of Services to the Public	-	89,194	-	-
Cost - Services Provided to Federal Agencies	-	14,464	-	-
Revenue Earned from Federal Agencies	-	13,894	-	-
Net Cost of Services Provided to Federal Agencies	-	570	-	-
Net Program Costs	-	89,764	-	-
Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities				
Cost - Services Provided to the Public	1,904,078	-	-	516,041
Revenue Earned from the Public	105,947	-	-	11,745
Net Cost of Services to the Public	1,798,131	-	-	504,296
Cost - Services Provided to Federal Agencies	205,808	-	-	5,308
Revenue Earned from Federal Agencies	203,312	-	-	5,270
Net Cost of Services Provided to Federal Agencies	2,496	-	-	38
Net Program Costs	1,800,627	-	-	504,334
Reimbursable Activity and Other				
Cost - Services Provided to the Public	-	12	27,528	188,691
Revenue Earned from the Public	-	-	28,132	10,042
Net Cost of Services to the Public	-	12	(604)	178,649
Cost - Services Provided to Federal Agencies	-	-	336,916	632,175
Revenue Earned from Federal Agencies	-	-	327,220	622,237
Net Cost (Revenue) of Services Provided to Federal Agencies	-	-	9,696	9,938
Net Program Costs	-	12	9,092	188,587
Costs Not Associated with Programs				
Asset Impairment	-	-	-	-
Total				
Cost - Services Provided to the Public	2,331,731	2,042,896	1,406,115	742,175
Revenue Earned from the Public	106,374	468,666	620,925	21,787
Net Cost of Services to the Public	2,225,357	1,574,230	785,190	720,388
Cost - Services Provided to Federal Agencies	208,383	83,145	491,083	641,680
Revenue Earned from Federal Agencies	205,856	80,802	479,386	631,690
Net Cost (Revenue) of Services Provided to Federal Agencies	2,527	2,343	11,697	9,990
Costs Not Associated with Programs	-	-	-	-
Net Cost of Operations	\$ 2,227,884	1,576,573	796,887	730,378

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intrdepartmental Activity	FY 2003
-	902,592	344,731	1,886,343	-	-	\$ 4,306,918
-	114,963	204	51,016	-	-	462,597
-	787,629	344,527	1,835,327	-	-	3,844,321
-	34,482	1,077	110,948	-	(62,668)	118,870
-	33,146	1,062	108,920	-	(62,668)	114,846
-	1,336	15	2,028	-	-	4,024
-	788,965	344,542	1,837,355	-	-	3,848,345
-	1,807,779	-	174,339	-	-	2,113,487
-	146,441	-	4,377	-	-	171,275
-	1,661,338	-	169,962	-	-	1,942,212
-	41,882	-	10,350	-	(22,918)	31,197
-	40,862	-	9,968	-	(22,918)	29,723
-	1,020	-	382	-	-	1,474
-	1,662,358	-	170,344	-	-	1,943,686
1,091,720	-	48,249	-	-	-	3,632,240
117,750	-	-	-	-	-	862,284
973,970	-	48,249	-	-	-	2,769,956
-	-	-	-	-	(61,763)	130,943
-	-	-	-	-	(61,763)	127,841
-	-	-	-	-	-	3,102
973,970	-	48,249	-	-	-	2,773,058
-	-	-	-	1,175,013	-	1,264,688
-	-	-	-	166,173	-	166,654
-	-	-	-	1,008,840	-	1,098,034
-	-	-	-	265,378	(93,334)	186,508
-	-	-	-	255,918	(93,334)	176,478
-	-	-	-	9,460	-	10,030
-	-	-	-	1,018,300	-	1,108,064
-	-	-	-	-	-	2,420,119
-	-	-	-	-	-	117,692
-	-	-	-	-	-	2,302,427
-	-	-	-	-	(7,091)	204,025
-	-	-	-	-	(7,091)	201,491
-	-	-	-	-	-	2,534
-	-	-	-	-	-	2,304,961
99	-	-	-	-	-	216,330
99	-	-	-	-	-	38,273
-	-	-	-	-	-	178,057
1,909,023	-	-	-	-	(1,483,164)	1,394,950
1,926,534	-	-	-	-	(1,483,164)	1,392,827
(17,511)	-	-	-	-	-	2,123
(17,511)	-	-	-	-	-	180,180
-	-	-	-	81,100	-	81,100
1,091,819	2,710,371	392,980	2,060,682	1,175,013	-	13,953,782
117,849	261,404	204	55,393	166,173	-	1,818,775
973,970	2,448,967	392,776	2,005,289	1,008,840	-	12,135,007
1,909,023	76,364	1,077	121,298	265,378	(1,730,938)	2,066,493
1,926,534	74,008	1,062	118,888	255,918	(1,730,938)	2,043,206
(17,511)	2,356	15	2,410	9,460	-	23,287
-	-	-	-	81,100	-	81,100
956,459	2,451,323	392,791	2,007,699	1,099,400	-	\$ 12,239,394

NOTE 18. GROSS COST AND EARNED REVENUES BY BUDGET SUBFUNCTION CLASSIFICATION

The following tables reflect data provided to Treasury by Budget Subfunction (BSF) Classification for inclusion in the Consolidated Financial Statements of the Federal government, based on the guidance and direction from Treasury. These BSF codes are established by OMB and Treasury for government wide reporting purposes and differ from the classifications used for Interior's segment reporting.

Interior's gross cost and earned revenues by Budget Subfunction Classification as of September 30, 2004 and 2003, are presented below:

<i>(dollars in thousands)</i>	Gross Cost	Earned Revenue	FY 2004
Natural Resources and Environment	\$ 13,935,532	\$ 4,384,917	\$ 9,550,615
Transportation	263,730	-	263,730
Community and Regional Development	2,711,820	332,261	2,379,559
Education and Training	109,599	12	109,587
General Government	772,353	16,795	755,558
Total	\$ 17,793,034	\$ 4,733,985	\$ 13,059,049

<i>(dollars in thousands)</i>	Gross Cost	Earned Revenue	FY 2003
Natural Resources and Environment	\$ 12,904,395	\$ 3,536,502	\$ 9,367,893
Transportation	255,991	-	255,991
Community and Regional Development	2,085,287	309,111	1,776,176
Education and Training	107,834	266	107,568
General Government	747,868	16,102	731,766
Total	\$ 16,101,375	\$ 3,861,981	\$ 12,239,394

The intragovernmental costs and related net costs presented in the schedules below represent transactions with other Federal agencies. These amounts are different than those reported in Note 17, Net Cost by Responsibility Segment and the Statement of Net Cost, which report costs to generate intragovernmental revenues.

<i>(dollars in thousands)</i>	Gross Cost	Earned Revenue	FY 2004
Natural Resources and Environment	\$ 1,992,693	\$ 2,311,536	\$ (318,843)
Transportation	12,173	-	12,173
Community and Regional Development	251,344	214,005	37,339
Education and Training	4,447	-	4,447
General Government	65,220	759	64,461
Total	\$ 2,325,877	\$ 2,526,300	\$ (200,423)

<i>(dollars in thousands)</i>	Gross Cost	Earned Revenue	FY 2003
Natural Resources and Environment	\$ 1,947,530	\$ 1,840,211	\$ 107,319
Transportation	11,201	-	11,201
Community and Regional Development	218,531	202,700	15,831
Education and Training	4,910	-	4,910
General Government	56,074	295	55,779
Total	\$ 2,238,246	\$ 2,043,206	\$ 195,040

NOTE 19. COSTS

By law, Interior, as an agency of the Federal government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in Interior's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by OPM. In accordance with SFFAS No. 4, "Managerial Cost Accounting," Interior recognizes identified costs paid for Interior by other agencies as expenses of Interior. The funding for these costs is reflected as imputed financing sources on the Consolidated Statement of Changes in Net Position. Expenses paid by other agencies on behalf of Interior were \$519 million and \$571 million for the years ended September 30, 2004 and 2003, respectively. Interior also receives donated heritage assets such as stewardship land, cultural landscapes, and library and museum objects. These donations are received from the public or from non-profit conservation organizations and have an estimated value of \$163 million and \$2.5 million for FY 2004 and FY 2003, respectively.

The costs associated with acquiring, constructing, and renovating heritage assets were \$118 million and \$80 million for the fiscal years ended September 30, 2004 and 2003, respectively. The costs associated with acquiring and improving stewardship lands were \$200 million and \$263 million for the fiscal years ended September 30, 2004 and 2003, respectively. The costs associated with acquiring and improving stewardship lands decreased in part due to the decline in the amounts appropriated for land acquisitions over the past several years.

NOTE 20. CHANGES IN ACCOUNTING PRINCIPLE

Effective October 1, 2003, OMB directed NPS to account for the liability of the USPP Pension Plan. This resulted in a change of accounting principle and the recognition of the USPP Pension Plan liability for future benefits. A liability was not previously recognized because NPS does not administer the pension plan. As a result of the change in accounting principle, an adjustment of \$649 million was recorded to establish the liability. This adjusting entry also decreased the beginning balance of the Cumulative Results of Operations of the Net Position.

NOTE 21. ROYALTIES RETAINED

Royalties Retained include minerals receipts transferred to the Interior totaling approximately \$3,491 and \$2,583 million for the fiscal years ended September 30, 2004 and 2003, respectively. These amounts include transfers to the Land and Water Conservation Fund and to MMS for distribution to States, and to offset costs incurred by MMS related to royalty collections, and to the Reclamation Fund. These amounts are presented on the Consolidated Statement of Changes in Net Position in accordance with Federal accounting standards.

During FY 2004, Interior made payments to States for the amount of \$1,168 million, which are included in the "Resource Use" goal of the Consolidated Statement of Net Cost. In FY 2003, payments to States totaled \$953 million, which are included in the "Manage Natural Resources for a Healthy Environment and a Strong Economy" goal.

NOTE 22. STRATEGIC PETROLEUM RESERVE

Interior received approximately 38.4 and 38.2 million barrels of petroleum as in-kind mineral lease revenues for the fiscal years ended September 30, 2004 and 2003, respectively. Interior transferred this petroleum to the DOE to increase the strategic petroleum reserve. The value of the petroleum received and transferred was \$1,191 million and \$1,044 million for the fiscal years ended September 30, 2004 and 2003, respectively.

NOTE 23. STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules that are incorporated into generally accepted accounting principles for the Federal government. The total Budgetary Resources of \$25,109 million and \$23,561 million for FYs 2004 and 2003, respectively, includes new budget authority, unobligated balances at the beginning of the year and transferred in/out during the year, spending authority from offsetting collections, recoveries of prior year obligations and any adjustment to these resources. Interior's unobligated balance available at September 30, 2004 and 2003, was \$5,189 million and \$4,846 million, respectively.

Apportionment Categories of Obligations Incurred. Interior's obligations incurred during FY 2004 and FY 2003 by apportionment category are shown in the following table:

(dollars in thousands)

FY 2004	Apportioned		Not Subject to Apportionment	Total
	Category A	Category B		
Obligations Incurred:				
Direct	\$ -	\$ 14,614,681	\$ 72,039	\$ 14,686,720
Reimbursable	-	5,136,048	-	5,136,048
Total Obligations Incurred	\$ -	\$ 19,750,729	\$ 72,039	\$ 19,822,768

FY 2003	Apportioned		Not Subject to Apportionment	Total
	Category A	Category B		
Obligations Incurred:				
Direct	\$ -	\$ 13,979,361	\$ 73,718	\$ 14,053,079
Reimbursable	-	4,534,566	-	4,534,566
Total Obligations Incurred	\$ -	\$ 18,513,927	\$ 73,718	\$ 18,587,645

Reclamation Trust Funds and Colorado River Dam Fund - Boulder Canyon Project are the only funds classified as not subject to apportionment.

Repayment Requirements, Financing Sources for Repayment, and other Terms of Borrowing Authority Used.

BOR's borrowing authority is provided under the Credit Reform Act of 1990 (see Note 6, Loans and Interest Receivable, Net for additional information on Credit Reform loans). The repayment terms and provisions of these loans are not more than 40 years from the date when the principal benefits of the projects first became available. Interest on these loans is determined by the Treasury as of the beginning of the fiscal year in which the contract is executed, on the basis of the average market yields on outstanding marketable obligations of the United States. Collections in excess of the interest due to the Treasury is applied to the outstanding principal owed to the Treasury.

BIA receives borrowing authority from Treasury for its loan programs in accordance with the Federal Credit Reform Act of 1990 and related legislation. The guaranteed loan financing fund can borrow funds when the cash balance in a financing fund cohort is insufficient to pay default claims, interest subsidy payments, downward subsidy reestimates, or the interest on prior Treasury borrowings. The balance in this account as of September 30, 2004 and 2003, was \$6.7 million and \$2.2 million, respectively.

BIA's direct loan program ended in 1995. However, borrowings arising from direct loans made between 1992 and 1995 are still outstanding. These borrowings are being repaid as scheduled and as of September 30, 2004 and 2003, were \$22.9 million.

In 2001, the Bureau of the Public Debt extended a loan to the Departmental Offices for the purpose of operating a direct loan to the American Samoa Government. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The loan has a final payment due date of September 30, 2027.

Permanent Indefinite Appropriations. Permanent indefinite appropriations refer to the appropriations that come from permanent public laws, which authorize Interior to retain certain receipts, rather than the annual appropriations process and the amount appropriated depends upon the amount of the receipts rather than a specific amount. All Interior bureaus use one or more permanent no-year appropriations to finance operating costs and the purchase of property, plant, and equipment.

Interior has approximately 70 permanent indefinite appropriations, which are primarily for special programs and projects. The more significant appropriations for each bureau are as follows:

- BIA has several permanent indefinite appropriations, which are primarily for special projects and loan programs, such as Claims and Treaty Obligations, Indian Loan Guaranty Financing and Insurance Fund Liquidating Account, Revolving Fund for Loans Liquidating Account, Operation and Maintenance of Quarters, Indian Irrigation Systems, Indian Power Systems, Alaska Resupply Program, and Indian Direct Loan Program Account.
- BLM has 23 permanent indefinite appropriations, which are primarily used for special programs and projects. Some examples include the Southern Nevada Public Land Management Act, Federal Land Transaction Facilitation Act, Recreation Fee Demonstration Program, and Timber Pipeline Restoration Fund.
- BOR has 2 major permanent indefinite appropriations. The Colorado River Dam Fund - Boulder Canyon Project is funded by various operating revenues of the Hoover Dam, mainly from the sale of power generated at the dam. The Reclamation Trust Funds include amounts received from public benefactors that are used to finance restoration and other activities.
- FWS has 12 permanent indefinite appropriations which are primarily utilized to administer endangered species and wildlife and sport fish restoration grants to States and other non-Federal entities, and to fund land acquisition for the National Wildlife Refuge System.
- MMS permanent indefinite appropriations include minerals revenue with the States resulting from the leasing of mineral leases within their borders, Forest Fund Payments to a State based on National Forest acreage within that State, and flood control payments to States to be expended as the State legislature may prescribe for the benefit of the public schools and roads in the county government.
- NPS has 12 permanent indefinite appropriations. The majority of funding is from the Fee Demonstration Program, but funding sources also include the Park Concessions Franchise Fees, the National Park Passport Program, the Operation and Maintenance of Quarters, Transportation System Fund, Glacier Bay National Park Resource Protection, Educational Expenses, Children of Employees, Yellowstone National Park, Delaware Water Gap, National Maritime Heritage Grants, and the USPP Pension.

- OSM appropriates a portion of the Abandoned Mine Land Fund in an amount equal to the annual transfer to the United Mine Workers Combined Benefit Fund. This appropriated transfer can be classified as a permanent indefinite appropriation, i.e., the budget authority is a permanent authorization in the Surface Mining Control and Reclamation Act and is of an indefinite amount determined on an annual basis to comply with the provisions of the law.
- USGS has 3 permanent indefinite appropriations. The majority of funding is from the Surveys, Investigations, and Research appropriation used to conduct operations in topography, geology, hydrology, biology, and mineral and water resources.

These funds do not require annual appropriation action by Congress as they are subject to the authorities of the permanent law.

Appropriations Received. Appropriations received on the Consolidated Statement of Changes in Net Position differs from that reported on the Combined Statement of Budgetary Resources because Appropriations Received on the Consolidated Statement of Changes in Net Position does not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

Legal Arrangements Affecting Use of Unobligated Balances. Interior's unobligated unavailable balances for FYs 2004 and 2003 are \$97.3 million and \$126.5 million, respectively, and consist of:

<i>(dollars in thousands)</i>	FY 2004	FY 2003
Unapportioned amounts available for future apportionments	\$ 6,356	\$ 5,839
Expired Authority	90,923	119,142
Total Budgetary Accounts	97,279	124,981
Non-Budgetary Credit Program Financing Accounts	-	1,518
Unobligated Balance Unavailable	\$ 97,279	\$ 126,499

Unobligated balances, whose period of availability has expired are not available to fund new obligations but are available to pay for adjustments to obligations incurred prior to expiration. For a fixed appropriation account, the balance can be carried forward for 5 fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward indefinitely until: (1) specifically rescinded by law; or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for 2 consecutive years.

The appropriation law, Public Law 108-7, is the major source of funding for the BLM's operating programs and directs that a definite sum of the BLM's wildland firefighting authority be applied to the construction of fire facilities. These authorizations also direct how BLM must treat other assets it may acquire as a result of executing its operating programs. Also, BIA receives contract authority from DOT's Highway Trust Fund for the maintenance and construction of roads and bridges on BIA and Trust property.

All appropriation language contains specific and/or general authorizations. These authorizations may be defined as legislative parameters that frame the funding and Federal agency policy for executing programs. These authorizations also direct how Interior must treat other assets it may acquire as a result of executing operating programs. Since both specific and general authorizations are integral components of all legislation, Interior does not view them as restrictions or legal encumbrances on available funding.

Explanation of Differences between the Combined Statement of Budgetary Resources (SBR) and the Budget of the United States Government. The Combined Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government). The President's Budget with the actual FY 2003 amounts was released on February 3, 2004, and the President's Budget with the FY 2004 amounts is estimated to be released in February 2005, and both can be located at the OMB Web site (<http://www.whitehouse.gov/omb>). As such, the actual amounts for FY 2004 in the President's Budget have not been published at the time these financial statements were prepared.

Budgetary resources and the status of those resources presented in the Combined SBR for the period ended September 30, 2003, differ from the amounts presented as 2003 Actuals in the President's FY 2005 Budget. A portion of the differences are due to expired accounts being included in the Statement of Budgetary Resources, but not in the President's Budget. Additionally, certain specific differences exist as presented on the table following A - E explanations.

A. Departmental Offices' Tribal Trust and Special Funds. Differences exist between the Departmental Office SBR and actual amounts in the President's Budget as a result of the treatment of pass through appropriations and payments to Tribal trust fund accounts. These differences impact Appropriations Received, Obligations Incurred, and Disbursements lines on the SBR. In addition, amounts related to the Utah Reclamation Mitigation and Conservation (CUPCA) Commission fund are treated as available in the FY 2003 SBR and unavailable in the President's Budget. This difference impacted Appropriations Received and Unobligated Balances. [Budget Accounts 5265, 8030, and 5174]

B. National Park Service. (1) The Concession Improvement account is reported in the President's Budget and is not reported on the Combined SBR due to differing interpretations as to the extent of NPS's jurisdiction over these funds, and the related receipts and expenditures. It is the opinion of the Solicitor of the Interior that the funds contained in Concession Improvement accounts are owned by the concessionaire and are not receipts of the United States [Budget Account 9928]; and (2) The Land Acquisition and State Assistance Payments account includes \$30 million of Contract Authority and Permanently Not Available. This amount of contract authority is included in the annual Appropriation Act; however, it is always rescinded in the same Act before it is passed. Accordingly, it was not appropriated to NPS or apportioned by NPS. It will, however, show in the President's Budget because it is a part of the appropriation Act itself. [Budget Account 5035]

C. Bureau of Indian Affairs. Advances from the Department of Education of \$133.2 million are reported as Unobligated Balances at the Beginning of the Fiscal Year on the Combined SBR. This amount is not included on that line on the President's Budget due to differences in the treatment of deposit fund activity.

D. Fish and Wildlife Service. The budget accounts for Private Stewardship Grants and the Landowner Incentive Program include a total of \$50 million as temporarily not available. These amounts are presented by FWS as permanently not available. [Budget Accounts 5495 and 5496]

Differences are presented and labeled on the following table:

(dollars in millions)	Amount per Statement of Budgetary Resources	Amount per President's Budget	Difference
Budgetary Resources:			
Budget Authority:			
Appropriations Received	\$ 14,004	\$ 14,241	\$ (237) A, B
Contract Authority	-	30	(30) B
Net Transfers, Current Year Authority	(70)	(106)	36
Unobligated Balance:			
Beginning of Fiscal Year	4,534	4,438	96 A, C
Net Transfers, Unobligated Balance, Actual	(30)	(1)	(29)
Spending Authority From Offsetting Collections:	5,004	5,039	(35)
Recoveries of Prior Year Obligations	305	262	43
Temporarily Not Available Pursuant to Public Law	-	(105)	105 B, D
Permanently Not Available	(205)	(150)	(55) D
Status of Budgetary Resources:			
Obligations Incurred:	18,588	18,829	(241) A
Unobligated Balance:	4,846	4,907	(61) B
Relationship of Obligations to Outlays:			
Obligated Balance, Net, Beginning of Fiscal Year	4,965	4,905	60
Obligated Balance, Net, End of Fiscal Year:	(5,749)	5,616	(133) C
Less: Spending Authority Adjustments	2	-	2
Outlays:			
Disbursements	17,805	17,973	(168) A, B, C
Collections	(5,311)	(5,201)	(110) C

NOTE 24. CONSOLIDATED STATEMENT OF FINANCING ALLOCATION TRANSFERS

Interior provides budget resources to and receives budget resources from other Federal entities in the form of "allocation transfer accounts." The activity in these allocation transfer accounts is reported in the Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidated Statement of Changes in Net Position of the recipient agency. However, the budgetary activity for these allocation transfer accounts is reported by the providing agency on its Combined Statement of Budgetary Resources. This treatment creates a reconciling item between the proprietary statements (the Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidated Statement of Changes in Net Position) and the Combined Statement of Budgetary Resources. The adjustment shown in the Consolidated Statement of Financing for this line represents this reconciliation amount.

The major Interior allocation transfers made internally include those from the Wildland Fire Management Account, the Central Hazardous Material Fund, the Office of Special Trust Funds, the Natural Resources Damage Assessment and Restoration Fund, and BIA's Construction Fund.

The major Interior allocation transfers made outside Interior include those from the Department of Transportation, U.S. Corps of Engineers, Department of Labor, and Department of Health and Human Services.

The transfers made outside the Interior result in reconciling differences for the Consolidated Statement of Financing. The following table summarizes the allocation transfers and the related amounts that are reported as reconciling differences in the Consolidated Statement of Financing:

Trading Partner	Nature and Purpose of Transfer	FY 2004	FY 2003
Transfer of Appropriations where Interior is the recipient (i.e., Child) and therefore reports the proprietary activity, but not the budgetary activity:		Reconciling Differences (dollars in thousands)	
Department of Transportation - Highway Trust Fund	Maintenance of Highways on Interior Land	\$ 269,237	\$ 268,292
Department of Labor - Job Corps	Employee and Training services	69,414	70,002
Health and Human Services	Child Development and Employment Programs	40,173	37,578
Other		14,827	7,387
Total resources transferred in		393,650	383,259
Transfer of Appropriations where Interior is the transferor (i.e., Parent) and therefore reports the budgetary activity, but not the proprietary activity:			
Department of Transportation	Highway Construction	339	1,265
U.S. Corps of Engineers	Land Acquisition and State Assistance	34,147	6,409
Department of Agriculture	To fund Soil Conservation Programs	228	254
Other		-	7,394
Total resources transferred out		34,714	15,321
Net Reconciling Difference of appropriations transferred to or from other Federal agencies		\$ 358,936	\$ 367,938

Change in Unfunded Liabilities. The Consolidated Statement of Financing includes a section depicting the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in Note 15, Liabilities Analysis. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities which are reported on the Consolidated Statement of Financing. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in the Consolidated Statement of Financing.

NOTE 25. INDIAN TRUST FUNDS

Interior, through the Office of the Special Trustee for American Indians (OST), maintains approximately 1,400 accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately \$2,975 million and \$2,880 million as of September 30, 2004 and 2003, respectively.

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

The trust fund balances for Tribal and Other Trust Funds contain two categories:

1. Trust funds held for Indian Tribes (considered non-Federal funds); and
2. Trust funds held by Interior, for future transfer to a tribe upon satisfaction of certain conditions or where the corpus of the fund is non-expendable (considered Federal funds).

The non-Federal and Federal funds are reflected as separate components of the fund balance in the Tribal and Other Trust Funds financial statements. The trust funds considered Federal funds are reflected in Interior's financial statements.

OST also maintains about 266,000 and 260,000 open Individual Indian Monies (IIM) accounts with a fund balance of approximately \$397 million and \$413 million as of September 30, 2004 and 2003, respectively.

The IIM Fund is primarily a deposit fund for individuals who have a beneficial interest in the trust funds. IIM account holders realize receipts primarily from land-use agreements; royalties on natural resource depletion; other proceeds derived directly from trust resources, judgment and tribal per capita distributions; and investment income.

Summaries of the financial statements of the Tribal and Other Trust Funds and the IIM Trust Funds are at the end of this note. The amounts in the summaries do not include the values related to trust lands or other trust resources managed by Interior.

Financial Statements and Basis of Accounting. The Tribal and Other Trust Fund statement of assets and trust fund balances and statement of changes in trust fund balances were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The cash basis of accounting differs from GAAP in that receivables and payables are not accrued and investment premiums and discounts are not amortized or accreted. Receipts are recorded when received, disbursements are recorded when paid, and investments are stated at historical cost.

The IIM Trust Funds Statement of Assets and Trust Fund Balances and Statement of Changes in Trust Fund Balances were prepared using a modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The modified cash basis of accounting differs from GAAP in that receivables and payables are not accrued with the exception of interest earned on invested funds (including discount accretion and premium amortization). Receipts are recorded when received with the exception of interest, and disbursements are recorded when paid. Interest is recorded when earned, including accretion/amortization of investment discounts and premiums. Investments are stated at amortized cost.

Audit Results. With Office of Inspector General oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of September 30, 2004 and 2003. The independent auditors indicated that the financial statements were prepared on the cash or modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. In addition, the independent auditors' reports were qualified as a result of the following:

- It was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances and changes in trust fund balances reflected in the financial

statements due to inadequacies in certain Interior trust-related systems and processes, which provide required trust financial management information to OST.

- Regarding the Tribal and Other Trust Funds, certain parties for whom OST holds monetary assets in trust do not agree with the trust fund balances reflected by OST, and certain of these parties have filed, or are expected to file, claims against the U.S. government.
- Regarding the IIM Trust Funds, certain parties for whom OST holds monetary assets in trust do not agree with the trust fund balances reflected by OST, and certain of these parties have filed a class action lawsuit for an accounting of the individuals' trust funds, which may or may not lead to claims against the U.S. government.

For more information on contingencies, see Note 14.

Tribal and Other Trust Funds
Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 490,380	\$ 507,578
Due from Other Federal Agencies*	7,800	-
Investments	2,477,052	2,372,434
TOTAL ASSETS	\$ 2,975,232	\$ 2,880,012
TRUST FUND BALANCES		
Held for Indian Tribes	\$ 2,708,869	\$ 2,624,471
Held by Department of the Interior and considered to be U.S. Government funds	266,363	255,541
TOTAL TRUST FUND BALANCES	\$ 2,975,232	\$ 2,880,012

* This represents an amount that BIA erroneously transferred from the Trust Funds' account at the U.S. Treasury into the BIA's account at the U.S. Treasury. This amount was transferred on September 30, 2004, and was returned to the proper U.S. Treasury account in October of 2004. The erroneous transfer, which was identified through OST's reconciliation and internal control process, did not impact the interest earnings to the Trust Funds.

Tribal and Other Trust Funds
Statement of Changes in Trust Fund Balances - Cash Basis
For the Years Ended September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
Receipts	\$ 300,960	\$ 256,168
Interest Received	106,348	118,010
Gain (Loss) on Disposition of Investments, Net	6,359	4,291
Disbursements to and on Behalf of Indian Tribes and Other Trust Funds and Withdrawals of Trust Funds by Indian Tribes	(318,447)	(354,746)
Increase in Trust Fund Balances, Net	95,220	23,723
Trust Fund Balances - Beginning of Year	2,880,012	2,856,289
Trust Fund Balances - End of Year	\$ 2,975,232	\$ 2,880,012

Note: The independent auditors expressed a qualified opinion on these financial statements. See "Audit Results" section above.

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
As of September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 21,373	\$ 26,488
Investments	371,723	382,325
Accrued Interest Receivable	3,601	4,255
TOTAL ASSETS	\$ 396,697	\$ 413,068
TRUST FUND BALANCES, held for Individual Indians	\$ 396,697	\$ 413,068

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
For the Years Ended September 30, 2004 and 2003
(dollars in thousands)

	FY 2004	FY 2003
Receipts	\$ 183,776	\$ 170,996
Interest Earned on Investment Funds	20,216	22,817
Gain on Disposition of Investments, Net	590	436
Disbursements To and On Behalf of Account Holders	(220,953)	(192,526)
Increase (Decrease) in Trust Fund Balances, Net	(16,371)	1,723
Trust Fund Balances - Beginning of Year	413,068	411,345
Trust Fund Balances - End of Year	\$ 396,697	\$ 413,068

Note: The independent auditors expressed a qualified opinion on these financial statements. See " Audit Results" section above.

NOTE 26. DEDICATED COLLECTIONS

Dedicated collections as of September 30, 2004 and 2003 consist of the following:

Conservation Funds. Conservation Funds consist of the Land and Water Conservation Fund and the Historic Preservation Fund.

The Land and Water Conservation Fund (LWCF) was enacted in 1964 (Public Law 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The LWCF Act established a funding source for both Federal acquisition of authorized national park, conservation, and recreation areas as well as grants to State and local governments to help them acquire, develop, and improve outdoor recreation areas. The fund is accounted for by the information provided by MMS and is reported as a restricted asset.

Annually, \$904 million for the LWCF and \$150 million for the Historic Preservation Fund (HPF) under Public Law 89-665, are transferred from MMS to the NPS, the majority of which are from royalties from Outer Continental Shelf oil deposits. Each year, amounts from the LWCF and the HPF are warranted to some of the bureaus within Interior and the rest to the Department of Agriculture's Forest Service.

The HPF provides matching grants to encourage private and non-Federal investment in historic preservation efforts nationwide, and assists State and local governments, and Indian Tribes with expanding and accelerating their historic preservation activities nationwide. HPF grants serve as a catalyst and "seed money" to preserve and protect our Nation's irreplaceable heritage for current and future generations.

Abandoned Mine Land Fund. Public Law 95-87 established the OSM, a component of Interior, and authorized the collection of a fee from Coal Mine Operators. Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to fund abandoned mine land reclamation projects. The Surface Mining Law specifies that 50 percent of the reclamation fees collected in each State with an approved reclamation program, or within Indian lands where the Tribe has an approved reclamation program, are to be allocated to that State or Tribe. This 50 percent is designated as the State or tribal share of the fund. The remaining 50 percent (the Federal share) is used by Interior to complete high priority and emergency projects, to fund the Small Operator Assistance Program, to fund additional projects directly through State reclamation programs, and to pay collection, audit, and administration costs.

Expenditures from the AML Fund may only be made as a consequence of appropriations or other Laws. AML reclamation is accomplished primarily by States and Tribes and is funded by grants. Grant funding levels are determined by Interior's annual appropriation and consider the individual State or Tribe's needs, the State and Federal shares, as well as emergency and special funding requirements.

Under authority of Public Law 101-509, Interior began investing AML funds in U.S. Treasury Securities. Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486), Interior began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund (UMWA CBF). This transfer is used to defray anticipated health care costs for eligible union coal mine workers who retired on or before July 20, 1992, and their dependents.

Payments to the UMWA CBF are made in advance based on the number of beneficiaries and an estimate of their benefit costs. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid in subsequent years.

AML program expenses approximate the net cost for the Environmental Restoration GPRA program activity with the addition (+/-) of a pro rata share of allocated costs. The Environmental Restoration GPRA is included in Strategic Goal 1: Resource Protection -- Protect the Nation's Natural, Cultural, and Heritage Resources.

Environmental Improvement and Restoration Fund. The Environmental Improvement and Restoration Fund (EIRF) was a distribution of the Alaska Escrow Fund in which half of the principal was invested in Treasury Securities. The purpose of EIRF is to invest the monies and earn interest until there is further congressional action. Congress has permanently appropriated 20% of the prior fiscal year interest earned by the EIRF to the Department of Commerce each year for marine research activities. The remaining 80% remains in the fund to earn interest and may be appropriated by Congress to certain other agencies, as provided by the law. No assets are available to Interior unless appropriated by Congress.

Aquatic Resources Trust Fund and Sport Fish Restoration. The Aquatic Resources Trust Fund (ARTF) receives excise tax revenues from the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are subsequently distributed to the FWS Sport Fish Restoration Account (SFRA), the U.S. Coast Guard Boat Safety Program, and the Army Corps of Engineers Coastal Wetlands Program. Although the ARTF is managed and maintained by Treasury (per Title 26 of the U.S. Code, Section 9602), Interior reports the ARTF as they have the preponderance of the fund activity (the SFRA received approximately 79% of the ARTF transfers for both FY 2004 and FY 2003). The SFRA makes grants available to States to restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands, and also to enhance public use and benefits from sport fish resources.

Wildlife Restoration. The Federal Aid in Wildlife Restoration Program is a key component of the Nation's cooperative conservation work for wildlife and their habitats. It implements the Interior's Resource Protection Goal of sustaining biological communities on Interior managed and influenced lands and waters by providing financial and technical assistance to States to restore, conserve, manage, and enhance wild bird and mammal populations; acquiring and managing their habitats; providing public use and benefit from wildlife resources; educating hunters; and developing shooting ranges.

The Federal Aid in Wildlife Restoration Act of 1937, also called the Pittman-Robertson Wildlife Restoration Act, as amended (16 U.S.C.669-669k) authorizes the Secretary of the Interior to implement a multi-State conservation grant program and a firearm and bow hunter education and safety program that provides grants to States.

The Wildlife Restoration program is funded by an 11% excise tax on sporting firearms and ammunition, a 12.4% tax on archery equipment, and a 10% tax on handguns. These tax receipts are appropriated to FWS through a permanent-indefinite appropriation for use in the fiscal year following collection. The total of receipts apportioned directly contributes to the Interior's Resource Protection Goal of sustaining biological communities on Interior Managed and Influenced Lands and Waters.

The Wildlife Restoration program operates on a cost reimbursement basis. Each State pays the costs of approved projects up front and applies intermittently for reimbursement of up to 75 percent of the costs incurred. The State must provide at least 25 percent of the project costs from a non-Federal source. However, Puerto Rico, the U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa are not required to provide matching shares. The source of funds for the Federal Aid in Wildlife Restoration program is public, and the source of funds for the Wildlife and Sport Fish Restoration program is government.

Office of the Special Trustee for American Indians. Established by the American Indian Trust Fund Management Reform Act of 1994 (Public Law 103-412), the Office of the Special Trustee for American Indians (OST) was created to improve the accountability and management of Indian funds held in trust by the Federal government. OST develops and implements the policies and procedures governing the management of Indian trust funds. OST manages and is accountable for Tribal Trust and Special Funds that are reported in these financial statements. Financing sources for these funds are from judgment/award monies from Federal sources and other lease and rental income from the public.

Central Utah Project Completion Act. The primary purpose of the Central Utah Project Completion Act (CUPCA) is to provide for the orderly completion of the Central Utah Project by authorizing water conservation and wildlife mitigation projects, and by providing funding for conservation activities. The CUPCA office within Interior is mandated by the Act to, among other responsibilities, transfer funds to the Commission, which has exclusive responsibility for completing the fish, wildlife, and recreation projects in the State of Utah required as part of the Central Utah Project. The Commission also receives transfers of annual appropriations from the Western Area Power Administration of the DOE. The Commission has discretion to either expend such funds, or portions thereof, for mitigation activities or to invest such funds, or portions thereof, in a trust fund established by CUPCA, the interest from which is for the future use of the Commission. Interior accounts for and reports on this fund through the Utah Reclamation Mitigation and Conservation Commission Fund.

National Resource Damage Assessment and Restoration Fund. Section 301c of the Comprehensive Environmental Response, Compensation, and Liability Act requires promulgation of regulations for the assessment of damages for injury to, destruction of, or loss of natural resources resulting from a discharge of oil or release of a hazardous substance. The responsibility for this rulemaking was delegated to Interior by the President in Executive Order 12580 (January 23, 1987). Interior accounts for and reports on this fund through the Natural Resource Damage Assessment and Restoration Fund (NRDAR). The primary aim of NRDAR is to restore natural resources injured as the result of oil spills or hazardous substance releases. The program assesses the damages and injuries to natural resources entrusted to Interior and negotiates legal settlements or takes other legal actions against the responsible parties for the spill or release. Funds from these settlements are then used to restore the injured resources at no expense to the taxpayer. Settlements often include the recovery of the costs incurred in assessing the damages. These funds are then used to fund further damage assessments.

Southern Nevada Public Land Management Act. The Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, authorizes BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds go to the Southern Nevada Water Authority and 5 percent goes to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

Other Dedicated Collections. Other dedicated collections consist of the following:

Donations. The purpose of this fund is to record cash donations provided to the NPS. The fund is accounted for and reported as donated revenue financing source. The source of revenue for this fund is from public donations and is considered an inflow of resources to the government. Under 16 U.S.C. 6, NPS has the authority to use funds as collected.

Priority Land Acquisition. Funds under the Priority Land Acquisitions, Land Exchanges and Maintenance account are from the Land and Water Conservation Fund for priority land acquisitions and exchanges. Interior accounts for and reports on these funds through the Title V Priority Land Acquisitions, Land Exchanges, and Maintenance Fund and the Title VI Priority Land Acquisitions and Land Exchanges Fund. These funds are available for the high priority land acquisitions and exchanges and for reducing maintenance backlogs.

Reclamation Trust Funds. The Reclamation Trust Funds receive monies from the State of California per Public Law 102-575, Title XXXIV, Central Valley Project Improvement Act, to accomplish the following purposes: (a) to protect, restore, and enhance fish, wildlife, and associated habitats in the Central Valley and Trinity River basins of California; (b) to address impacts of the Central Valley Project on fish, wildlife, and associated habitats; (c) to improve the operational flexibility of the Central Valley Project; (d) to increase water-related benefits provided by the Central Valley Project to the State of California through expanded use of voluntary water transfers and improved water conservation; (e) to contribute to the State of California's interim and long-term efforts to protect the San Francisco Bay/Sacramento-San Joaquin Delta Estuary; and (f) to achieve a reasonable balance among competing demands for use of the Central Valley Project water, including the requirements of fish and wildlife, agricultural, municipal and industrial, and power contractors.

Reclamation has established unique cost centers within the accounting system for each of the specified activities under the Act. Once the activity is completed, a report is prepared for the State of California showing the monies collected and the costs incurred.

Everglades. Interior also administers a small portion of the funds available for the Everglades restoration effort. Section 390 of the Federal Agriculture Improvement and Reform Act (Farm Bill) of 1996 (Public Law 104-217), authorized the establishment of an "Everglades Restoration Account" consisting of funds deposited to a special Treasury account derived from the sale of surplus Federal property located in the State of Florida. Although the authority to receive these funds was abolished by the Water Resources Development Act (Public Law 106-541) passed on December 11, 2000, funds deposited to the account prior to that date remain available to support the restoration effort. Interior accounts for and reports on this fund through the Everglades Restoration Account Fund. These funds are to be utilized for "the acquisition of real property ... within the Everglades ecosystem; and ... the funding of resource protection and resource maintenance activities in the Everglades ecosystem." This legislation also provided \$200 million in appropriated funds that have been used primarily for land acquisitions and exchanges necessary to further the restoration effort. These funds have been fully obligated.

Construction Trust Fund. The purpose of this fund is to record NPS trust fund construction. The fund is accounted for and reported as contract authority-allocation transfer account where NPS is the “child”. The source of financing for this fund is from the Department of Transportation – Federal Highways as a result of intragovernmental flows. Under Public Law 106-113, NPS has the authority to obligate funds in advance of funds transfer.

National Indian Gaming Commission. The National Indian Gaming Commission (NIGC) was created in 1988 when Congress enacted the Indian Gaming Regulatory Act. Interior accounts for and reports on this fund through the National Indian Gaming Commission fund. The primary mission of the NIGC is to regulate gaming activities on Indian lands for the purposes of shielding Indian tribes from organized crime and other corrupting influences; ensuring that Indian tribes are the primary beneficiaries of gaming revenues; and assuring that gaming is conducted fairly and honestly by both operators and players. To effect these goals, NIGC is authorized to conduct investigations; undertake enforcement actions, including the assessment of fines and the issuance of closure orders; conduct background investigations; conduct audits; review and approve tribal gaming ordinances and management contracts; and issue such regulations as necessary to meet its responsibilities. The NIGC is funded by an assessment of less than one-tenth of one percent of the gross revenues of Indian gaming operations.

Birthplace of Abraham Lincoln. The purpose of this fund is to maintain the boyhood home of Abraham Lincoln. The fund is accounted for and reported as interest income. The source of revenue for this fund is from interest income on a U.S. Treasury Security and is a result of intragovernmental flows. Under 16 U.S.C. 212, NPS has the authority to use funds as earned and collected.

FY 2004 dedicated collections are shown in the following table:

<i>(dollars in thousands)</i>	Land and Water Conservation Fund	Historic Preservation Fund	Abandoned Mine Land Fund	Environmental Improvement and Restoration Fund	Southern Nevada Public Land Management Act	Aquatic Resources Trust Fund
ASSETS						
Fund Balance with Treasury	\$ 13,859,218	\$ 2,453,491	\$ 583	\$ 2	\$ 841	\$ 24,941
Investments, Net	-	-	2,051,301	1,001,652	793,693	1,451,344
Accounts Receivable, Net	-	-	6,578	-	-	8,127
General Property, Plant, and Equipment, Net	-	-	-	-	675	-
Other Assets	-	-	21	-	-	-
TOTAL ASSETS	\$ 13,859,218	\$ 2,453,491	\$ 2,058,483	\$ 1,001,654	\$ 795,209	\$ 1,484,412
LIABILITIES						
Aquatic Resource Amounts Due to FWS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920,993
Aquatic Resource Amounts Due to Coast Guard	-	-	-	-	-	-
Aquatic Resource Amounts Due to Corps of Engineers	-	-	-	-	-	-
Accounts Payable	-	-	15,286	-	7,532	-
Other Liabilities	-	-	648	-	136,207	-
TOTAL LIABILITIES	-	-	15,934	-	143,739	920,993
Total Net Position	13,859,218	2,453,491	2,042,549	1,001,654	651,470	563,419
TOTAL LIABILITIES AND NET POSITION	\$ 13,859,218	\$ 2,453,491	\$ 2,058,483	\$ 1,001,654	\$ 795,209	\$ 1,484,412
CHANGE IN NET POSITION						
Net Position, Beginning of Fiscal Year	\$ 13,443,816	\$ 2,377,575	\$ 1,952,634	\$ 977,522	\$ 283,190	\$ 554,415
Change in Net Position:						
Non-exchange Revenue						
Taxes	-	-	-	-	-	455,828
AML Fee Revenue	-	-	286,160	-	-	-
Investment Interest	-	-	54,625	24,132	-	16,551
Royalties Retained	903,516	150,164	-	-	-	-
Other Non-Exchange Revenue	-	-	26	-	395	-
Transfers In/Out without Reimbursement	(488,114)	(74,248)	-	-	(100)	(463,375)
Exchange Revenue - Services Provided and Other	-	-	26	-	447,507	-
Program Expenses	-	-	(235,955)	-	(79,522)	-
UMWA-CBF Expenses	-	-	(14,967)	-	-	-
Net Position, End of Fiscal Year	\$ 13,859,218	\$ 2,453,491	\$ 2,042,549	\$ 1,001,654	\$ 651,470	\$ 563,419

Sportfish Restoration	Wildlife Restoration	Office of the Special Trustee for American Indians	Central Utah Project Completion Act	Natural Resource Damage Assessment and Restoration Fund	Other Dedicated Collections	FY 2004
\$ 14,255	\$ 120,209	\$ (34)	\$ 35,273	\$ 617	\$ 121,883	\$ 16,631,279
-	364,889	268,481	145,066	169,524	65	6,246,015
921,021	-	-	-	5,754	9	941,489
-	-	-	4,147	-	42,919	47,741
-	107	-	-	-	1,570	1,698
<u>\$ 935,276</u>	<u>\$ 485,205</u>	<u>\$ 268,447</u>	<u>\$ 184,486</u>	<u>\$ 175,895</u>	<u>\$ 166,446</u>	<u>\$ 23,868,222</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920,993
68,351	-	-	-	-	-	68,351
352,546	-	-	-	-	-	352,546
22,991	14,613	-	774	5	2,586	63,787
988	781	-	214	-	44,191	183,029
444,876	15,394	-	988	5	46,777	1,588,706
490,400	469,811	268,447	183,498	175,890	119,669	22,279,516
<u>\$ 935,276</u>	<u>\$ 485,205</u>	<u>\$ 268,447</u>	<u>\$ 184,486</u>	<u>\$ 175,895</u>	<u>\$ 166,446</u>	<u>\$ 23,868,222</u>
\$ 463,439	\$ 453,673	\$ 257,479	\$ 174,006	\$ 161,802	\$ 121,603	\$ 21,221,154
-	238,807	-	-	-	-	694,635
-	-	-	-	-	-	286,160
-	10,255	8,230	10,201	2,024	40	126,058
-	-	-	-	-	-	1,053,680
177	198	3,051	(755)	34,088	18,133	55,313
345,405	(173)	8,189	6,163	(19,354)	(2,148)	(687,755)
-	-	-	2,250	-	20,886	470,669
(318,621)	(232,949)	(8,502)	(8,367)	(2,670)	(38,845)	(925,431)
-	-	-	-	-	-	(14,967)
<u>\$ 490,400</u>	<u>\$ 469,811</u>	<u>\$ 268,447</u>	<u>\$ 183,498</u>	<u>\$ 175,890</u>	<u>\$ 119,669</u>	<u>\$ 22,279,516</u>

FY 2003 dedicated collections are shown in the following table:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Abandoned Mine Land Fund	Environmental Improvement and Restoration Fund	Southern Nevada Public Land Management Act	Aquatic Resources Trust Fund
ASSETS						
Fund Balance with Treasury	\$ 13,443,816	\$ 2,377,575	\$ 543	\$ 1	\$ 465	\$ 22,074
Investments	-	-	1,926,867	977,521	335,508	1,415,812
Accounts Receivable	-	-	34,965	-	-	273
General Property, Plant, and Equipment	-	-	-	-	18	-
Other Assets	-	-	40	-	176	-
TOTAL ASSETS	\$ 13,443,816	\$ 2,377,575	\$ 1,962,415	\$ 977,522	\$ 336,167	\$ 1,438,159
LIABILITIES						
Aquatic Resource Amounts Due to FWS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 883,661
Aquatic Resource Amounts Due to Coast Guard	-	-	-	-	-	-
Aquatic Resource Amounts Due to Corps of Engineers	-	-	-	-	-	-
Aquatic Resource Amounts Due to Others	-	-	-	-	-	83
Accounts Payable	-	-	9,304	-	6,527	-
Other Liabilities	-	-	477	-	46,450	-
TOTAL LIABILITIES	-	-	9,781	-	52,977	883,744
Total Net Position	13,443,816	2,377,575	1,952,634	977,522	283,190	554,415
TOTAL LIABILITIES AND NET POSITION	\$ 13,443,816	\$ 2,377,575	\$ 1,962,415	\$ 977,522	\$ 336,167	\$ 1,438,159
CHANGE IN NET POSITION						
Net Position, Beginning of Fiscal Year	\$ 13,073,662	\$ 2,298,127	\$ 1,886,154	\$ 967,274	\$ 123,262	\$ 538,979
Change in Net Position:						
Non-exchange Revenue						
Taxes	-	-	-	-	-	426,376
AML Fee Revenue	-	-	282,411	-	-	-
Investment Interest	-	-	23,610	10,248	1,651	40,949
Royalties Retained	899,020	150,000	-	-	-	-
Other Non-Exchange Revenue	-	-	110	-	(1,367)	-
Transfers In/Out without Reimbursement	(528,866)	(70,552)	-	-	(20,201)	(451,889)
Exchange Revenue - Services Provided and Other	-	-	103	-	241,831	-
Program Expenses	-	-	(191,505)	-	(61,986)	-
UMWA-CBF Expenses	-	-	(48,249)	-	-	-
Net Position, End of Fiscal Year	\$ 13,443,816	\$ 2,377,575	\$ 1,952,634	\$ 977,522	\$ 283,190	\$ 554,415

Sportfish Restoration	Wildlife Restoration	Office of the Special Trustee for American Indians	Central Utah Project Completion Act	Natural Resource Damage Assessment and Restoration Fund	Other Dedicated Collections	FY 2003
\$ (6,938)	\$ 18,098	\$ (34)	\$ 30,379	\$ 404	\$ 132,820	\$ 16,019,203
-	453,148	257,513	140,134	155,695	65	5,662,263
883,688	1	-	-	5,706	139	924,772
-	7	-	4,170	-	38,174	42,369
-	116	-	-	-	2,764	3,096
<u>\$ 876,750</u>	<u>\$ 471,370</u>	<u>\$ 257,479</u>	<u>\$ 174,683</u>	<u>\$ 161,805</u>	<u>\$ 173,962</u>	<u>\$ 22,651,703</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 883,661
62,515	-	-	-	-	-	62,515
327,164	-	-	-	-	-	327,164
-	-	-	-	-	-	83
22,284	17,073	-	446	3	3,637	59,274
1,348	624	-	231	-	48,722	97,852
413,311	17,697	-	677	3	52,359	1,430,549
463,439	453,673	257,479	174,006	161,802	121,603	21,221,154
<u>\$ 876,750</u>	<u>\$ 471,370</u>	<u>\$ 257,479</u>	<u>\$ 174,683</u>	<u>\$ 161,805</u>	<u>\$ 173,962</u>	<u>\$ 22,651,703</u>
\$ 462,309	\$ 490,489	\$ 224,898	\$ 161,442	\$ 151,620	\$ 121,518	\$ 20,499,734
-	214,337	-	-	-	-	640,713
-	-	-	-	-	-	282,411
-	8,501	8,839	2,593	2,116	(162)	98,345
-	-	-	-	-	-	1,049,020
358	245	3,373	8,668	32,359	17,084	60,830
329,816	(243)	28,877	6,061	(22,184)	(276)	(729,457)
-	-	-	4,027	-	17,089	263,050
(329,044)	(259,656)	(8,508)	(8,785)	(2,109)	(33,650)	(895,243)
-	-	-	-	-	-	(48,249)
<u>\$ 463,439</u>	<u>\$ 453,673</u>	<u>\$ 257,479</u>	<u>\$ 174,006</u>	<u>\$ 161,802</u>	<u>\$ 121,603</u>	<u>\$ 21,221,154</u>

NOTE 27. U.S. PARK POLICE PENSION ACTUARIAL LIABILITY

During FY 2004, Interior began recording a liability for the USPP Pension Plan. Previously, no liability had been recorded because Interior was not considered the administrator of the pension plan. As a result of a policy change, Interior's FY 2004 net position beginning balance was adjusted downward by approximately \$649 million.

Interior adopted OMB's guidance for recording the liability at the actuarial present value of the future benefits of the pension plan. Economic assumptions are applied to historical cost information to estimate the cost of pension benefits. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. The following table presents the significant economic assumptions used to estimate the USPP Pension Plan liability and corresponding expense:

<u>Economic Assumptions Used</u>	<u>FY 2004</u>
Interest Rate	6.75%
Inflationary Rate	3.75%
Projected Salary Increase	4.25%

The following table presents the components of the USPP Pension Plan expense:

<u>USPP Pension Plan Expense</u>	<u>FY 2004</u>
Normal Costs	\$ 1,600
Interest	41,500
Assumption Changes at Beginning of Year	(25,305)
Total Pension Expenses	\$ 17,795

The following table presents the change in the USPP Pension Plan liability:

<u>USPP Pension Plan Liability</u>	<u>FY 2004</u>
Beginning Balance	\$ 649,300
Total Pension Expense	17,795
Less Benefit Payments	(27,595)
Ending Balance	\$ 639,500

The long term portion of the pension liability totaling \$604,640 million is presented separately on the balance sheet and the short term portion totaling \$34,860 million is presented as part of the accrued payroll and benefits to the public.

NOTE 28. POSSESSORY INTEREST AND LEASEHOLD SURRENDER INTEREST

Interior has contracts with organizations that manage and operate hotels, lodges, restaurants, gift shops, and other concession operations at various parks. In accordance with legislation and the contracts, some of these concessionaires have a possessory interest or leasehold surrender interest (PI/LSI) in certain real property construction or improvements that the concessionaire pays for and Interior approves.

A concessionaire's interest may be extinguished provided the concessionaire is compensated for the PI/LSI in accordance with concession laws and contracts. At the end of the contract period, PI/LSI amounts are negotiated and either incorporated into new contracts or extinguished through payment. Payment for this interest has been made by a subsequent concessionaire in most situations.

For concession contracts entered into prior to 1998, the value of the concessionaire's possessory interest is equal to the sound value of such structure, fixture, or improvement at the time of taking by the United States determined upon the basis of reconstruction cost less depreciation evidenced by its condition and prospective serviceability in comparison with a new unit of like kind, but not to exceed fair market value.

For concession contracts entered into during 1998 and thereafter, the value of the concessionaire's leasehold surrender interest is equal to the initial value (construction cost of the capital improvement), increased (or decreased) in the same percentage increase (or decrease) as the percentage increase (or decrease) in the Consumer Price Index, from the date of making the investment in the capital improvement by the concessionaire to the date of payment of the value of the leasehold surrender interest, less depreciation of the capital improvement as evidenced by the condition and prospective serviceability in comparison with a new unit of like kind.

Interior does not report the real property construction or improvements made by the concessionaire or the related PI/LSI on its financial statements. In October 2004, the Federal Accounting Standards Advisory Board (FASAB) agreed to review the accounting and reporting of these transactions and issue future guidance. That guidance may result in a future change to Interior's accounting and reporting for these transactions.

As of September 30, 2004 Interior has approximately 600 concession contracts, and approximately 195 of these Contracts have PI/LSI provisions. Of these concession contracts with PI/LSI provisions, Interior has 40 contracts that include PI/LSI amounts totaling approximately \$350 million. The remaining 155 contracts do not include PI/LSI amounts as these amounts have not been negotiated or arbitrated.

Required Supplementary Information (Unaudited, See Auditors' Report)

This section includes the Combining Statement of Budgetary Resources (Budgetary Accounts), deferred maintenance information, intragovernmental transaction disclosures, and supplemental statements for combined working capital and franchise funds.

Combining Statement of Budgetary Resources
for the year ended September 30, 2004
(in thousands)

	Interior Franchise Fund	Water and Related Resources	National Park Service Operations	National Park Service Construction	Management of Land and Resources
Budgetary Resources:					
Budget Authority:					
Appropriations Received	\$ -	851,803	1,629,641	355,820	865,744
Net Transfers, Current Year Authority	-	(85,601)	10,067	43,456	15
Unobligated Balance:					
Beginning of Fiscal Year	720,543	266,624	69,027	341,172	36,763
Net Transfers, Unobligated Balance, Actual	-	1,346	21	14,006	-
Spending Authority From Offsetting Collections:					
Earned					
Collected	1,396,541	215,667	20,266	108,247	274,026
Receivable From Federal Sources	(17,054)	9,757	(139)	9,829	(1,816)
Change in Unfilled Customer Orders					
Advance Received	264,506	4,934	-	(1,160)	(12)
Without Advance From Federal Sources	(65,871)	1,493	-	32,077	3,332
Subtotal: Spending Authority From Offsetting Collections	1,578,122	231,851	20,127	148,993	275,530
Recoveries of Prior Year Obligations	-	25,901	7,439	7,414	24,533
Temporarily Not Available Pursuant to Public Law	-	-	-	-	-
Permanently Not Available	-	(5,059)	(25,172)	(4,107)	(10,478)
Total Budgetary Resources (Note 23)	\$ 2,298,665	1,286,865	1,711,150	906,754	1,192,107
Status of Budgetary Resources:					
Obligations Incurred:					
Direct	\$ -	798,907	1,603,055	384,088	902,363
Reimbursable	1,563,704	219,125	20,839	122,054	254,994
Total Obligations Incurred (Note 23)	1,563,704	1,018,032	1,623,894	506,142	1,157,357
Unobligated Balance: (Note 23)					
Apportioned	734,961	268,833	67,612	400,612	34,730
Exempt From Apportionment	-	-	-	-	-
Unobligated Balance not Available (Note 23)	-	-	19,644	-	20
Total Status of Budgetary Resources	\$ 2,298,665	1,286,865	1,711,150	906,754	1,192,107
Relationship of Obligations to Outlays:					
Obligations Incurred	\$ 1,563,704	1,018,031	1,623,894	506,142	1,157,357
Obligated Balance, Net, Beginning of Fiscal Year	442,008	339,185	299,641	330,507	218,149
Obligated Balance, Net, End of Fiscal Year:					
Accounts Receivable	6,366	19,677	339	28,068	4,675
Unfilled Customer Orders From Federal Sources	177,436	29,859	-	97,605	9,773
Undelivered Orders	(605,109)	(308,706)	(269,461)	(279,570)	(188,347)
Accounts Payable	(237,363)	(107,084)	(69,455)	(149,652)	(50,957)
Total Obligated Balance, Net End of Fiscal Year	(658,670)	(366,254)	(338,577)	(303,549)	(224,856)
Less: Spending Authority Adjustments	82,925	(37,150)	(7,300)	(49,320)	(26,049)
Outlays:					
Disbursements	1,429,967	953,812	1,577,658	483,780	1,124,601
Collections	(1,661,047)	(220,601)	(20,267)	(107,087)	(274,014)
Subtotal	(231,080)	733,211	1,557,391	376,693	850,587
Less: Offsetting Receipts	-	(120)	-	-	-
Net Outlays	\$ (231,080)	733,091	1,557,391	376,693	850,587

**Combining Statement of Budgetary Resources
for the year ended September 30, 2004
(in thousands)**

Wildland Fire Management	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	Total Budgetary Accounts
892,725 (126,625)	963,352 5,200	1,162,955 -	1,916,317 -	949,686 -	5,124,347 14,321	\$ 14,712,390 (139,167)
101,691 -	30,365 15,296	- -	484,472 6,488	78,629 -	2,775,985 (11,177)	4,905,271 25,980
16,500 6,016	137,397 (3,044)	- -	229,269 (6,868)	438,941 (31,514)	1,885,842 30,296	4,722,696 (4,537)
908 (285)	(344) 71,794	- -	3,074 (16,264)	(1,165) (16,761)	276,936 19,354	547,677 28,869
23,139 25,758 -	205,803 16,212 -	- -	209,211 63,232 -	389,501 10,744 -	2,212,428 212,346 (2,249)	5,294,705 393,579 (2,249)
(9,132)	(11,932)	-	(23,613)	(17,131)	(71,205)	(177,829)
907,556	1,224,296	1,162,955	2,656,107	1,411,429	10,254,796	\$ 25,012,680
808,505 9,648	957,186 203,682	1,162,955 -	2,038,657 242,263	979,877 385,253	5,031,583 2,114,486	\$ 14,667,176 5,136,048
818,153	1,160,868	1,162,955	2,280,920	1,365,130	7,146,069	19,803,224
89,403 -	59,831 -	- -	349,285 -	21,101 -	3,046,365 39,444	5,072,733 39,444
-	3,597	-	25,902	25,198	22,918	97,279
907,556	1,224,296	1,162,955	2,656,107	1,411,429	10,254,796	25,012,680
818,153 314,242	1,160,868 269,263	1,162,955 -	2,280,921 218,728	1,365,130 26,311	7,146,069 3,282,940	\$ 19,803,224 5,740,974
9,347 12,727 (264,649)	27,253 113,164 (340,205)	- -	6,136 3,094 (214,996)	142,793 42,714 (162,251)	82,003 65,849 (3,655,480)	326,657 552,221 (6,288,774)
(29,439)	(59,141)	-	(75,342)	(113,727)	(467,760)	(1,359,920)
(272,014)	(258,929)	-	(281,108)	(90,471)	(3,975,388)	(6,769,816)
(31,490)	(84,962)	-	(40,100)	37,531	(261,995)	(417,910)
828,891 (17,407)	1,086,240 (137,053)	1,162,955 -	2,178,441 (232,343)	1,338,501 (437,777)	6,191,626 (2,162,778)	18,356,472 (5,270,374)
811,484 -	949,187 -	1,162,955 (1,162,955)	1,946,098 -	900,724 -	4,028,848 (3,105,992)	13,086,098 (4,269,067)
811,484	949,187	-	1,946,098	900,724	922,856	8,817,031

Combining Statement of Budgetary Resources
for the year ended September 30, 2003
(in thousands)

	Interior Franchise Fund	Water and Related Resources	National Park Service Operations	National Park Service Construction	Management of Land and Resources
Budgetary Resources:					
Budget Authority:					
Appropriations Received	\$ -	832,509	1,574,565	303,043	831,444
Net Transfers, Current Year Authority	-	(73,150)	162	15,598	78
Unobligated Balance:					
Beginning of Fiscal Year	378,456	256,269	66,404	386,805	34,203
Net Transfers, Unobligated Balance, Actual	-	(425)	-	1	400
Spending Authority From Offsetting Collections:					
Earned					
Collected	2,037,822	186,366	16,424	122,008	55,026
Receivable From Federal Sources	(118,682)	(9,725)	50	2,927	2,709
Change in Unfilled Customer Orders					
Advance Received	499,680	9,379	-	(30,781)	(37)
Without Advance From Federal Sources	(186,789)	(9,869)	-	14,100	1,721
Subtotal: Spending Authority From Offsetting Collections	2,232,031	176,151	16,474	108,254	59,419
Recoveries of Prior Year Obligations	-	24,130	9,302	2,832	19,248
Permanently Not Available	-	(4,789)	(18,058)	(2,116)	(5,367)
Total Budgetary Resources (Note 23)	\$ 2,610,487	1,210,695	1,648,849	814,417	939,425
Status of Budgetary Resources:					
Obligations Incurred:					
Direct	\$ -	776,563	1,562,187	350,554	871,885
Reimbursable	1,889,943	167,506	17,635	122,691	30,778
Total Obligations Incurred (Note 23)	1,889,943	944,069	1,579,822	473,245	902,663
Unobligated Balance: (Note 23)					
Apportioned	720,544	266,626	47,473	341,172	36,750
Exempt From Apportionment	-	-	-	-	-
Unobligated Balance not Available (Note 23)	-	-	21,554	-	12
Total Status of Budgetary Resources	\$ 2,610,487	1,210,695	1,648,849	814,417	939,425
Relationship of Obligations to Outlays:					
Obligations Incurred	\$ 1,889,943	944,069	1,579,822	473,245	902,663
Obligated Balance, Net, Beginning of Fiscal Year	48,974	335,076	318,406	303,091	231,470
Obligated Balance, Net, End of Fiscal Year:					
Accounts Receivable	23,421	9,922	478	18,238	6,491
Unfilled Customer Orders From Federal Sources	243,307	28,366	-	65,528	6,441
Undelivered Orders	(416,358)	(265,211)	(250,545)	(309,780)	(191,982)
Accounts Payable	(292,378)	(112,261)	(49,574)	(104,493)	(39,099)
Total Obligated Balance, Net, End of Fiscal Year	(442,008)	(339,184)	(299,641)	(330,507)	(218,149)
Less: Spending Authority Adjustments	305,471	(4,536)	(9,351)	(19,860)	(23,678)
Outlays:					
Disbursements	1,802,380	935,425	1,589,236	425,969	892,306
Collections	(2,537,502)	(195,745)	(16,425)	(91,227)	(54,989)
Subtotal	(735,122)	739,680	1,572,811	334,742	837,317
Less: Offsetting Receipts	-	(408)	-	-	-
Net Outlays	\$ (735,122)	739,272	1,572,811	334,742	837,317

Combining Statement of Budgetary Resources
for the year ended September 30, 2003
(in thousands)

Wildland Fire Management	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	Total Budgetary Accounts
879,406	922,429	947,006	1,867,009	925,287	4,921,056	\$ 14,003,754
(16,182)	18,113	-	-	-	(14,969)	(70,350)
119,529	52,121	-	451,204	53,724	2,679,696	4,478,411
(13,397)	645	-	(2,929)	-	(14,128)	(29,833)
34,768	132,343	-	198,405	391,699	1,610,138	4,784,999
275	1,989	-	4,692	(2,103)	(28,648)	(146,516)
1,550	(8,385)	-	27,907	(27,781)	46,094	517,626
2,205	(8,279)	-	1,302	35,864	(9,976)	(159,721)
38,798	117,668	-	232,306	397,679	1,617,608	4,996,388
39,841	19,433	-	32,415	10,766	146,724	304,691
(4,254)	(6,038)	-	(19,465)	(11,420)	(136,116)	(207,623)
1,043,741	1,124,371	947,006	2,560,540	1,376,036	9,199,871	\$ 23,475,438
917,158	969,541	947,006	1,854,661	905,127	4,880,919	\$ 14,035,601
24,893	124,465	-	221,404	392,280	1,542,971	4,534,566
942,051	1,094,006	947,006	2,076,065	1,297,407	6,423,890	18,570,167
101,690	28,798	-	454,077	32,927	2,708,884	4,738,941
-	-	-	-	-	41,349	41,349
-	1,567	-	30,398	45,702	25,748	124,981
1,043,741	1,124,371	947,006	2,560,540	1,376,036	9,199,871	\$ 23,475,438
942,051	1,094,006	947,006	2,076,065	1,297,407	6,423,890	\$ 18,570,167
307,525	263,121	-	266,872	111,208	2,767,462	4,953,205
3,331	30,297	-	13,004	174,308	51,705	331,195
13,012	41,370	-	19,359	59,475	46,495	523,353
(274,274)	(294,811)	-	(185,809)	(169,574)	(2,986,794)	(5,345,138)
(56,311)	(46,119)	-	(65,280)	(90,519)	(394,350)	(1,250,384)
(314,242)	(269,263)	-	(218,726)	(26,310)	(3,282,944)	(5,740,974)
(42,321)	(13,143)	-	(38,409)	(44,527)	(108,100)	1,546
893,013	1,074,721	947,006	2,085,802	1,337,778	5,800,308	17,783,944
(36,318)	(123,958)	-	(226,312)	(363,918)	(1,656,230)	(5,302,624)
856,695	950,763	947,006	1,859,490	973,860	4,144,078	12,481,320
-	-	(947,006)	-	-	(2,714,315)	(3,661,729)
856,695	950,763	-	1,859,490	973,860	1,429,763	\$ 8,819,591

Deferred Maintenance

The Department of the Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are used to support the Department's stated mission. Interior's assets include some deteriorating facilities for which repair and maintenance have not been adequately funded. Current and prior budgetary restraints require that repair and maintenance on the assets be postponed for future years. Interior refers to this unfunded repair and maintenance of facilities and infrastructure as deferred maintenance.

Inadequately funded maintenance may result from reduced budgets, reallocation of maintenance funds for emergency requirements, insufficient management systems or practices, and competition for resources from other program needs. Deterioration of facilities can adversely impact public health and safety, reduce employees' morale and productivity, and increase the need for costly major repair or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that a facility be replaced or undergo major reconstruction before the end of its expected useful life.

The SFAS No. 6, "Accounting for Property, Plant and Equipment," requires annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior plant, property, and equipment (PP&E). Both General PP&E and Stewardship PP&E are included.

Deferred maintenance information is accumulated when maintenance was not performed when it should have been or when it was scheduled and which, therefore, was put off or delayed for a future period. Deferred maintenance needs may be further categorized in two tiers, critical and non-critical. Delaying correction of non-critical needs may result in their becoming critical facility or equipment deficiencies at a future time. Code compliance (e.g. life safety, ADA, OSHA, environmental, etc.) and other regulatory or Executive Order compliance requirements not met on schedule are considered deferred maintenance.

The Department has developed a Five-Year Plan that provides a framework for improved planning and management to maintenance and construction programs and better defines accumulated deferred maintenance funding needs. In developing the Five-Year Plan, the Department established uniform criteria for critical health and safety and resource protection projects, and through rigorous screening, prioritized the projects based on these criteria. FASAB requires that all deferred maintenance be reported regardless of when it might be performed, not just that included in the Five-year Plans. The long-term goal is to have deferred maintenance backlog information based on condition assessments recorded in a facilities maintenance management information system. This information does not include annual maintenance or capital improvements as defined in the Department's Budget Formulation Guidance.

Critical Deferred Maintenance

Categories of deferred maintenance for analytic purposes include (a) Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety or health; (b) Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources; (c) Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission; (d) Compliance and Other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility; compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; protection of natural or cultural resources to a bureau's ability to carry out its assigned mission.

Critical Maintenance is the work prioritized for FY 2004 - FY 2009 in the Deferred Maintenance and Capital Improvement Plans for the Bureau of Land Management, the U.S. Geological Survey, the Fish and Wildlife Service, the National Park Service, and the Bureau of Indian Affairs. The Department prioritizes deferred maintenance through five year plans that identify the most critical needs. The Bureau of Reclamation has no critical maintenance.

Estimated Deferred Maintenance

Generally, deferred maintenance is not estimated on equipment. If, however, the nature of operations is such that deferred maintenance on equipment is considered significant and meaningful, the Department may report this information.

Due to the scope, nature, and variety of the assets entrusted to the Department, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance are very difficult to determine. Interior has calculated estimates of deferred maintenance based on data from a variety of systems, procedures, and data sources. The accumulation of deferred maintenance cost estimates, however, is not the primary purpose of many of these sources. The Department acknowledges that the reliability of these sources as a basis for deferred maintenance estimates may vary from bureau to bureau. The Department has implemented a cyclic/recurring condition assessment process to monitor, at a minimum of every five years, the condition of buildings and other facilities. The FY 2004 process is similar to the process in place in FY 2003.

Condition Assessment Surveys

The Department used Condition Assessment Surveys to determine deferred maintenance for each class of assets. A condition assessment survey is the periodic inspection of real property to determine its current condition and to provide a cost estimate for necessary repairs. Annual condition assessments are performed on all constructed assets with a current replacement value (CRV) of \$5,000 or more and are performed by field operating unit staff. Comprehensive condition assessments are performed on all constructed assets with a current replacement value of \$50,000 or more once every 5 years. Comprehensive assessments are usually performed under contract; the contract includes an expert inspection of the facility and all component systems, a summary of deficiencies found, and a recalculation of the current replacement value.

Condition assessments provide the estimates of current replacement value of the facilities and the cost of the repairs in the Deferred Maintenance (DM) Backlog which are used to calculate the Facilities Condition Index (FCI). The FCI is a method for rating the condition of a facility or group of facilities by dividing the total calculated cost of deferred maintenance by the current replacement value of the facility or facilities. A score closer to 0.0 reflects better condition. For example, a building with a current replacement value of \$100,000 and deferred maintenance of \$20,000 would have an FCI of 0.20. The result of the calculation is compared to numerical ranges that represent specific conditions, e.g., good, fair, or poor. The industry standard FCI for general buildings is:

$$\text{FCI} = \text{DM} / \text{CRV}$$

- Good is less than .05
- Fair is equal to or greater than .05 and less than .10
- Poor is equal to or greater than .10

The Department’s assessment of deferred maintenance is dependent upon the bureaus having accurate and complete facilities information. The accumulation of facility data provides the necessary information for compliance with the Federal Accounting Standard that requires annual reporting of deferred maintenance of fixed assets .

Facilities and items of equipment are categorized according to condition using terms such as those shown below:

Good “G” – Facility/equipment condition meets established maintenance standards, Operates efficiently, and has a normal life. There is no deferred maintenance on facilities/equipment in good condition.

Fair “F” – Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy. Poor/Unsatisfactory “P” – Facility/equipment does not meet most operating standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases, this includes condemned or failed facilities.

Based on periodic condition assessment surveys, an indicator of condition is the percent of facilities and items of equipment in each of the good, fair, or poor categories.

Interior’s current estimate for deferred maintenance includes the following property categories of Roads, Bridges and Trails; Irrigation, Dams and Other Water Structures; Buildings (e.g., Administration, Education, Housing, Historic Buildings); and Other Structures (e.g. Recreation Sites, Hatcheries, etc.).

The estimate generally excludes vehicles and most other categories of operating equipment since on-going maintenance is performed on these assets and such assets would be disposed of before they resulted in a deferred maintenance condition.

Deferred Maintenance Estimate

Deferred maintenance information from the Feasibility software system represents the full inventory of all the identified deficiencies, but does not represent a backlog of specific repairs to be undertaken. Bureaus are developing performance measures to improve assets to an acceptable condition. Once these measures are in place and costs associated with achieving acceptable condition determined, this will become the deferred backlog amounts. As such, the Department’s current approach for estimating the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately \$8.9 billion to \$15 billion as summarized in *Table 3-1*.

TABLE 3-1

**Estimated Range of FY 2004 Deferred Maintenance
(in thousands)**

Type of Deferred Maintenance	General PP&E		Stewardship PP&E		Total	
	Low	High	Low	High	Low	High
Roads, Bridges, Trails*	\$3,423,220	\$6,724,295	\$518,373	\$732,760	\$3,941,593	\$7,457,055
Irrigation, Dams and Other Water Structures	1,984,678	2,540,597	73,513	101,486	2,058,191	2,642,083
Buildings *	1,359,692	2,065,235	515,656	1,083,788	1,875,348	3,149,023
Other Structures *	1,045,703	2,004,161	16,858	36,018	1,062,561	2,040,179
DOI Total	\$7,813,293	\$13,334,288	\$1,124,400	\$1,954,052	\$8,937,693	\$15,288,340

*These totals include deferred maintenance on non-Bureau of Indian Affairs-owned (Tribal) assets for which the Bureau of Indian Affairs is responsible for maintenance (e.g., roads on Tribal lands).

Intragovernmental Transaction Disclosures

Intragovernmental amounts represent transactions between Federal entities included in the Federal Government's annual financial report. These transactions include assets, liabilities, revenues, transfers, and expenses. Interior's FY 2004 intragovernmental transactions are shown in *Tables 3-2, 3-3, 3-4, and 3-5*.

TABLE 3-2

Intragovernmental Assets

(dollars in thousands)	Fund Balance with		Accounts and	
	Treasury	Investments	Interest	Advances and
			Receivable	Prepayments
Department of the Treasury	\$ 30,866,144	\$ 6,187,329	\$ 227,567	\$ -
Department of Agriculture	-	-	18,212	-
Department of the Army	-	-	5,483	-
Department of the Air Force	-	-	5,130	-
Environmental Protection Agency	-	-	9,513	-
Department of Transportation	-	-	21,182	1,033
National Aeronautics and Space Adm.	-	-	24,738	-
Department of Energy	-	-	9,101	-
U.S. Army Corps of Engineers	-	-	13,063	-
Other Federal Agencies	-	-	14,045	178
TOTAL	\$ 30,866,144	\$ 6,187,329	\$ 348,034	\$ 1,211

TABLE 3-3
Intragovernmental Liabilities

	Accounts Payable	Debt	Accrued Payroll and Benefits	Deferred Revenue and Deferred Credits	Custodial Liability	Aquatic Resources	Judgment Fund	Other Liabilities	Total
Department of the Treasury	\$ 3,180	\$ 1,304,879	\$ 15,996	\$ 10,601	\$ 671,478	\$ -	\$ 178,878	\$ 134,293	\$ 2,319,305
Executive Office of the President	1,006	-	-	100,345	-	-	-	-	101,351
Department of Agriculture	4,394	-	-	52,359	-	-	-	-	56,753
Department of Justice	713	-	-	38,868	-	-	-	-	39,581
Department of Labor	1,750	-	133,252	610	-	-	-	-	135,612
Department of the Navy	569	-	-	247,257	-	-	-	-	247,826
Department of the Army	229	-	-	528,251	-	-	-	-	528,480
Office of Personnel Management	367	-	21,844	1,632	-	-	-	-	23,843
General Services Administration	32,574	-	-	4,380	-	-	-	23,596	60,550
Department of the Air Force	-	-	-	137,413	-	-	-	-	137,413
Department of Homeland Security	2	-	-	114,900	-	-	-	-	183,253
Agency for International Development	-	-	-	31,135	-	68,351	-	-	31,135
Department of Health and Human Services	-	-	-	195,474	-	-	-	-	195,474
Department of Education	414	-	-	144,770	-	-	-	-	145,184
U.S. Army Corps of Engineers	23,388	-	-	237	-	352,545	-	-	376,170
Defense Agencies	829	-	-	135,157	-	-	-	-	135,986
Other Federal Agencies	7,411	-	-	13,612	-	-	-	-	21,023
TOTAL	\$ 76,826	\$ 1,304,879	\$ 171,092	\$ 1,757,001	\$ 671,478	\$ 420,896	\$ 178,878	\$ 157,889	\$ 4,738,939

TABLE 3-4
Intragovernmental Revenues, Transfers, and Expenses

(dollars in thousands)	Transfers In	Transfers Out	Imputed Financing Source	Other Non-Exchange Revenue (1)	Sales of Goods and Services	Expenses (2)
Department of the Treasury	\$ 126,793	\$ 182,261	\$ 131,494	\$ 109,347	\$ 90,171	\$ 373,832
Executive Office of the President	-	-	-	-	142,378	2,035
Department of Agriculture	2,351	135,864	-	-	55,428	42,258
Department of the Navy	-	-	-	-	281,121	3,500
Department of the Army	-	-	-	-	692,019	4,508
Office of Personnel Management	-	-	384,430	-	1,347	1,072,226
General Services Administration	350,894	347,982	-	-	10,607	489,539
Department of the Air Force	-	-	-	-	150,465	20,840
Department of Transportation	260,420	2,215	-	-	18,878	9,533
Department of Health and Human Services	-	-	-	-	114,989	7,881
National Aeronautics and Space Adm.	-	-	-	-	75,135	50,018
Department of Energy	176,041	170,093	3,020	-	111,054	61,462
Department of Education	-	-	-	-	202,561	-
U.S. Army Corps of Engineers	-	69,023	227	-	71,031	20,673
Defense Agencies	-	-	-	-	222,199	18,305
Other Federal Agencies	15,089	91,796	-	-	286,917	149,267
TOTAL	\$ 931,588	\$ 999,234	\$ 519,171	\$ 109,347	\$ 2,526,300	\$ 2,325,877

(1) Other Non-Exchange Revenue represents transactions with other Federal agencies. These revenues are different from those reported on the Consolidated Statement of Changes in Net Position, which reports transactions with other Federal agencies and the public.

(2) Expenses represent transactions with other Federal agencies. These expenses are different from those reported on the Consolidated Statement of Net Cost, which reports costs to generate intra-governmental revenue.

TABLE 3-5
Intragovernmental Gross Cost to Generate Earned Revenue
by Budget Functional Classification

	BFC 300: Natural Resources and Environment		BFC 450: Community and Regional Development		BFC 800: General Government		TOTAL COST ASSOCIATED WITH EARNING REVENUE
	Revenue	Cost associated with earning Revenue	Revenue	Cost associated with earning Revenue	Revenue	Cost associated with earning Revenue	
Department of the Treasury	\$ 81,846	\$ 82,551	\$ 8,306	\$ 8,414	\$ 19	\$ 20	\$ 90,171
Executive Office of the President	142,378	143,606	-	-	-	-	142,378
Department of Commerce	21,827	22,015	28	29	723	727	22,578
Department of the Navy	281,121	283,545	-	-	-	-	281,121
Department of the Army	692,019	697,984	-	-	-	-	692,019
Office of Personnel Management	1,347	1,359	-	-	-	-	1,347
General Services Administration	10,607	10,699	-	-	-	-	10,607
Department of the Air Force	150,465	151,762	-	-	-	-	150,465
Department of Transportation	18,479	18,638	399	404	-	-	18,878
Department of Health and Human Services	113,556	114,534	1,433	1,452	-	-	114,989
National Aeronautics and Space Adm.	75,135	75,783	-	-	-	-	75,135
Department of Energy	110,240	111,190	814	825	-	-	111,054
Department of Education	1,026	1,034	201,535	204,166	-	-	202,561
U.S. Army Corps of Engineers	70,956	71,567	58	59	17	17	71,031
Defense Agencies	222,199	224,115	-	-	-	-	222,199
Other Federal Agencies	318,335	321,078	1,432	1,450	-	-	319,767
TOTAL	\$ 2,311,536	\$ 2,331,460	\$ 2,14,005	\$ 2,16,799	\$ 759	\$ 764	\$ 2,526,300

Working Capital and Franchise Funds

The Department has four working capital funds established by law to finance a continuing cycle of operations, with the receipts from the operations available for use by the funds without further action by Congress. The four working capital funds, which operate as revolving funds, are established in the Bureau of Reclamation, the Bureau of Land Management, the U.S. Geological Survey, and Departmental Offices. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Interior bureaus and offices, Department of Defense, and other Federal agencies; however, some services are provided to States and nongovernment entities. Some of the significant services provided to customers consist of central reproduction, telecommunications, aircraft services, supplies, publications, training, computer processing and related activities, engineering and technical services, and certain cross-servicing activities such as payroll, personnel, and financial and accounting services. The services provided by the working capital funds are usually those that may be performed more advantageously on a reimbursable basis.

In addition, the Department manages the Interior Franchise Fund (IFF) that is part of the Franchise Fund Pilot program authorized by the Government Management Reform Act of 1994. The purpose of the IFF is to pilot new approaches for providing shared administrative services to reduce the cost of government to the taxpayer by fostering competition and entrepreneurship among providers of commonly required products and services to Federal agencies. Some of the significant services include procurement support, financial systems and related services, and other administrative support services. The IFF is a separate legal entity that allows Interior to share cost savings with others that result from providing cost-effective and efficient services to Federal agencies. By building on this experience of providing cost-effective and efficient services, Interior can provide even greater cost savings within Interior and in working with other agencies. It also provides a cost-effective way to partner with the private sector through established relationships with vendors that understand and have worked with the Federal Government to provide quality services to Federal organizations. The major customers of the IFF include the Department of Defense and the Executive Office of the President.

The following summarizes information about the assets, liabilities, and net cost of Interior's working capital and franchise funds as of and for the years ended September 30, 2004, and 2003. The financial information presented includes intra-departmental transactions.

Supplemental Balance Sheet
Combined Working Capital and Franchise Funds
as of September 30, 2004
(in thousands)

<i>(dollars in thousands)</i>	Bureau of Land Management	Bureau of Reclamation	Departmental Offices	Interior Franchise Fund	U.S. Geological Survey	FY 2004
Assets						
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 55,184	49,459	596,637	1,393,632	85,133	\$ 2,180,045
Accounts and Interest Receivable, Net	-	9,992	39,973	6,370	-	56,335
Other	-	-	-	-	-	-
Advances and Prepayments	-	401	10,658	1,283	-	12,342
Total Intragovernmental Assets	55,184	59,852	647,268	1,401,285	85,133	2,248,722
Cash	55	-	-	-	-	55
Accounts and Interest Receivable, Net	4	70	755	292	5	1,126
Loans and Interest Receivable, Net	-	3,100	-	-	-	3,100
Inventory and Related Property	444	-	567	-	-	1,011
General Property, Plant and Equipment, Net	95,112	36,193	45,087	-	8,234	184,626
Other	-	-	-	-	-	-
Advances and Prepayments	131	225	5	2	-	363
Total Assets	\$ 150,930	99,440	693,682	1,401,579	93,372	\$ 2,439,003
Liabilities						
Accounts Payable	\$ 8	7,962	3,012	2,821	263	\$ 14,066
Debt	-	3,100	-	-	-	3,100
Other	-	-	-	-	-	-
Accrued Payroll and Benefits	1	6,940	1,450	54	98	8,543
Advances and Deferred Revenue	3,650	1,736	488,658	1,136,984	-	1,631,028
Total Intragovernmental Liabilities	3,659	19,738	493,120	1,139,859	361	1,656,737
Accounts Payable	16	4,184	94,102	234,060	4,225	336,587
Federal Employees Compensation Act Liability	-	-	6,062	-	-	6,062
Environmental Cleanup Costs	-	-	1,300	-	-	1,300
Other	-	-	-	-	-	-
Accrued Payroll and Benefits	150	15,230	9,399	432	454	25,665
Advances and Deferred Revenue	-	782	4,731	2	-	5,515
Total Liabilities	3,825	39,934	608,714	1,374,353	5,040	2,031,866
Net Position						
Unexpended Appropriations	-	-	4,827	-	-	4,827
Cumulative Results of Operations	147,105	59,506	80,141	27,226	88,332	402,310
Total Net Position	147,105	59,506	84,968	27,226	88,332	407,137
Total Liabilities & Net Position	\$ 150,930	99,440	693,682	1,401,579	93,372	\$ 2,439,003

Supplemental Balance Sheet
Combined Working Capital and Franchise Funds
as of September 30, 2003
(in thousands)

<i>(dollars in thousands)</i>	Bureau of Land Management	Bureau of Reclamation	Departmental Offices	Interior Franchise Fund	U.S. Geological Survey	FY 2003
Assets						
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 51,693	43,145	317,520	1,162,552	84,029	\$ 1,658,939
Accounts and Interest Receivable, Net	-	3,483	17,668	21,847	-	42,998
Other						
Advances and Prepayments	-	400	5,179	-	-	5,579
Total Intragovernmental Assets	51,693	47,028	340,367	1,184,399	84,029	1,707,516
Cash	55	-	-	-	-	55
Accounts and Interest Receivable, Net	13	1,527	2,668	3	1	4,212
Loans and Interest Receivable, Net	-	3,630	-	-	-	3,630
Inventory and Related Property	350	-	523	-	-	873
General Property, Plant and Equipment, Net	94,039	35,156	31,059	-	3,421	163,675
Other						
Advances and Prepayments	136	-	49	-	-	185
Total Assets	\$ 146,286	87,341	374,666	1,184,402	87,451	\$ 1,880,146
Liabilities						
Accounts Payable	\$ 6	1,626	1,804	2,581	105	\$ 6,122
Debt	-	3,630	-	-	-	3,630
Other						
Accrued Payroll and Benefits	5	3,815	1,675	31	71	5,597
Advances and Deferred Revenue	-	2,074	216,620	872,480	-	1,091,174
Deferred Credits	3,651	-	-	-	-	3,651
Total Intragovernmental Liabilities	3,662	11,145	220,099	875,092	176	1,110,174
Accounts Payable	551	4,941	59,019	289,484	390	354,385
Federal Employees Compensation Act Liability	-	-	7,165	-	-	7,165
Environmental Cleanup Costs	-	-	1,000	-	-	1,000
Other						
Accrued Payroll and Benefits	124	14,070	7,724	286	329	22,533
Contingent Liabilities	-	150	-	-	-	150
Other Liabilities	-	729	4,689	-	-	5,418
Total Liabilities	4,337	31,035	299,696	1,164,862	895	1,500,825
Net Position						
Unexpended Appropriations	-	-	6,201	-	-	6,201
Cumulative Results of Operations	141,949	56,306	68,769	19,540	86,556	373,120
Total Net Position	141,949	56,306	74,970	19,540	86,556	379,321
Total Liabilities & Net Position	\$ 146,286	87,341	374,666	1,184,402	87,451	\$ 1,880,146

**Supplemental Statement of Net Cost
Combined Working Capital and Franchise Funds
for the year ended September 30, 2004**
(in thousands)

<i>(dollars in thousands)</i>	FY 2004		
	Full Cost of Goods and Services Provided	Related Exchange Revenues	Excess of Full Cost Over Exchange Revenue
Bureau of Land Management			
Motorized Fleet Program	\$ 24,568	\$ (29,604)	\$ (5,036)
Total Bureau of Land Management	24,568	(29,604)	(5,036)
Bureau of Reclamation			
Engineering and Technical Services	98,213	(101,547)	(3,334)
Administrative Services	220,218	(226,405)	(6,187)
Computer and Related Services	15,974	(13,532)	2,442
Total Bureau of Reclamation	334,405	(341,484)	(7,079)
Departmental Offices			
Aircraft Services	136,740	(137,906)	(1,166)
Building Management/Rental	38,368	(38,996)	(628)
Charge Card Rebate	7,748	(6,307)	1,441
Federal Services	741,154	(744,860)	(3,706)
Y2K/Other	(49)	-	(49)
Intra-Bureau Eliminations	(138,106)	138,106	-
Total Departmental Offices	785,855	(789,963)	(4,108)
Interior Franchise Fund			
Government Works Acquisition Services	1,330,907	(1,349,056)	(18,149)
U.S. Films and Video Productions	1,700	(1,700)	-
Total Interior Franchise Fund	1,332,607	(1,350,756)	(18,149)
U.S. Geological Survey			
Reimbursable Services	38,316	(38,451)	(135)
Capital Investments	13,854	(107)	13,747
Total U.S. Geological Survey	52,170	(38,558)	13,612
Total Working Capital and Franchise Funds	\$ 2,529,605	\$ (2,550,365)	\$ (20,760)

**Supplemental Statement of Net Cost
Combined Working Capital and Franchise Funds
for the year ended September 30, 2003
(in thousands)**

	FY 2003		
	Full Cost of Goods and Services Provided	Related Exchange Revenues	Excess of Full Cost Over Exchange Revenue
Bureau of Land Management			
Motorized Fleet Program	\$ 21,566	\$ (27,292)	\$ (5,726)
Total Bureau of Land Management	21,566	(27,292)	(5,726)
Bureau of Reclamation			
Engineering and Technical Services	97,310	(98,644)	(1,334)
Administrative Services	222,254	(205,487)	16,767
Computer and Related Services	14,968	(15,153)	(185)
Total Bureau of Reclamation	334,532	(319,284)	15,248
Departmental Offices			
Aircraft Services	138,841	(140,093)	(1,252)
Building Management/Rental	29,850	(31,279)	(1,429)
Charge Card Rebate	5,297	(6,246)	(949)
Federal Services	436,774	(418,611)	18,163
Y2K/Other	8	-	8
Intra-Bureau Eliminations	(109,565)	109,565	-
Total Departmental Offices	501,205	(486,664)	14,541
Interior Franchise Fund			
Government Works Acquisition Services	1,119,461	(1,136,973)	(17,512)
U.S. Films and Video Productions	1,472	(1,472)	-
Total Interior Franchise Fund	1,120,933	(1,138,445)	(17,512)
U.S. Geological Survey			
Reimbursable Services	27,286	(29,433)	(2,147)
Capital Investments	9,514	(1,633)	7,881
Total U.S. Geological Survey	36,800	(31,066)	5,734
Total Working Capital and Franchise Funds	\$ 2,015,036	\$ (2,002,751)	\$ 12,285

Required Supplementary Stewardship Information (Unaudited, See Auditors' Report)

The Department of the Interior is the Federal government's largest land-controlling agency, administering over 500 million acres of America's land mass and serves as steward for the natural and cultural resources associated with these lands. Approximately 437 million acres of the 500 million acres are considered stewardship land. The approximately 437 million acres of stewardship land does not include an estimated 56 million acres of Tribally and individually-owned land held in trust by the Bureau of Indian Affairs. Interior also supervises mineral leasing and operations on an estimated 700 million acres of mineral estate that underlie both Federal and other surface ownerships. These stewardship assets are valued for environmental resources, recreational and scenic values, cultural and paleontological resources, vast open spaces, and the resource commodities and revenue provided to the Federal government, States, and counties.

Stewardship Lands

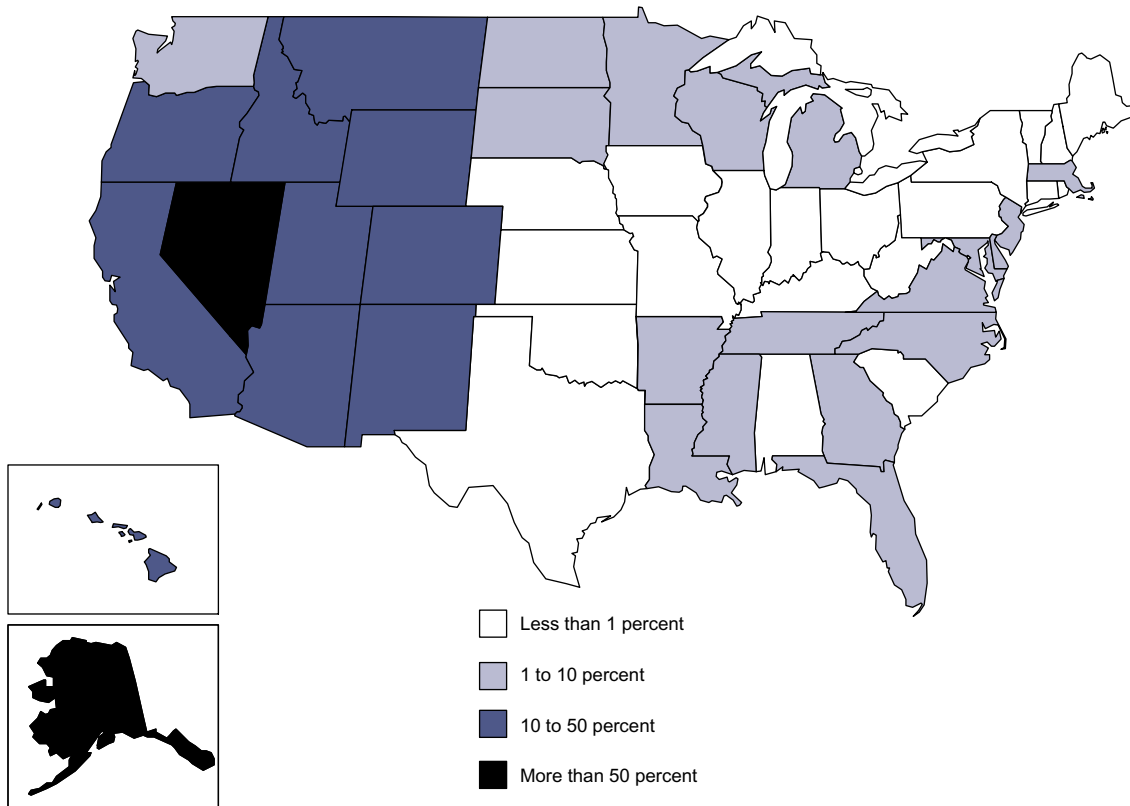
Most of the public lands managed by Interior were once a part of the 1.8 billion acres of public domain lands acquired by the Nation between 1781 and 1867. Each of America's 50 States, the District of Columbia, the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico, contain lands that are managed by Interior (*Figure 3-1*).

Interior-administered stewardship lands are vast and encompass a wide range of activities, including recreation, conservation, and functions vital to the health of the economy and to the American people. These include National Parks, National Wildlife Refuges, Herd Management Areas, National Monuments, and many other lands of historical significance.

Each bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation's natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple use, which Congress defines as management of both the land and the use of the land in a combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural,

FIGURE 3-1

State Acreage Managed by Interior
(as of September 30, 2004)



scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber; watersheds; and wildlife and fish habitat.

Table 3-6 shows the major types of lands administered by each Interior bureau with stewardship responsibilities.

Major Categories of Stewardship Lands

Interior’s stewardship lands include a number of assets that are of special value to the Nation. Interior bureaus have stewardship responsibility for a variety of these stewardship lands. While there is variance between bureaus in the types of lands they are responsible for managing, some of the major categories of stewardship lands are:

National Monuments

National Monuments are designated to protect objects of scientific and historic interest by public proclamation by the President (under the Antiquities

Act of 1906) or by Congress for historic landmarks, historic and prehistoric structures, or other objects of scientific interest on public lands.

National Trails System

The National Trails System, created by Congress in 1968, is composed of four types of trails: national scenic trails, national historic trails, national recreation trails, and connecting-and-side trails. National Recreation trails and connecting-and-side trails are recognition programs and do not require trail wide Federal administration. The assets associated with National Scenic Trails and National Historic Trails come under the jurisdiction of many different parties, including Federal and State agencies, local governments, Tribal councils, and private landowners. The National Trails Systems Act of 1968 made it Federal policy to recognize and promote trails by providing financial assistance, support of volunteers, and coordination with States.

TABLE 3-6
Interior Stewardship Lands
as of September 30, 2004

Category	Federal Acres				Total Non-Federal Acres	Combined Total Acres	Condition 1/	Number of Sites
	2004 Beginning Acres	Additions	Withdrawals	Ending Acres				
Bureau of Land Management								
<i>Presidential and Congressionally Designated Special Management Areas</i>								
National Monuments	4,806,947	-	-	4,806,947	-	4,806,947	See Narrative Section	15
National Conservation Areas	13,976,146	18,029	-	13,994,175	-	13,994,175		13
Cooperative Management and Protection Areas	425,550	-	-	425,550	-	425,550		1
White Mountain National Recreation Area	998,772	-	-	998,772	-	998,772		1
Yaquina Head Outstanding Natural Area	100	-	-	100	-	100		1
Wilderness Areas	6,515,287	-	-	6,515,287	-	6,515,287		161
National Wild and Scenic Areas	1,005,652	-	-	1,005,652	-	1,005,652		38
Headwaters Forest Reserve	7,400	-	-	7,400	-	7,400		1
Multiple-Use Public Lands 2/	238,991,088	42,563	(162,850)	238,870,801	-	238,870,801		
Adjustment for Acres Falling in More Than One Management Area 3/	(4,776,564)			(4,776,564)	-	(4,776,564)		
Adjustment for Acres Transferred Between Listed Management Areas & Multiple[-] Use Lands 4/		(18,029)	18,029					
Total	261,950,378	42,563	(144,821)	261,848,120		261,848,120		231
Fish and Wildlife Service								
National Wildlife Refuges	89,313,000	37,600	-	89,350,600	1,384,377	90,734,977	Acceptable	544
Refuge Coordination Areas	197,000	-	-	197,000	63,544	260,544	Acceptable	50
Waterfowl Productions Areas	741,000	5,000	-	746,000	2,325,332	3,071,332	Acceptable	203
Fish Hatcheries	13,000	-	-	13,000	4,337	17,337	Acceptable	86
5/ Total	90,264,000	42,600	-	90,306,600	3,777,590	94,084,190		883
National Park Service								
National Parks	49,671,908	214,483	-	49,886,391	2,075,000	51,961,391	Acceptable	58
National Preserves	22,030,287	2,428	-	22,032,715	2,123,183	24,155,898	Acceptable	18
National Battlefields	12,291	26	(2)	12,315	1,177	13,492	Acceptable	11
National Battlefield Parks	8,714	67	-	8,781	1,694	10,475	Acceptable	4
National Historic Sites	21,678	125	-	21,803	15,893	37,696	Acceptable	77
National Historical Parks	118,526	3,290	-	121,816	45,467	167,283	Acceptable	41
National Lakeshores	145,688	184	-	145,872	83,002	228,874	Acceptable	4
National Military Parks	36,478	243	-	36,721	4,051	40,772	Acceptable	9
National Memorials	8,082	111	(3)	8,190	2,352	10,542	Acceptable	29
National Monuments	2,151,941	7,079	(61,965)	2,097,055	179,956	2,277,011	Acceptable	73
National Recreational Areas	3,390,191	796	-	3,390,987	301,678	3,692,665	Acceptable	18
National Reserves	11,579	1,597	-	13,176	21,495	34,671	Acceptable	2
National Rivers	312,389	7,543	-	319,932	106,420	426,352	Acceptable	5
National Scenic Trails	167,121	2,380	-	169,501	68,522	238,023	Acceptable	3
National Seashores	479,056	233	-	479,289	115,790	595,079	Acceptable	10
National Wild & Scenic Rivers	73,887	-	-	73,887	246,117	320,004	Acceptable	10
International Historic Sites	28	-	-	28	16	44	Acceptable	1
National Parkways	164,977	864	-	165,841	10,504	176,345	Acceptable	4
Other Stewardship Land	38,003	370	-	38,373	1,755	40,128	Acceptable	11
Total	78,842,824	241,819	(61,970)	79,022,673	5,404,072	84,426,745		388
Bureau of Reclamation - Reclamation								
Project Lands-Withdrawn 6/	5,861,154	-	(136,156)	5,724,998	-	5,724,998	Acceptable	-
Bureau of Indian Affairs 7/								
Cultural	91	-	-	91	-	91	Acceptable	-
Schools and Housing	46,587	-	(149)	46,438	-	46,438	Acceptable	-
Offices/Industrial	1,605	3	-	1,608	-	1,608	Acceptable	-
Reclamation and Irrigation	150,483	462	-	150,945	-	150,945	Acceptable	-
Agricultural	6,439	-	-	6,439	-	6,439	Acceptable	-
Total	205,205	465	(149)	205,521	-	205,521		-
Departmental Offices - Utah Reclamation								
Mitigation and Conservation Commission	12,380	671	(320)	12,731	-	12,731	11,909 acres- 882 acres-needs intervention	2
TOTAL ACRES	437,135,941	328,118	(343,416)	437,120,643	9,181,662	446,302,305		1,504

1/ Land is categorized as "acceptable when it is adequate for operating needs and the Department has not identified any improvements that are necessary to prepare and/or sustain the land for its intended use. Land is categorized as "needs intervention" when the Department has identified improvements that are necessary to prepare and/or sustain the land for its intended use.

2/ Total acres for multiple-use lands excludes those acres falling within one or more of the special management areas listed above.

3/ Numerous Bureau of Land Management (BLM) managed acres fall within two or more special management area classifications. To avoid multiple counting of overlapping areas, this line adjusts for the sum of known overlapping acres within the reported special management areas.

4/ This line adjusts for transfers of land between the reported categories that result in decreases and increases between categories but do not represent actual changes in the BLM-managed acreage quantity.

5/ This total includes lands owned by the Fish and Wildlife Service (FWS) and excludes approximately 2 million acres of land for which FWS has a secondary interest.

6/ The difference of 136,156 acres is a result of an intensive land reconciliation effort to research, correct, and reconcile Bureau of Reclamation (BOR) land records with project financial records and does not represent actual acquisitions or withdrawals of new withdrawn lands for project purposes.

7/ This total does not include approximately 56 million acres of tribally and individually owned land held in trust status by the Bureau of Indian Affairs; this acreage is not considered stewardship land.

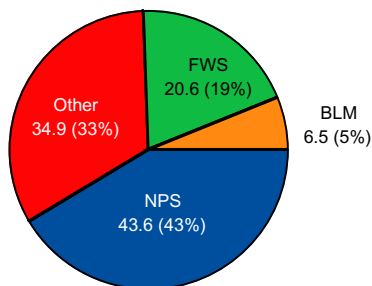
National Scenic Trails are to be continuous trails over 100 miles in length that provide “maximum (non-motorized) outdoor recreation potential.” They also become corridors of conservation for the significant resources associated with the trail. National Historic Trails follow the original routes of nationally significant routes of travel; they need not be continuous. The routes and associated historic remnants are to be protected for public use and enjoyment. Together, these 23 trail corridors measure more than 40,000 miles in combined length and cross 56 national park areas and 96 national forests. In addition, almost 6,000 miles of trails cross lands under the administration of the Bureau of Land Management (BLM). NPS currently administers 16 of 23 scenic and historic trails in the National Trails System and administers two others jointly with BLM.

National Wilderness Areas

Wilderness Areas are Federal lands that have been designated by Congress and are devoted to the public purposes of recreational, scenic, scientific, educational, conservation, and historical use (Figure 3-2). These areas, which are generally greater than 5,000 acres, appear to have been affected primarily by the forces of nature, with human development substantially unnoticeable. Wilderness areas provide outstanding opportunities for solitude or primitive and unconfined types of recreation.

FIGURE 3-2

National Wilderness Preservation System (acres in millions)



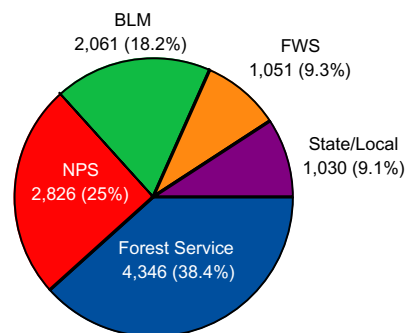
National Wild and Scenic Rivers System

Rivers must meet eligibility criteria before being added to the National Wild and Scenic Rivers System (Figure 3-3). For a river to be eligible for the National System, it must be in a free-flowing condition and possess one or more of the following values to a remarkable degree: scenic, recreation, fish and wildlife, geologic, historic, cultural, or other similar values. When evaluating rivers for possible designation, Interior also considers whether the river meets suitability factors such as: the amount of public land acreage in the immediate environment of the river; funds required for acquisition, facility development and management; local or State interest in helping to manage the river; support for designation; and competing uses for the river. Studies to determine eligibility may be the responsibility of either the Department of the Interior (the National Park Service, the Fish and Wildlife Service, and the Bureau of Land Management), the Department of Agriculture (the U.S. Forest Service), or the shared responsibility of both agencies. Congress then decides whether to add the river to the National Wild and Scenic Rivers System. Only an Act of Congress may remove a river from the System.

A second method of designation, under Section 2(a)(ii) of the Wild and Scenic Rivers Act of 1968, is for a State Governor to request Federal designation of a State-designated, State-administered wild and scenic river and for the Secretary of the Interior, after study, to designate that river. Only 17 rivers have entered the National System by this method. Currently, there are 163 rivers in the National Wild and Scenic Rivers System.

FIGURE 3-3

National Wild and Scenic Rivers System (in miles)



Bureau Stewardship Lands

Bureau of Land Management

BLM has stewardship responsibility for the multiple-use management of natural resources on approximately 262 million acres of public land. BLM also has trust responsibilities on 56 million acres of Indian trust lands for mineral operations and cadastral (land) survey. BLM land management programs include major efforts in preserving significant cultural and natural features; creating opportunities for commercial activities; protecting endangered species; and developing opportunities for recreation and leisure activities. BLM is responsible for protecting public health, safety, and resources; managing wild horses and burros; managing wildlife habitat and fisheries; administering mining laws; managing rangelands, overseeing forest management, development, and protection; protecting wilderness; restoring riparian areas and wetlands; and managing wild and scenic rivers.

BLM is guided by the principles of multiple use and sustained yield in managing the public lands—principles that are shaped by both tradition and statute. Historically, multiple use has meant that the same area of land can be used simultaneously for two or more purposes, often by two or more different persons or groups. These uses may be complementary or, as is frequently the case, competitive with one another. This long-term BLM management practice was codified with the enactment of the Federal Land Policy and Management Act (FLPMA). Recognizing the value of the remaining public lands to the American people, Congress declared that these lands generally would remain in public ownership and defined multiple use as “management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people.”

There was a net decrease in BLM-managed lands of 102,258 acres during FY 2004. This decrease resulted from the net effect of acquisitions (purchases), disposals (sales), exchanges (both transfers in and out, frequently together with an equalization payment by one of the parties), withdrawals, restoration transactions, and audits/reviews (corrections) of records.

On *Table 3-1*, the total sum of the special management area acres and multiple-use acres will not equal the total BLM acreage reported on this line. This is attributable to two factors. First, numerous BLM-managed acres fall under two or more special management area categories. To avoid multiple counting of overlapping special management area acres, the sum of special management area acres and multiple-use acres is adjusted to eliminate known overlapping. Second, newly designated special management areas do not necessarily result in an increase in BLM-managed acres, and rescinding a special management classification for certain acres does not necessarily result in a decrease in BLM-managed acres. Frequently, lands are merely transferred between special management areas and the multiple-use classification. These transfers result in decreases and increases between the classifications but do not represent an actual change in the BLM-managed acreage.

Fish and Wildlife Service

Stewardship lands managed by the Fish and Wildlife Service (FWS) include the National Wildlife Refuge System, the National Fish Hatcheries Program, Refuge Coordination Areas, and Waterfowl Production Areas. Lands are acquired through a variety of methods, including withdrawal from the public domain, fee title purchase, transfer of jurisdiction, donation, or gift. FWS purchases land through the following: the Migratory Bird Conservation Fund, the Land and Water Conservation Fund, and the North American Wetlands Conservation Act.

Lands managed within the National Wildlife Refuge System are used to conserve and manage fish, wildlife, and plant resources for the benefit of present and future generations. While the needs of fish and wildlife must take priority, refuges welcome those who want to enjoy the natural world, to observe or photograph wildlife, to hunt or fish, and to study and learn about wildlife.

Stewardship of the Nation’s fishery and aquatic resources, through the National Fish Hatcheries System (NFHS) has been a core responsibility of FWS for more than 120 years. Although FWS does not own all the lands and facilities in the NFHS, it participates in managing units within the NFHS, which comprises National Fish Hatcheries, Fish Health Centers, and

Fish Technology Centers. In addition to conservation, restoration, and management of fish and wildlife resources and their habitats, the NFHS provides recreational opportunities to the public, such as fishing, hiking, and bird watching.

FWS safeguards the stewardship values of the lands it administers through management actions taken on individual refuges and hatcheries; such actions, however, take into consideration the needs and purposes of entire conservation systems. These conservation systems provide integrated habitat and life support for permanent resident populations as well as migratory populations needing temporary stopover sites to rest, breed, feed, and to survive their nationwide and, in some cases, worldwide seasonal migrations. While some individual units of stewardship lands can be improved at any time during their management cycles, the condition of the stewardship lands as a whole is sufficient to support the mission of FWS and the statutory purposes for which these conservation systems were authorized.

During FY 2004, FWS had a net increase of approximately 42,600 acres of stewardship lands. These lands provide permanent protection for valuable wetland, riparian, coastal and upland habitat for fish, wildlife and plant species, including threatened and endangered species. FWS added two sites to the number of units in the National Wildlife Refuge System, increasing the number of refuges from 542 to 544. The Theodore Roosevelt National Wildlife Refuge and the Holt Collier National Wildlife Refuge were both established in Mississippi. Both refuges were created from lands currently administered as part of the National Wildlife Refuge System. As the result of further research, FWS has determined that approximately 2.0 million acres reported as non-Federal acres in the FY 2003 report are actually owned by other Federal agencies and accordingly, are not included in this report.

National Park System Lands

National Park Service (NPS) stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. Stewardship areas, such as wilderness areas, may encompass land owned by entities other than NPS. Changes in NPS boundaries

occur only when authorized by Presidential Proclamation or by an Act of Congress.

The objective of acquiring land and interest in land is to preserve and protect, for public use and enjoyment, the historic, scenic, natural, and recreational values of congressionally authorized areas within the National Park System. Acquisition of land helps to meet the increasingly heavy visitor demand for Federal recreational use before the lands are converted to incompatible uses. Acquisition of land also preserves the Nation's natural and historic heritage. The 388 units of the National Park System contain approximately 84 million acres within their boundaries. Of this total, approximately 79 million acres are owned by the United States in fee simple title and approximately 253,000 acres in less-than-fee title (i.e., scenic easements). Non-Federal lands within the NPS system are either privately-owned (approximately 4.2 million acres) or owned by State and local governments (approximately 1.2 million acres). Subject to the availability of funds, privately-owned land will be acquired when opportunities for acquisition arise, or when an owner uses or threatens to use the property in a manner not compatible with park purposes. Through acquisitions, status changes, withdrawals, and error corrections, NPS added 241,819 acres and withdrew 61,970 acres.

Examples of recent land additions include:

- NPS purchased an undivided 8/11th interest in the 115,788 acre Kahuku Ranch in Hawaii Volcanoes National Park. This acquisition prevented the loss of threatened and endangered species and their habitats.
- NPS purchased from the Heartland Forestland Fund a tract containing 6,753 acres of undeveloped land at New River Gorge National River in West Virginia.
- At Jean Lafitte National Historical Park and Preserve in Louisiana, NPS acquired 2,809 acres from the Louisiana Land and Exploration Company.
- NPS accepted the donation of four tracts totaling 519.1 acres at Joshua Tree National Park in California. The tracts were donated by the Wildland Conservancy.

- P.L. 103-32 (May 25, 1993) authorized the American Battle Monuments.
- Commission to establish a World War II Memorial in Washington D.C., or its environs. The Memorial was officially dedicated on May 29, 2004. Because the site for the memorial was located on land already in Federal ownership, no land acquisition was necessary.

Land withdrawals or status changes occurred at several units:

- P.L. 108-108 (November 10, 2003) redesignated Congaree National Monument (21,535 acres) as a National Park.
- Oklahoma City National Memorial was redesignated as an affiliated area by P.L. 108-199 (January 24, 2004) and is no longer counted among the 388 units of the National Park System. The 3.12 acres of Federal land at the memorial is to be transferred to the Oklahoma City National Memorial Foundation.
- Pursuant to P.L. 106-530 (September 12, 2004) Great Sand Dunes National Monument (40,437 acres) was redesignated the Great Sand Dunes National Park.

NPS stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. NPS conducts various activities to preserve and protect land resources and to mitigate the effects of activities previously conducted on or near parks that adversely affect the natural state of the land.

Bureau of Reclamation Project Lands

The Bureau of Reclamation (BOR) operates largely as a business-type entity whose primary stated mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. BOR provides water and power throughout the 17 western States.

Reclamation lands are integral to project purposes, such as constructing and operating dams, reservoirs, water conveyance systems, and power facilities.

Project lands were either acquired at a cost to the Reclamation project or withdrawn from the public domain in support of BOR's mandate to provide water for agricultural, municipal, and industrial uses, flood control, and power. While Reclamation lands are acquired or withdrawn for specific project purposes, other multipurpose uses of land occur. For example, if the use does not interfere with project purposes for which the land was withdrawn or acquired, other activities such as boating, camping, fishing, wildlife management, and livestock grazing may be authorized.

The term "Reclamation withdrawn lands" refers to those lands withdrawn from public entry and set aside for authorized Reclamation purposes. Of BOR's approximately 8,700,000 total acres of land, approximately 5,800,000 acres of withdrawn land were transferred to BOR from BLM and the U.S. Forest Service, at no cost to the project beneficiaries, for use in constructing authorized BOR projects. Of its approximately 8,700,000 acres of land, BOR considers only the approximately 5,800,000 acres of withdrawn land to be stewardship land because these lands were acquired at no cost to the Department.

Bureau of Indian Affairs Land

Bureau of Indian Affairs (BIA) stewardship lands encompass a wide range of activities, including recreation, conservation, and functions vital to the culture and livelihood of American Indians and Alaska Natives. BIA stewardship lands also include cultural sites, which consist primarily of fishing sites where only Tribal members are provided access to rivers for fishing; schools and housing, which consists primarily of home sites both Tribal and non-Tribal, and land associated with numerous Indian schools; office and industrial sites which are used primarily for office space, water treatment plants, roads shops, and storage facilities; reclamation and irrigation lands used for numerous irrigation projects; and agricultural lands which are used primarily for farming and grazing. BIA stewardship land does not include approximately 56 million acres of Tribally and individually-owned land held in trust by the bureau.

Departmental Offices Land - Utah Reclamation Mitigation and Conservation Commission

The Utah Reclamation Mitigation and Conservation Commission (Commission) was established by

Congress in 1994 under the Central Utah Project Completion Act. The Commission's mission is to replace or offset the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of Reclamation project assets such as dams, power plants, roads, pipelines, aqueducts, operation and maintenance buildings, and visitor centers. Land acquired and investments made in order to mitigate for the loss of fish and wildlife resources caused by Reclamation project construction are not essential or integral parts of the dam, pipeline, etc., and are not "acquired for in connection with the construction" of the project assets, even if the fish and wildlife mitigation is achieved in the immediate vicinity of the project asset.

The Commission acquires two general categories of lands: fish and wildlife habitat (wetland, riparian, and/or upland) for both aquatic and terrestrial species, and land easements to provide public access to fish and wildlife resources, which, once acquired, are also managed to provide habitat values to the extent practicable. In over 95% of the acquisitions, the lands have been acquired on a willing seller basis. In all cases, habitat conditions on the lands have been improved; in many cases, improvements have been substantial.

In FY 2004, the Commission acquired 260 acres of wetlands around Utah Lake and provided an additional 50 acres of angler access along the Strawberry River.

Summary of Types of Stewardship Lands

Interior bureaus are responsible for managing a wide variety of stewardship lands including rangelands, forestlands, riparian areas, wetlands, lakes, reservoirs, streams, grasslands, swamps, marshes, and seashores. In addition to the lands administered by Interior bureaus, additional stewardship lands managed by the Department are not Federally-owned. The NPS contains approximately 5 million acres owned by State and local governments and private landowners. The NPS has no management responsibility for these lands except in cases where cooperative agreements with landowners authorize direct Federal land management.

Lands managed by BLM, the Department's largest land management bureau with approximately 262 million acres, represent 42% of the lands under Federal ownership. BOR's stewardship lands are unique in that large portions of these lands lie under water. BIA, bound by its responsibility to sovereign Indian Tribes and Alaska Natives, holds in trust status approximately 56 million acres of Tribally and individually-owned land that are not considered stewardship land.

Condition of Stewardship Lands

The Department is required to report on the condition of stewardship land. The categories the Department uses in relation to the condition of stewardship land are "acceptable" or "needs intervention." Land is categorized as being in "acceptable" condition when it is adequate for operating needs and the bureau has not identified any improvements to the land that are necessary to prepare and/or sustain the land for its intended use. For example, park lands, wilderness lands, deserts, and lands that are under water due to dams and reservoirs would normally be in acceptable condition.

When a bureau has determined that improvements are necessary for the land itself to meet operating needs, the land is categorized as that which "needs intervention." This category would generally pertain to land that is used for special purposes, such as grazing.

BLM assesses the condition of the lands it manages based on the land type and the multiple use and sustained yield goals identified through the land use planning process. The categories of condition used by BLM for the land it manages are shown in *Table 3-7*.

FWS assesses the condition of its stewardship land and resources by monitoring habitat characteristics and determining whether management actions are needed to change those characteristics to benefit their usefulness to fish and wildlife resources. The condition of these stewardship lands is not static. Land or habitat condition may be changing, either through the application of management techniques or through natural stressors or processes acting on those lands. It is the goal of FWS to provide habitat that optimizes the usefulness of stewardship lands to benefit fish and wildlife resources. While

TABLE 3-7

Condition of BLM Land by Type

Land Type	Acres (millions)	Miles	Condition 1/	% of Land
Rangeland		0	Potential natural community (excellent)	20%
a. Alaska Rangeland (Reindeer grazing permits: 1.2 million acres)	5		Late seral	80%
			<i>Total Acceptable</i>	100%
b. Continental USA Rangelands	159	0	Potential natural community	4%
			Late seral	18%
			Mid seral	22%
			<i>Subtotal Acceptable</i>	44%
			Early seral	8%
			<i>Subtotal Needs Intervention</i>	8%
			Unknown/Uncategorized ^{2/}	48%
Forested Land				
a. Forests	11	0	Acceptable -9 million acres	
b. Woodlands	44	0	Needs Intervention - 14 million acres ^{3/}	
			Unknown - 32 million acres	
Riparian Areas and Wetlands			Alaska	
a. Riparian Areas	10	144,000	Properly Functioning	100%
			Nonfunctional	trace
			Unknown	trace
			<i>Subtotal Acceptable</i>	100%
			Lower 48 states	
			Properly Functioning	44%
			<i>Subtotal Acceptable</i>	44%
			Functioning but at risk	40%
			Nonfunctional	8%
			<i>Subtotal Needs Intervention</i>	48%
			Unknown	8%
b. Wetlands	13	0	Alaska	
			Property Functioning	98%
			<i>Subtotal Acceptable</i>	98%
			Unknown	2%
			Lower 48 states	
			Properly Functioning	67%
			<i>Subtotal Acceptable</i>	67%
			Functioning but at Risk	19%
			Nonfunctional	2%
			<i>Subtotal Needs Intervention</i>	21%
			Unknown	12%
Aquatic Areas (Lakes, Reservoirs, and Streams)	3	116,485	Alaska - Good (Acceptable)	
			Lower 48 states - Unknown	
Other Habitat	17	0	Unclassified	
Totals	262	260,485		

^{1/} Explanation of types of condition: These descriptions are a composite of rangeland condition since nearly half of the rangelands on public lands have not been classified under the newer ecologically based classification. The older range condition classifications as described on this table rate the rangelands ability to produce forage. Seral is a series of stages in ecological succession. A potential natural community means current vegetation is between 76 and 100 percent similar to the potential natural plant community.

^{2/} The "unknown/uncategorized" condition for "Rangeland" refers to lands that have not been inventoried for condition, have been inventoried under a non-ecologically based classification, or have been inventoried for condition but cannot be categorized to a seral status because they lack the ability to produce vegetation.

^{3/} The BLM estimates that approximately 14 million acres are in need of ecological restoration work, including mechanical forest thinning/fuel reduction, prescribed fire treatments, and tree species reintroduction.

some individual units of stewardship lands can be improved at any time during management cycles, the condition of the stewardship lands as a whole, which are protected by inclusion in both the National Wildlife Refuge System and the National Fish Hatcheries System, is sufficient to support the mission of FWS and the statutory purposes for which these conservation systems were authorized.

While individual units of stewardship land can be improved, the condition of NPS stewardship lands as a whole is generally sufficient to support the NPS mission and is considered to be in acceptable condition. NPS conducts various activities to preserve and protect land resources and to mitigate the effects of activities conducted previously on or near parks that adversely affect the natural state of the land.

BOR safeguards its withdrawn lands to protect them against waste, loss, degradation, and misuse. These lands are managed consistent with their intended use in accordance with Federal laws and regulations, and are not materially degraded under Federal care. BOR conducts site reviews on a 5-year cycle. Periodic reviews are performed; it is, however, not feasible or cost-effective to do full condition assessments of all Reclamation lands, a large portion of which lie under water or structures. Additionally, there are large tracts of inaccessible wilderness surrounding Reclamation reservoirs, which would be difficult and costly to assess. BOR, however, considers the condition of Reclamation lands to be acceptable. The lands are managed and protected in a manner sufficient to support the mission of BOR and in a manner that is consistent with the statutory purposes for which the lands were withdrawn or otherwise acquired.

Heritage Assets

Interior is steward for a large, varied, and scientifically important body of heritage assets, both non-collectible and collectible in nature. Non-collectible heritage assets include archeological and historic sites, paleontological sites, historic and prehistoric structures, cultural landscapes, and other resources. Many are listed on the National Register of Historic Places, acknowledging their importance to American history. Some are National Historic Landmarks that are exceptional in illustrating the heritage of the United States. Cultural landscapes are complex resources that range in size from large rural tracts

to small formal gardens. Collectible heritage assets include library and museum collections.

Heritage assets administered by the Department are unique in that many assets are interrelated and often overlap various categories of heritage assets, including stewardship lands. Some stewardship land assets are also considered to be non-collectible cultural and natural heritage assets, such as national parks and fish and wildlife refuges. Also, subsets of lands within the National Park System may have additional stewardship asset designations such as wilderness areas, wild and scenic rivers, trails, national battlefields, and national recreation areas; all of these assets may be listed separately on the National Register of Historic Places. Likewise, a national park may lie within cultural and natural heritage assets such as historic landmarks or monuments, or archeological and paleontological sites may lie within the boundaries of a national park. Congress may designate national monuments to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on public lands.

The National Register of Historic Places, which is administered by the National Park Service, includes heritage assets such as national monuments, archeological districts, trails, landscapes, historic districts, campsites, structures, paleontological sites, historic objects, fish hatcheries, petroglyphs, lighthouses, and cemeteries. Illustrative of the overlap and relationship between heritage assets is the fact that all historic areas within the National Park System are listed on the National Register. Over 2,300 National Historic Landmarks, which have been designated by the Secretary of the Interior because of their importance to the Nation, are among the approximately 78,000 listings that make up the National Register.

Non-Collectible Cultural and Natural Heritage Assets

Interior's heritage assets come from public domain or acquired lands, historic properties under Interior's management, and donations. Interior has a responsibility to inventory, preserve, and interpret these resources for the benefit of the American public and does not normally dispose of such property.

TABLE 3-8

**Non-Collectible Cultural and Natural Heritage Assets
(as of September 30, 2004)**

Category	Designation: [C=Cultural, N=Natural Heritage Asset]	Beginning balance (units)	Additions (units)	Withdrawals (units)	Ending balance (units)	Condition of Units (%) ^{1/}				
						Good	Fair	Poor	Unknown	
Bureau of Land Management										
Archeological and Historic Sites	C	263,179	8,585	(290)	271,474					100%
National Historic Landmarks	N	22	-	(1)	21					100%
Natural Heritage Special Management Areas	N	2,278	49	(22)	2,305					100%
Paleontological Sites	N	-	61	-	61					100%
National Register of Historic Places Listings	N	293	110	-	403					100%
Contributing Properties	N	4,338	198	(288)	4,248					100%
World Heritage Properties	N	5	-	-	5					100%
Total ^{2/}		265,457	9,003	(601)	273,859					
National Park Service										
Archeological and Historic Sites	C	57,752	3,765	(662)	60,855	24%	17%	7%		52%
Cultural Landscapes ^{3/}	C	2,830	6	(2,656)	180	33%	58%	9%		0%
Historic and Prehistoric Structures ^{4/}	C	26,501	380	(296)	26,585	45%	38%	13%		4%
National Historic Landmarks	C	153	27	(3)	177	85%	0%	15%		0%
National Park System	C,N	388	1	(1)	388	100%	0%	0%		0%
Paleontological Sites (localities) ^{5/}	N	5,149	371	(1,835)	3,685	46%	3%	0%		51%
Total		92,773	4,550	(5,453)	91,870					
Bureau of Reclamation										
Archeological and Historic Sites ^{6/}	C,N	1,554	172	(39)	1,687	9%	1%	8%		83%
National Historic Landmarks	C,N	5	-	-	5	60%	0%	20%		20%
National Register of Historic Places	C,N	54	4	-	58	19%	10%	3%		68%
Paleontological Sites ^{7/}	C,N	-	175	-	175	0%	1%	0%		99%
Total		1,613	351	(39)	1,925					
Fish and Wildlife Service										
Archeological and Historic Sites	C	12,022	-	-	12,022	0%	5%	0%		95%
National Historic Landmarks	C	9	-	-	9	0%	0%	0%		100%
National Register of Historic Places	C	85	-	-	85	0%	20%	0%		80%
Wildlife Refuges	N	542	2	-	544	0%	100%	0		0%
Total		12,658	2	-	12,660					
Bureau of Indian Affairs										
Archeological and Historic Sites	N	-	30	-	30					100%
National Register of Historic Places	C,N	17	-	-	17	35%	12%	53%		0%
Total		17	30	-	47					
TOTALS ^{8/}										
Archeological and Historical Sites		334,507	12,522	(991)	346,038					
Cultural Landscapes		2,830	6	(2,656)	180					
Historic and Prehistoric Structures		26,501	380	(296)	26,585					
Natural Heritage Special Management Areas		2,278	49	(22)	2,305					
National Historic Landmarks		189	27	(4)	212					
National Park System		388	1	(1)	388					
National Register of Historic Places		4,787	312	(288)	4,811					
Paleontological Sites		5,149	607	(1,835)	3,921					
Wildlife Refuges		542	2	-	544					
World Heritage Properties		5	-	-	5					
Total		377,176	13,906	(6,093)	384,989					

^{1/} "Good" condition means a site shows no clear evidence of negative disturbance or deterioration by natural forces or human activities; "fair" means that a site shows clear evidence of negative disturbances or deterioration by natural forces and/or human activities; "poor" means that a site shows clear evidence of human activities and no corrective actions have been taken to protect and preserve the integrity of the site; "unknown" conditions may mean that, due to the nature of the site, such as underwater sites, the condition cannot be determined or that due to financial constraints, the condition of a site cannot be determined.

^{2/} To avoid double or triple counting of specific assets, the sum of the columns do not equal the reported total quantities. National Historic Landmarks are a subcategory of the National Register of Historic Places-Contributing Properties. In most cases, one or more Contributing Properties make up a National Register of Historic Places Listing, but in some cases a BLM listing does not have a contributing property(ies) because while the site land is owned by BLM, the structures(s) is (are) not owned by BLM. National Register of Historic Places - Contributing Properties and World Heritage Properties are subcategories of the Archeological and Historic Sites category. In addition, 46 of the 61 Paleontological Sites are reported in the Natural Heritage Special Management Areas category.

^{3/} In FY 2004, the NPS changed the way it reports the number of cultural landscapes. In previous years, the cultural landscapes reported included those potentially eligible and those determined eligible for the National Register, and those managed as cultural landscapes because of responsibilities established by legislation or decisions made through the park planning process. Beginning with FY 2004, the cultural landscapes reported will include only those determined eligible for the National Register and those managed as cultural landscapes because of responsibilities established by legislation or decisions made through the park planning process.

^{4/} In 2004, the NPS implemented a new strategic goal related to recording and reporting historic and prehistoric structures information consistent with established procedures and controls.

^{5/} Paleontological localities include additions from FY 2003 that were not previously reported and new FY 2004 discoveries.

^{6/} This category includes only archeological and historical properties that have been determined to be eligible for listing in the National Register of Historic Places.

^{7/} Paleontological sites were not reported for Reclamation in the FY 2003 PAR.

Interior's non-collectible heritage assets are described in *Table 3-8*.

Archeological and Historic Sites. Archeological sites are locations that contain material remains or physical evidence of past human activity. Archeological sites include prehistoric structures, middens, and roadways, such as those found on many of the lands managed by the Department in the southwest. Sites also include the ancient earthen mounds in the Midwestern and southern parts of the Nation, many of them managed by Interior bureaus. Other archeological sites come from historic times and are associated with the settlement of the United States by Euro-Americans, African-Americans, and Asian-Americans.

The Historic Sites, Buildings and Antiquities Act of 1935 authorized the preservation for public use of historic sites, buildings, and objects of significance for the inspiration and benefit of the American people. The Act gives the Secretary of the Interior the authority to secure, collate, and preserve drawings, plans, photographs, and other data of historic and archeological sites, buildings, and objects. The Secretary is also authorized to survey historic and archeological sites, buildings, and objects to determine which sites, buildings, and objects possess exceptional value as commemorating or illustrating the history of the United States.

Cultural Landscapes. A cultural landscape is a geographic area, including both natural and cultural resources, associated with an historic event, activity, or person. The Department recognizes four cultural landscape categories:

1. Historic designed landscapes – A landscape significant as a design or work of art; was consciously designed and laid out either by a master gardener, landscape architect, architect, or horticulturalist; or by an owner or other amateur according to a recognized style or tradition; has a historical association with a significant person, trend or movement in landscape or gardening or architecture; or a significant relationship to the theory or practice of landscape architecture.

2. Historic vernacular landscapes – A landscape whose use, construction, or physical layout reflects

endemic traditions, customs, beliefs, or values; in which the expression of cultural values, social behavior, and individual actions over time is manifested in physical features and materials and their interrelationships, including patterns of spatial organization, land use, circulation, vegetation, structures, and objects; in which the physical, biological, and cultural features reflect the customs and everyday lives of people.

3. Historic sites – a landscape significant for its association with a historic event, activity, or person.

4. Ethnographic landscapes – areas containing a variety of natural and cultural resources that associated people define as heritage resources, including plant and animal communities, geographic features, and structures, each with their own special local names. These landscapes individually meet the criteria of the National Register of Historic Places, are contributing elements of sites or districts that meet National Register criteria, or have value to associated communities.

Historic and Prehistoric Structures

Historic and prehistoric structures are constructed works consciously created to serve some human activity or purpose. These structures include buildings and monuments, dams, canals, stockades and fences, defensive works, temple mounds and kivas, ruins of all structural types, and outdoor sculptures. Structures are historic because they individually meet the criteria of the National Register of Historic Places or are contributing elements of sites or districts that meet National Register criteria. As such, historic structures are significant at the national, State, or local level, and are associated with the important people and history of the Nation. Prehistoric means of, pertaining to, or belonging to the era before recorded history.

National Historic Landmarks

National Historic Landmarks are districts, sites, buildings, structures, or objects possessing exceptional value in commemorating or illustrating the history of the United States. The Historic Sites Act of 1935 authorizes the Secretary of the Interior to designate National Historic Landmarks as the Federal government's official recognition of the national importance of historic properties. These landmarks

possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archeology, technology, and culture as well as possessing a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association.

Paleontological Sites

A paleontological site is a spatially defined area from which a fossil (or fossils) is found or has been recovered and whose geologic context and attributes have been documented for the purpose of scientific study, management, and/or interpretation. Since the early 1800s, professional and amateur paleontologists have made discoveries that helped launch the new scientific discipline of paleontology in America, filling our Nation's museums of natural history with the remains of spectacular creatures that have captured the public's imagination. Today, the public lands continue to provide paleontological resources that fuel scientific discovery and evoke public wonder. Interior bureaus manage these fragile and nonrenewable resources as a public trust not only to assure preservation of scientific values, but also to see that educational and recreational values are realized.

Within NPS, there are 14 units in which paleontological resources are specifically mentioned in their organic legislation. The types of paleontological resources located on NPS-managed lands are diverse and include plants ranging from microscopic algae and pollen to fossil leaves and petrified logs, and animals ranging from marine shells to dinosaurs to Ice Age mammals, as well as trace fossils such as tracks, burrows, and coprolites (fossilized excrement). Many of the fossil resources protected and interpreted within NPS are of international significance and are critical to the understanding of the history of life on earth.

Significant paleontological resources can be found on BLM lands estimated to total over 20 million acres. Currently, 61 acres are managed either wholly or in part for paleontological values or contain paleontological values that may require special management strategies in the future. Most of the areas consist of areas of critical environmental concern, national natural landmarks, and research natural areas.

Natural Heritage Special Management Areas

Although BLM manages natural heritage assets that are not specifically in designated areas, significant portions of the public lands have been congressionally or administratively designated as special management areas. These special management areas have been designated to preserve their natural heritage values and include the White Mountains National Recreation Area in Fairbanks, Alaska, which is managed by BLM to provide for multiple-use of public lands and encompasses approximately one million acres; the Yaquina Head Outstanding Natural Area, which is located on a narrow point of land jutting due west into the Pacific Ocean in Oregon and provides visitors with one of the most accessible wildlife and ocean viewing locations on the Pacific Coast; and the Steens Mountain Cooperative Management and Protection Area which consists of 425,550 acres of rugged landscape in southeastern Oregon and encompasses volcanic uplifts, deep glacial carved gorges, stunning scenic wilderness, wild rivers, and a rich diversity of plant and animal species.

Collectible Heritage Assets

Library Collection – Departmental Library. The Department of the Interior Library contains holdings that cover the broad range of matters related to the Department's mission to protect and provide access to the Nation's heritage. Specific collections include a comprehensive law collection, an extensive periodical collection, and a rare book collection consisting of 19th century monographs on Native Americans, American history, and zoology. The collections are augmented by online access with full-text capabilities. Departmental policy dictates that copies of publications produced for or by its bureaus and offices be deposited in the Departmental Library, thus assuring a continuing, reliable source of information. The Library serves Interior employees in the Washington, D.C area and field offices throughout the Nation, and enhances its ability to fulfill its responsibilities by providing an informative Web site at <http://library.doi.gov>, online access to the catalog of holdings over the Web site, and training sessions to familiarize Departmental staff with the treasures of the collection.

Departmental Library staff apply emerging technologies in the form of an integrated library system and the use of digital copies and microfilm

TABLE 3-9

**Library Collectible Heritage Assets
as of September 30, 2004
(in thousands)**

Library Collections	Beginning Units	Additions (units)	Withdrawals (units)	Ending Units	*Condition of Units (Percentage)		
					Good	Fair	Poor
Departmental Library	998	34	(22)	1,010	100%	0%	0%
US Geological Survey							
Library Services Group Library at the National Center	1,701	23	(1)	1,723	80%	15%	5%
Denver Branch Library	954	5	-	959	65%	20%	15%
Flagstaff Branch Library	117	4	-	121	80%	15%	5%
Menlo Park Branch Library	289	1	(3)	287	70%	20%	10%
USGS Total	3,061	33	(4)	3,090	74%	18%	8%
Total	4,059	67	(26)	4,100			

*Good means in usable condition; "Fair" means in need of minor repair or cleaning; "Poor" means in need of major conservation efforts.

reader-printers to expedite document delivery. The condition of the Library collection is rated as good. Good condition represents paper and bindings that are of good quality and which show no sign of deterioration and are free from blemishes, tears, or fraying of pages. The condition of the collection is subject to potential harm because it is housed in a facility where mold and water leaks are common. Publications are selected and de-selected from the collection according to the procedures established by library policy, the Aspen Collection Development Plan, and priorities as set by the Contracting Officer's Technical Representative (COTR). Publications are removed from the collection when they become out of date or out of scope.

Library Collection – U.S. Geological Survey. The U.S. Geological Survey (USGS) Library system includes four libraries, contains over 1.2 million books and periodicals, and over 1.8 million non-book items, including maps, photographs, pamphlets, field record notebooks, digital media, and other collectible items, for a total of over 3 million items. Materials are acquired from extensive exchange agreements with institutions and agencies worldwide and from research projects and purchases from a wide variety of publishers and institutions. Items are withdrawn only after the professional library staff has made a critical analysis of the collection.

In addition to the annual purchases of serials, maps and books, the USGS Library has used other means to build the collection. Since its beginning, the Library has administered a major program of international and domestic exchange of earth science publications authorized by the legislation that established USGS. The exchange program, with national and foreign geological surveys and research organizations, has enabled the USGS Library to collect materials published in small numbers, never widely distributed, and never reprinted. USGS library holdings, collected during more than a century of providing library services, are an invaluable legacy to the Nation. While responding to the current and anticipated subject interests of USGS researchers, the USGS Library maintains its heritage collection of core science publications dating back to the 17th century, providing a unique historical record of the progress of natural science. Besides providing resources for scientific investigations, the USGS Library's multi-disciplinary collection provides access to geographical, technical, and historical literature in paper and electronic formats for the general public and industry. The USGS Library collection, originally located in Washington, D.C., currently is housed in four libraries across the country.

Interior's library collections are described in *Table 3-9*.

Museum Collections

The Department of the Interior museum collections are intimately associated with the lands and cultural and natural resources for which Interior bureaus share stewardship responsibilities. The Department's museum collections contain over 130 million museum objects, including 58 million artifacts and specimens and 72 million documents. Disciplines represented include art, ethnography, archeology, documents, history, biology, paleontology, and geology. Archeology (40%) and documents (55%) account for 95 % (124.5 million items) of the total when documents are reported in number of objects. If converted to linear feet, the 72 million documents reported this year are equivalent to 44,972 linear feet of archival documents. The growth in total number of objects is due primarily to improved reporting rather than to new acquisitions. Bulk counts such as numbers of boxes are omitted from the summary data reported here.

Bureaus report 6,865,386 additions and 21,085,205 withdrawals since the FY 2003 report. The bulk of these changes are due to revised estimates of the number of uncataloged collection items and improved reporting of actual item counts as cataloging progress is achieved. Withdrawn from this report are 21,000,000 items reflecting BLM collections housed at 154 non-Federal locations. Data describing collections from these other locations, for which BLM last reported "best-available" estimates in 1993, are "withdrawn" from this report pending collection of current data for all BLM locations.

Highlights of the Department's museum program for FY 2004 include cataloging 4,122,774 objects, improving accountability, and increasing the availability of the collections for public access. Currently, 61,557,428 items (47%) are cataloged, leaving a backlog of 69.2 million (53%) items to be cataloged (plus the unquantified BLM collections). While the collections of smaller bureaus and offices are fully cataloged, the large bureaus consistently cite resource constraints as the primary factor preventing faster progress in establishing accountability through cataloging. Selected bureau-specific activities are described below.

The status of cataloging bureau collections and the condition of cataloged collections are summarized in *Table 3-10*.

The distribution of the Department's museum collections among bureaus and disciplines and the total additions and withdrawals by discipline during FY 2004 are summarized in *Table 3-11*.

Bureaus and offices may add (accession) items to the museum collections by donation, purchase, transfer, or field collection and, depending on bureau-specific authority, by exchange. Bureaus and offices may remove items from the museum collections in response to involuntary loss, theft, or destruction. Departmental offices and NPS also have congressional authority to remove (deaccession) items selectively following strict procedures to follow the highest ethical standards and to make every effort to keep the items in public ownership.

Museum collections are housed in both Federal and non-Federal institutions in an effort to maximize accessibility to the public while reducing costs to bureaus. Museum collections managed by Interior bureaus are important both for their intrinsic value and for their usefulness in support of Interior's mission of managing Federal land, cultural resources, and natural resources. Cataloging the collections continues to be a priority within Interior bureaus and continues to improve each year.

Facilities housing Department museum collections must meet specific environmental, security, fire protection, housekeeping, physical examination and conservation treatment, storage, and exhibit space standards as described in Departmental Manual Section 411, Chapter 3. The standards achieved by facilities that house collections are a good indicator of the status of collections for which item-level condition data are not available. Facilities that meet at least 70% of the Department's standards for managing museum collections (411 DM 3) are judged to be in "good" condition, those that meet between 50 and 70 percent of standards are in "fair" condition, and those that meet less than 50% of applicable standards are in "poor" condition. Conditions at locations housing Interior bureau museum collections are summarized in *Table 3-12*.

TABLE 3-10

**Status of Cataloging and Condition of Cataloged Bureau Museum Collections
as of September 30, 2004**

Bureaus and Offices	Estimated Total Collection Size FY 2003	Additions Since Last Report	Withdrawals Since Last Report	Estimated Total Collection Size FY 2004	Total Number of Bureau Items Catalogued	Number of Cataloged Items with Item-level Condition Data	Number of Cataloged Items in Good, Fair, & Poor Condition 1/		
							Good	Fair	Poor
National Park Service 2/	100,049,116	5,263,069	(8,152)	105,304,033	50,046,996	47,344,306	61%	31%	8%
Bureau of Land Management 3/									
BLM-three internal units w/2004 data	6,973,784	121,467	-	7,095,251	2,577,187	not available	-	-	-
BLM-1993 data for all other locations	21,000,000	-	(21,000,000)	-	-	not available	-	-	-
Bureau of Reclamation	7,688,597	876,410	(74,566)	8,490,441	6,565,644	1,469,840	91%	8%	<1%
Bureau of Indian Affairs Fish and Wildlife Service	5,261,069 3,991,847	9,284 596,647	(1,439) 6	5,268,914 4,588,500	567,477 1,743,487	40,419 210,031	94% -	5% 100%	1% -
U.S. Geological Survey	39,904	156	-	40,060	40,060	40,060	100%	<1%	<1%
Departmental Offices									
Indian Arts and Crafts Board	11,052	9	-	11,061	10,891	8,029	94%	4%	2%
National Business Center	6,463	126	(1,048)	5,541	5,541	5,200	78%	16%	6%
Office of the Special Trustee	73	18	-	91	91	91	99%	-	1%
Minerals Management Service	54	-	-	54	54	54	100%	-	-
Totals	145,021,959	6,867,186	(21,085,199)	130,803,946	61,557,428	49,118,030			

1/ Condition definitions: "Good" means in stable conditions; "Fair" means in need of minor repair or cleaning to bring to usable condition; "Poor" means in need of major conservation treatment to stabilize.

2/ NPS data are from FY 2003, the most recent data available.

3/ BLM data are split between three administrative locations with current data and all other locations for which BLM last reported "best available" estimates in 1993. These data for external locations (rounded to 21 million) are "withdrawn" from this report pending collection of more current data for the 154 external repositories.

Bureau Highlights

National Park Service. NPS museum collections total over 105 million items, including 40 million artifacts and specimens, and 65 million archival documents. These collections foster understanding, appreciation and enjoyment of natural and cultural heritage and provide tangible and accessible evidence of the resources, significant events, and peoples associated with NPS lands.

Notable acquisitions in FY 2004 include a set of photograph albums documenting recreational trips to Grand Canyon National Park during the 1920s; military items associated with the Glorieta Battlefield at Pecos National Historical Park; 850 historical items associated with the 1846 McLaughlin House at Fort Vancouver National Historic Site; and 500,000 archeological artifacts excavated from a Mississippian culture (900-1200/1400 A.D.) temple mound at Shiloh National Military Park in Tennessee.

Access to and use of NPS collections continued to increase in parks and on-line. Since the FY 2003 report, NPS cataloged 3.9 million items and corrected 1,683 planning, environmental, storage, security, and fire protection deficiencies in parks. Parks meet 69.7% of applicable standards, but meeting preservation and protection standards continues to be a challenge, with deferred maintenance costs identified at \$286 million.

Many parks improved museum storage conditions and developed new exhibits during FY 2004. For example, 12 major new exhibits were installed in park visitor centers; Yellowstone National Park moved its collections into a new 27,000 square foot Heritage and Research Center; Hubbell Trading Post National Historic Site moved into a new 5,500 square foot storage facility; John Day Fossil Beds National Monument moved its collections into the new 11,000 square foot Thomas Condon

TABLE 3-11
FY 2004 Museum Collections by Discipline

	Archeology 1/	Art 2	Ethnography	History	Documents	Botany 3/	Zoology	Paleontology	Geology	Environmental Samples	Totals
2003 Totals	65,529,359	8,719	55,835	3,660,242	69,684,695	1,867,532	432,799	3,704,655	69,964	9,959	145,023,759
2004 Additions	4,217,298	248	435	43,034	2,459,508	103,851	487	38,684	1,841	-	6,865,386
2004 Withdrawals	17,223,947	1,264	3,375	54,069	148,430	39,841	208,649	3,393,793	2,095	9,742	21,085,205
National Park Service 4/	34,532,979	-	28,342	3,394,360	65,074,331	1,915,148	-	290,031	68,842	-	105,304,033
Bureau of Land Management 5/	3,744,077	-	-	29,027	3,289,600	-	-	32,547	-	-	7,095,251
Bureau of Reclamation	7,229,932	293	6	2,776	1,243,985	-	-	13,032	415	2	8,490,441
Bureau of Indian Affairs	4,553,229	2,925	3,084	7,562	701,490	180	152	249	43	-	5,268,914
Fish and Wildlife Service	2,462,458	631	11,063	213,189	1,686,277	16,185	184,800	13,676	-	215	4,588,494
Geological Survey	-	62	1	393	-	-	39,601	-	-	-	40,060
Departmental Offices	-	-	-	-	-	-	-	-	-	-	-
Indian Arts/Crafts Board	-	2,883	8,178	-	-	-	-	-	-	-	11,061
National Business Center	35	814	2,218	1,895	75	29	84	11	380	-	5,541
Office of the Special Trustee	-	91	-	-	-	-	-	-	-	-	91
Minerals Management Service	-	4	3	5	12	-	-	-	30	-	54
2004 Totals	52,522,710	7,703	52,895	3,649,207	71,995,773	1,931,542	224,637	349,546	69,710	217	130,803,940

1/ In addition to the number of archeology items reported, the Bureau of Reclamation has 3,265 cubic feet of archeology materials and 3,230 cubic feet of paleontology materials.

2/ National Park Service (NPS) art items are included in the number for history.

3/ NPS numbers for botany include zoology specimens.

4/ NPS numbers are the most recent available-from 2003. NPS numbers for Environmental Samples are included under each appropriate discipline.

5/ Bureau of Land Management (BLM) data are split between three BLM facilities with current data and 154 external repositories for which BLM last reported "best available" estimates in 1993. The data previously reported for BLM (rounded to 21 million) are "withdrawn" from this report pending collection of current data.

TABLE 3-12
FY 2004 Ratings of Locations Housing Bureau Collections and Estimated Deferred Maintenance Costs

	Number of		Condition of Collections Based on the % of Departmental Standards Met by the Locations Evaluated 1/					Estimated Deferred Maintenance of Museum Collections (\$)		
	Locations Housing Bureau Museum Collections	Number of Locations Evaluated	Good (Meet > 70%)	Fair (Meet 50 - 70%)	Poor (Meet < 50%)	Not Evaluated	Facilities Housing Collections	Other Collections	Maintenance	
Bureaus and Offices										
National Park Service	315	315	155	93	67	-	\$274,748,407	\$11,842,622	0	
Other facilities	490	55	23	26	6	435	9,301,333	15,300	0	
Bureau of Land Management	3	3	3	-	-	-	0	-	0	
Other facilities	154	-	-	-	-	154	0	-	0	
Bureau of Reclamation	20	7	3	4	-	13	101,000	0	0	
Other facilities	81	24	16	6	2	57	0	0	0	
Bureau of Indian Affairs	100	81	20	20	41	19	0	0	0	
BIA facilities	75	31	11	18	2	44	0	0	0	
Other facilities	136	11	1	5	5	40	0	50,000	0	
Fish and Wildlife Service	325	35	16	19	-	239	0	350,000	0	
Other facilities	4	2	2	-	-	2	0	0	0	
U.S. Geological Survey	2	2	2	-	-	-	0	0	0	
Other facilities	2	2	2	-	-	-	0	0	0	
Departmental Offices (DO)	3	3	3	-	-	-	0	0	0	
IACB Facilities	-	-	-	-	-	-	0	0	0	
Other facilities	1	1	-	1	-	-	0	0	0	
NBC Facilities	4	3	3	1	-	-	0	0	0	
Other facilities	3	3	3	-	-	-	0	0	0	
OST Facilities	-	-	-	-	-	-	0	0	0	
Other facilities	5	5	5	-	-	-	0	0	0	
Minerals Management Service	-	-	-	-	-	-	0	0	0	
MMS facilities	-	-	-	-	-	-	0	0	0	
Other facilities	-	-	-	-	-	-	0	0	0	
2004 Departmental Totals	590	431	195	124	113	74	\$274,849,407	\$11,892,622	0	
Total Other facilities	1131	150	71	69	11	929	\$9,301,333	\$365,300	0	

1/ "Condition" of museum property is judged by the degree to which facilities housing Department property meet accepted museum standards adopted by the Department. Due to the nature of Department museum property, i.e., pottery shards, arrowheads, etc., condition assessment of individual items is not meaningful.

Paleontology Center; the Midwest Region completed security and fire protection surveys for all parks that lacked this information; and Golden Gate National Recreation Area developed, designed and presented a highly acclaimed exhibit to commemorate the 89th anniversary of the Panama-Pacific Exposition of 1915. NPS also continued revision and expansion of the Museum Management Program's Web site <http://www.cr.nps.gov/museum>, which provides broad access to NPS handbooks, Conserve O Grams, exhibits, and other information. An estimated 644,000 visitor sessions are reported for FY 2004. Park museum management staff responded to over 118,000 public research requests and over 16,000 research requests from within the parks. More than 331,000 NPS museum objects, specimens, and archival documents were exhibited.

Bureau of Land Management. Most collections originating from BLM-managed land are housed in non-Federal facilities throughout the country. To date, BLM has identified 154 professional facilities in 33 States and Canada where millions of objects originating from BLM-managed land reside. The BLM maintains three museum institutions. In FY 2004, funding was provided under BLM's museum partnership program to the Museum of Northern Arizona for A Finder's Guide to BLM Collections Project; the Eastern Oregon University for the Oregon Trail Collections Project; the Utah Museum of Natural History for Conservation: A Look Behind the Scenes Project; and the Museum of the Rockies for the Collections Conservation Project. Information and links are located at www.blm.gov/heritage/sp.htm.

Full descriptions of BLM museum collections housed in non-Federal repositories are not available, but three internal facilities report a total of 7,095,251–3,805,651 objects and 3,289,600 (2,056 linear feet) documents. During FY 2004, the Anasazi Heritage Center and the Billings Curation Center cataloged 63,860 additional items, bringing the total number of items cataloged at the three BLM facilities to 2,577,187.

Projects that were funded during 2004 under the Museum Partnership Program and BLM field office programs are as follows:

- **Museum Partnership Program:** In FY 2004, funding was provided under the Museum Partnership Program to museum collections partners. Partners included the Museum of Northern Arizona for A Finder's Guide to BLM Collections Project; Eastern Oregon University for the Oregon Trail Collections Project; the Utah Museum of Natural History for Conservation: A Look Behind the Scenes Project; and the Museum of the Rockies for the Collections Conservation Project.
- **BLM Field Office Funding and/or Assistance:** In FY 2004, funding and/or assistance was provided by BLM field offices through Assistance Agreements, Cooperative Agreements, Facility Agreements, Memoranda of Understanding, and Purchase Orders. Partners included the University of Alaska Museum, Arizona State Museum, Museum of Northern Arizona, University of Arizona Laboratory of Paleontology, Museum of Western Colorado, University of Colorado Museum, Archaeological Survey of Idaho (Eastern and Western Repositories), Boise State University, Rocky Mountain College, Nevada State Museum, Museum of New Mexico, Maxwell Museum of Anthropology, Oregon State Museum of Anthropology, Southern Oregon University, South Dakota School of Mines, BYU Museum of Peoples and Culture, College of Eastern Utah Prehistoric Museum, Field House of Natural History State Park Museum, Edge of Cedars State Park Museum, Southern Utah University, University of Utah Museum of Natural History, Washington State University, University of Wyoming, Western Wyoming Community College, and Wyoming State Museum.

In 1991 and 1993, BLM reported an estimated 21 million objects in over 200 external facilities. Subsequent analysis of this data has demonstrated these estimates to be not accurate and the data have not been updated. To establish a reliable baseline, an internal audit was conducted by BLM in 1996. This audit, which included interviews with BLM field managers and program specialists, as well as museum and university professionals, verified that previously reported figures were not accurate. Accordingly, BLM has refined its analysis and developed an accurate list of 154 external facilities where collections are housed, but inventories of BLM collections in these facilities are not available. The non-Federal facilities

are professional facilities and, as such, are providing expert curation for all of its collections, including BLM objects. The estimated 21 million objects in non-Federal repositories are “withdrawn” in this report because the data cannot be supported. To improve reporting, BLM is currently undertaking efforts to collect accurate data for non-Federal institutions.

Bureau of Reclamation. Reclamation’s FY 2004 achievements include working with a vendor to modify “off-the-shelf” collection management software for BOR use. Migration of data from multiple tracking systems will follow. Reclamation reports that 6,565,644 (77%) of its 8.5 million items of museum property meet the Department’s cataloging standards.

BOR museum staff assessed 31 of 101 facilities for compliance with Departmental standards; of these, 19 are in “good” condition. Much progress in cataloging and other museum property management activities is achieved by BOR’s partnership with the National Council for Preservation Education summer intern program, which employed 15 interns.

BOR opened a permanent exhibit, “Fifty Years of Reclamation Archeology,” at the DOI Museum in Washington, DC. It highlights projects from each of five regions and provides episodic glimpses into thousands of years of human activity. Active research loans and expanded web pages increased access to BOR collections.

Bureau of Indian Affairs. The Bureau of Indian Affairs is responsible for over 5,268,914 million items of museum property. Currently, 567,477 (10.8%) are cataloged at the item level. The bulk of BIA collections (5,090,060) are managed in partnership with 75 non-BIA facilities. The remaining collections (178,854 objects) are located within 100 BIA facilities. In FY 2004, 638 items were cataloged by BIA staff members; 115,798 items were cataloged through contracts with three non-Federal repositories. Additional cataloging will be completed only with additional resources dedicated to these activities.

Most of the collections in BIA facilities are displayed in administrative offices. Museum staffs curate collections at the BIA Central Office in Washington,

DC; at Haskell Indian Nations University in Lawrence, Kansas; and at Sherman Indian School in Riverside, California. Collections at all other BIA facilities are managed as a collateral duty by administrative staff.

BIA added 9,284 objects during FY 2004 and withdrew 1,439 objects. Inventory clarification accounted for most of the adjustments, though a few items were acquired through purchase and field collections.

Fish and Wildlife Service. FWS museum collections consist of 4,588,494 million objects, documents and specimens maintained in 136 offices or on loan to 325 non-Federal repositories for study and long-term care. Collections consist of archeological materials excavated from FWS managed cultural resources; paleontological collections; objects and documents associated with the bureau’s history; wildlife art; wildlife, fisheries; and botanical specimens. FWS collections are used for educational and interpretive programs; research on changes to habitat and wildlife; and maintaining the history and traditions of the FWS programs and employees. Currently, 1,743,487 (38%) of the collection items are cataloged.

In FY 2004, FWS continued with its cooperative work with the Museum of the Rockies-Berkeley to survey and excavate dinosaur fossils from the Hell Creek Formation on the Charles M. Russell National Wildlife Refuge in Montana. The session was part of a 5-year program to survey the refuge’s world-renowned fossil beds to identify the remains of mammals, invertebrates, dinosaurs, and plants. Collections from the excavations will be stored at the Museum of the Rockies in Bozeman, Montana, for study and possible future display.

FWS continues to accession new museum collections each year, primarily as a result of the scientifically controlled excavation of archeological sites on its lands. The overall condition of FWS museum collections is adequate to good. Over 82% of FWS’s collections are maintained on loan by museums and other institutions. FWS ensures that these collections are safeguarded through compliance with the Secretary of the Interior’s curation standards found in 36 CFR 79. Institutions must maintain the appropriate environmental, record-keeping, and

security controls in order to qualify for maintaining Federal collections.

U.S. Geological Survey. USGS uses its museum property collection to illustrate important achievements and challenges to the Earth Sciences, to document the history of USGS, and to enlighten those who use the collection. The collections also provide the public with an interpretive demonstration of the history and enterprise of USGS. All 40,060 items are cataloged. Additions during FY 2004 include 153 biological specimens, 2 historical objects, and one art object.

Departmental Offices - Indian Arts and Crafts Board The Indian Arts and Crafts Board's (IACB) three museums achieved greater public access to their collections through participation in loans to institutions with high attendance. These included the Department of the Interior Museum in Washington, DC; the Heritage Center at Red Cloud Indian School in Pine Ridge, South Dakota; and the University of South Dakota Art Galleries in Vermillion.

All three IACB museums continued active exhibit programs in support of the Board's mission to promote authentic Native American arts and crafts. All but 170 of the IACB's 11,061 collection items are cataloged, establishing item-level accountability for and improving access to the collections. Currently, 94% of the collections with item-level condition data are in good condition.

During FY 2004 all catalog records were transferred to a new database; the Southern Plains Indian Museum completed a condition survey of its collections; the Sioux Indian Museum installed a new art storage system; and the Museum of the Plains Indian completed a general security survey. Nine items were added to the IACB collection during FY 2004 – seven by purchase, one by gift, and one by inventory adjustment.

National Business Center. The NBC operates the Department of the Interior Museum and coordinates Office of the Secretary museum property. NBC staff worked with BIA, BLM, FWS, NPS, and BOR to plan temporary exhibits and upgrades. NBC increased the visibility of museum exhibitions through flyers, loans, upgraded web pages, and coordination with partners

such as the Neighbors to the President Consortium of small museums and the Indian Craft Store which is located within the Main Interior Building.

Attention was given to planning, inventory, and environmental monitoring in anticipation of scheduled building renovation activities. NBC is responsible for 5,541 museum items, all of which are cataloged. Exhibit and education programs continued to be active.

Office of the Special Trustee for American Indians.

The Office of the Special Trustee for American Indians (OST) acquired 18 additional art items in FY 2004, and now has a total of 91 items of museum property. OST personnel are successfully applying concepts of preventive conservation and basic property accountability to preserve, protect, reduce, and manage risks to the collections housed in administrative office spaces at three locations.

Minerals Management Service. All MMS museum property is photographed, cataloged, and has temporary numbers assigned. MMS staff is planning an educational outreach to increase awareness and visibility of the collection. It is hoped that educational efforts will result in identification of more items associated with MMS history that may be suitable for management as museum property. No new items were identified during FY 2004.

Investment in Research and Development

Interior is an important source for the Nation's natural resources research and development initiatives, and is a reliable source for credible, objective, and unbiased information needed by resource managers across the Nation, within and outside of the Department. These research and development activities encompass examinations of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information is used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods.

Interior's research and development activities are presented in *Table 3-13* in three major categories:

Basic Research - A systemic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes and products in mind;

Applied Research - A systemic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and

Developmental - The systemic use of knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

Research and Development at Interior Bureaus

U.S. Geological Survey

Research and development investments at USGS are a core part of fulfilling the bureau's mission and are integral to the work performed in all internal operating disciplines (biology, geography, geology, and water). The scope of USGS' research and development activities spans basic, applied, and developmental research, and produces direct outputs and outcomes associated with each activity that are a valuable part of the scientific research performed throughout the Nation. Total research and development investments were \$882.9 million during FY 2004.

Significant Outcomes/Accomplishments in the Biology Program (Applied Research). The Cooperative Research Unit Program is a unique cooperative partnership among Federal and State governments and academia, and provides one of the strongest partnership links between USGS and Federal and State management agencies. Federal scientists stationed at universities: (1) help identify and respond to natural resource information needs through the pooling of resources among agencies; (2) provide access to scientific expertise among unit scientists, university faculty, and other unit cooperators, especially where the required expertise is not readily available within Federal resource agencies;

and (3) provide Federal and other natural resource managers access to a geographically dispersed science organization of units to meet information needs that transcend State and regional boundaries.

Significant Output/Accomplishment Oregon Cooperative Research Unit. Conducted toxicological and physiological research on Columbia River white sturgeon to determine if body burdens of environmental toxicants are contributing to reduced growth and reproductive fitness in impounded areas of the river. USGS studies focus on understanding the effects of environmental contaminants on wildlife including threatened and endangered species. Environmental toxicants, such as pesticides, PCBs, and heavy metals, are persistent, fat-soluble, and tend to bioaccumulate in organisms over time. Many of these compounds can affect behavior, biochemistry, growth, reproduction, development, and survival in a wide variety of species. The lower Columbia River supports one of the most productive white sturgeon fisheries in North America. Fish trapped behind the dams of the hydroelectric system, however, have reduced growth and reproductive success when compared to animals in the free-flowing portion of the river. An understanding of whether contaminants are contributing to this problem is critical for management of this and other species as well as for ecological management of the Columbia River Basin.

These studies have been completed and results have been submitted for publication in peer-reviewed journals. Results have also been made available to the Oregon Department of Environmental Quality (DEQ). Findings reveal that there are strong negative correlations between a variety of physiological parameters that are indicative of growth and reproductive fitness, and body burdens of PCBs, pesticides, and mercury. This suggests that environmental contaminants could be playing a role in the reduced growth and reproductive fitness of sturgeon in impounded areas of the river. Results from this research could easily be applied to other major river systems in North America.

Results from this research will be used to develop management measures designed to protect and restore white sturgeon populations. This may be particularly important in areas of the Columbia Basin where sturgeon are now endangered. Findings from

TABLE 3-13
Investment in Research and Development
(in millions)

Category	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	TOTAL
US Geological Survey						
Basic	\$ 63.0	\$ 63.0	\$ 82.0	\$ 77.0	\$ 70.6	\$ 355.6
Applied	656.0	567.0	799.0	681.0	740.4	3,443.4
Developmental	53.0	53.0	83.0	101.0	71.9	361.9
Total	772.0	683.0	964.0	859.0	882.9	4,160.9
National Park Service 1/						
Basic	0.5	1.6	5.0	-	-	7.1
Applied	37.6	28.0	30.2	21.1	27.5	144.4
Developmental	-	2.9	8.6	3.9	1.9	17.3
Total	38.1	32.5	43.8	25.0	29.4	168.8
Minerals Management Service						
Basic	-	-	-	-	-	-
Applied	30.7	31.0	28.5	29.4	29.3	148.9
Developmental	-	-	-	-	-	-
Total	30.7	31.0	28.5	29.4	29.3	148.9
Bureau of Reclamation						
Basic	-	-	-	-	-	-
Applied	16.1	17.4	19.0	18.3	19.8	90.6
Developmental	-	-	-	-	-	-
Total	16.1	17.4	19.0	18.3	19.8	90.6
Departmental Offices*						
Basic	-	-	-	-	-	-
Applied	15.2	4.6	4.6	7.5	5.9	37.8
Developmental	-	0.0	0.4	0.4	0.3	1.1
Total	15.2	4.6	5.0	7.9	6.2	38.9
Bureau of Land Management 2/						
Basic	-	-	-	-	-	-
Applied	9.7	11.1	12.0	10.9	11.8	55.5
Developmental	1.7	1.4	0.4	1.5	1.9	6.9
Total	11.4	12.5	12.4	12.4	13.7	62.4
TOTALS						
Basic	63.5	64.6	87.0	77.0	70.6	362.7
Applied	765.3	659.1	893.3	768.2	834.7	3,920.6
Developmental	54.7	57.3	92.4	106.8	76.0	387.2
TOTAL \$	883.5	781.0	1,072.7	952.0	981.3	4,670.5

*Central Utah Project Completion Act

1/ FY 2003 numbers have been revised based on updated natural resources data.

2/ Outlays are estimated for FY 2004

this USGS research will be used to identify the types of compounds that need to be regulated by DEQ or the Environmental Protection Agency (EPA) as well as for health alerts for people who consume fish from certain areas of the river. Results will also be used to determine point sources of pollution for cleanup and could lead to more efficient operation of the hydroelectric system to minimize toxicant effects on fish.

National Park Service

Through appropriations for natural resource stewardship (encompassing natural resource research support and natural resource management, including the Natural Resource Preservation Program [NRPP]), and the Cultural Resource Preservation Program (CRPP), NPS performs a wide range of mission-oriented research in support of its natural and cultural resource stewardship responsibilities. This work constitutes either basic or applied research focusing on park-based needs for scientific and scholarly information necessary for park management.

The Cultural Resources Applied Research Program provides funding for comparable cultural resource research and resource management projects in the fields of archeology, ethnography, historical architecture, historic landscape architecture, history, and museum collections. Obligations and expenditures from both the NRPP and CRPP programs support park-based resource management, and when applicable, research needs. As a consequence, the obligations and expenditure levels for research from these two programs vary each year in response to the needs and priorities identified by the parks.

Accomplishments and benefits of the cultural resources applied research program include:

- The Pacific West Region expended funds for the preparation of cultural landscape analysis and treatment guidelines for Crater Lake National Park; an archeological overview and assessment of Craters of the Moon National Monument and Preserve; a photograph inventory and cataloging project at Lassen Volcanic National Park in California; and a cultural landscape inventory at

San Juan Island National Historic Park in Puerto Rico.

NPS Natural Resources research and development obligation data are currently available for FY 2000 through FY 2003, with FY 2004 obligations reported as an estimate. The FY 2003 outlays that were previously reported as estimates are now finalized and update the values previously reported. Measures initially implemented with FY 2001 data collection significantly improved the scope and accuracy of annual natural resource research and development data.

Minerals Management Service

Environmental studies and operational requirements for the leasing and development of natural gas and oil are mandated by the Outer Continental Shelf Lands Act (OCSLA). Through the Environmental Studies Program, MMS has funded over \$600 million of research into the marine environments along the Gulf of Mexico, Alaska, and the Pacific and Atlantic coasts. The topics of this research include biological resources (fish, turtles, birds, whales), habitat resources (water quality, sediment quality), and socioeconomic resources (communities, archeology, fiscal impacts). MMS has an active program to evaluate the effects of the removal of sand and gravel from borrow sites. MMS funds studies of the different types of technology used by industry to extract offshore mineral resources to evaluate their safety and performance. Numerous studies have also been conducted to evaluate technologies used to prevent and clean up oil spills. MMS has staff scientists and engineers that evaluate data to determine the location of resources, technologies used in the recovery of resources, and safety measures to prevent accidents and spills.

Significant accomplishments during FY 2004 include:

- ***Environmental Justice Considerations in Lafourche Parish, Louisiana.*** Results of this study completed during FY 2004 provide the MMS with a characterization of environmental justice and the potential hazards and impacts of Outer Continental Shelf (OCS) related oil and gas extraction, transport, and processing in Lafourche Parish, Louisiana, a principal land-based supply center for the majority of the offshore oil

and gas activity occurring in the Gulf of Mexico. The MMS must identify any disproportionate impacts of its activities on minority and/or low-income populations. The information provided by the project is used by MMS in environmental impact statements that seek to identify adverse environmental impacts. Using Geographical Information System techniques to integrate OCS-related activities, census data, and digital transportation data, the potential geographic and demographic impacts of OCS-related hazards on minority and low-income populations have been identified; these data provide MMS with a more rigorous empirical analysis.

Bureau of Reclamation

BOR invests in applied research programs to aid in the water and energy management challenges facing the arid west. Programs focus on the improvement of water management, the development of solutions pertaining to flood hydrology, water quality, irrigation return flows, and the delivery of hydropower to the west. The information obtained through these programs provides water management solutions and techniques that yield future benefits to the entire Nation.

In FY 2004, research and development expenses incurred under the Water and Energy Management and Development Government Performance and Results (GPRA) program activity produced benefits which supported BOR's goals of increasing water availability, improving water quality, and managing water supplies. In addition, research and development expenses incurred under the Facility Operations and Facility Maintenance and Rehabilitation GPRA program activities, respectively, provided support and benefits, which enabled BOR to meet the goals of operating its facilities more cost-effectively and providing safe and reliable supplies of power and water to its customers.

Departmental Offices – Central Utah Project Completion Act (CUPCA)

In order to provide for the completion of the Central Utah Project, P.L. 102-575 was enacted on October 30, 1992. Funds authorized pursuant to this Act are appropriated annually to the Secretary of the Interior and such appropriations are made immediately available in their entirety to the Central Utah Water

Conservancy District (CUWCD). Examples of R&D investments are:

- **Utah Lake Salinity Control.** Feasibility study to reduce the salinity of Utah Lake.
- **Conjunctive Use of Surface and Ground Water.** Feasibility study and development by the Utah Division of Water Resources in coordination with the Jordan Valley Water Conservancy District to allow ground water recharge, management, and the conjunctive use of surface water and resources with ground water resources in Salt Lake, Utah, Davis, Wasatch, and Weber Counties in the State of Utah

Departmental Offices - Utah Reclamation Mitigation and Conservation Commission

The Commission invests in either research calculated to determine the means by which mitigation measures or programs could be achieved (applied) or to determine the best method or design for an identified mitigation measure (developmental). For FY 2004, the Commission's research has focused primarily on:

- **Sage Grouse.** A Northern American bird threatened by loss and deterioration of sage-steppe grassland habitat and predation;
- **June Sucker.** A fish occurring naturally only in Utah Lake and the Provo River which is Federally listed as endangered.

Bureau of Land Management

The ultimate objective of BLM's research and development program is to make better use of new data, information, and knowledge to improve the management of the Nation's lands and resources. BLM's research and development program supports improvements in organizational effectiveness as well as furthering the long-term goal of working with partners to identify scientific information needs and then communicating these needs to research agencies, universities, and other non-governmental organizations.

The Applications of Science Program was established by Congress in 2002 in order to assure that scientific information is current and can be made available to BLM managers. The Applications of Science Program

is now an important component of BLM’s research and development program, assisting the bureau in expanding its capacity to collect and use natural resource information.

In 2004, BLM began new and continued past research and development efforts, including:

- Initiating studies on salt loading into the Colorado River, a major concern since water is a primary source of irrigation and drinking water for the lower basin States.
- Initiating a study on Bonneville Salt Flats in Utah to determine why the salt crust is deteriorating and whether commercial potash production from nearby Federal leases and private lands is responsible for the deterioration of this unique and scenic geological resource.
- Continuing studies on the juniper invasion of shrub-steppe ecosystems in the Northern Great Basin and Pacific Northwest.
- Continuing a four-year study in Utah of symbiotic relationships between soil mycorrhizae and vegetative communities, and the importance of this relationship to the success of ecosystem restoration and rehabilitation efforts.

Investment in Human Capital

Investment in human capital refers to education and training programs financed by the Federal government for the benefit of the public; investment in human capital does not include education and training expenses for Federal employees. The Department plays a vital role in providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual, and cultural aspects of the people served.

The Department’s investments in human capital are shown in *Table 3-14*.

Bureau of Indian Affairs Education Programs

Within BIA, the Office of Indian Education Programs (OIEP) takes the lead in the area of education. The OIEP vision and long-range goal is to unite and promote healthy Indian communities

through lifelong learning. This vision and goal is implemented through the commitment to provide quality education opportunities from early childhood throughout life.

BIA Scholarship Program

The BIA scholarship program is administered at either the regional or agency level, as well as operated by Tribes under self-determination contracts, grants, or self-governance compacts. The amount of awards under the program is based on each student’s certified financial aid requirements for Title IV Federal assistance, such as the Federal Pell Grant, which is a grant that does not have to be repaid and is awarded only to undergraduate students who have not earned a bachelor’s or professional degree. In FY 2004, Tribes expended \$27.1 million for the Tribal Priority Scholarship Program.

Number of Undergraduate Scholarships Granted				
School Year	Grants Awarded	Avg Grant Per Student	Total Awards	No. of Graduates
2003-2004	9,201	\$3,017	\$27,644	1,250
2002-2003	9,021	\$3,008	\$26,999	1,019

Adult Education

The adult education program provides opportunities for adult Indians and Alaska Natives to complete the General Equivalency Degree (GED). Completion of the GED increases adult Indians and Alaska Natives’ economic competitiveness and reduces their economic dependence on Federal welfare programs. In FY 2004, Tribes expended \$2.7 million to support adult education.

Adult Education Contracts		
Fiscal Year	Number of Contracts	Avg Contract Amount
2004	81	\$33,269
2003	94	\$26,237

Johnson-O’Malley Program

The Johnson-O’Malley (JOM) program provides funding to education programs for eligible Indian students attending public schools and for pre-school children. JOM is the only BIA program that provides for the culturally related and supplementary academic needs of Indian children attending public schools. In FY 2004, Tribes expended a total of \$16.4 million under the JOM program and 272,000 students were assisted.

TABLE 3-14

**Investment in Human Capital
(in millions)**

Category	FY 2000 *	FY 2001 *	FY 2002	FY 2003	FY 2004	TOTAL
Bureau of Indian Affairs						
School Operations	\$ 401.2	\$ 419.2	\$ 377.4	\$ 424.8	\$ 444.5	\$ 2,067.1
Adult Education	2.4	2.7	2.7	2.5	2.7	13.0
Post Secondary Education	68.0	70.4	72.1	58.3	64.0	332.8
Scholarships	27.5	27.5	27.6	27.1	27.8	137.5
Other Educational Programs 1	6.9	6.9	127.0	46.9	31.2	218.9
477 Program 2/	-	-	15.0	11.8	11.9	38.7
Total	506.0	526.7	621.8	571.4	582.1	2,808.0
Bureau of Reclamation						
Job Corps Program	27.1	27.1	28.6	29.9	30.0	142.7
National Park Service						
Job Corps Program	12.8	13.4	14.7	17.2	15.5	73.6
Fish and Wildlife Service						
Job Corps Program	11.8	10.9	12.3	12.3	11.9	59.2
TOTAL						
School Operations	401.2	419.2	377.4	424.8	444.5	2,067.1
Adult Education	2.4	2.7	2.7	2.5	2.7	13.0
Post-Secondary Education	68.0	70.4	72.1	58.3	64.0	332.8
Scholarships	27.5	27.5	27.6	27.1	27.8	137.5
Other Educational Programs	6.9	6.9	127.0	46.9	31.2	218.9
Job Corps Program	51.7	51.4	55.6	59.4	57.4	275.5
477 Program	-	-	15.0	11.8	11.9	38.7
TOTAL	\$ 557.7	\$ 578.1	\$ 677.4	\$ 630.8	\$ 639.5	\$ 3,083.5

* Some amounts are based on obligations rather than actual expenses.

1/ Beginning in FY FY 2002, Other Educational Programs includes educational facilities cost.

2/ Public Law 102-477-The Indian Employment, Training, and Related Services Act

Johnson-O'Malley Student Program				
School Year	Number of Contracts	Average Contract Amount	No. of Students Assisted	Average Funding Per Student
2003-2004	249	\$65,655	272,000	\$60.10
2002-2003	245	\$67,208	272,000	\$60.54

Post Secondary Education

The Haskell Indian Nation University in Lawrence, Kansas, and the Southwestern Indian Polytechnic Institute (SIPI) in Albuquerque, New Mexico, provide educational opportunities for Indian students. Haskell University offers three associate degree programs in science, applied science, arts, and one baccalaureate degree program in elementary education. SIPI offers associate degrees in liberal arts and computer science as well as programs in environmental sciences, electronics, and other specialized technologies. In FY 2004, Haskell and SIPI expended a combined total of \$15.6 million. For school year 2003-2004, the number of students enrolled at Haskell and SIPI was 2,704 with 270 graduates (10%).

Post-Secondary Education				
School Year	Facility	Number of Enrollees	Number of Graduates	Percentage
2003-2004	Haskell	1,279	163	13%
	SIPI	1,425	107	8%
2002-2003	Haskell	1,255	129	10%
	SIPA	1,326	86	6%

School Operations

The Indian School Equalization Program (ISEP) provides formula-based funding for BIA operated grant, contract elementary, and secondary schools. For school year 2003-2004, a total of 184 schools were funded through BIA appropriations. Of this number, 64 were BIA-operated schools and 120 were contract/grant schools. A total of 18,702 students were enrolled at BIA-operated schools and 28,969 students were enrolled at contract/grant schools.

School Operations			
School Year	School Operation	Number of Schools	Number of Students
2003-2004	Contract/Grant	120	28,969
	BIA-Operated	64	18,702
2002-2003	Contract/Grant	120	29,292
	BIA-Operated	65	18,617

The Indian Employment, Training, and Related Services Act (477 Program)

P.L. 102-477, the Indian Employment, Training and Related Services Act, allows Federally-recognized Tribes to integrate funds from the Departments of Labor, Health and Human Services, and Interior for the purpose of employment, training, child care, welfare reform, and related services. Tribal governments can integrate the employment, training, and related services they provide in order to improve the effectiveness of those services, reduce joblessness in Indian communities, foster economic development on Indian lands and serve tribally determined goals consistent with the policies of self-determination and self-governance. Under this program, Tribes spend fewer funds on administration and more on client services through the reduction of administrative burdens. There are currently 48 Tribal grantees under the 477 program and amendments to P.L. 102-477 strengthened the initiative by providing flexibility to use a percentage of their existing funds for job creation.

In FY 2004, BIA expended \$11.9 million in 477 program funds. In FY 2003, the BIA expended \$11.8 million in 477 funds.

Although BIA has reported expenses for the Job Corps program in previous years, a review of Office of Indian Education Program files indicates FY 2003 was the final year a BIA-operated school received funds from the U.S. Department of Labor for the Job Corps Program.

Job Corps Program

Through the Job Corps Program, Interior provides residential education and job training to disadvantaged youth through program participation from Interior bureaus. The Job Corps, established in 1964, is the Nation's largest national job training and education program and offers job training, basic education, social skills training, and support services to young people ages 16-24 that face multiple barriers to employment. Job Corps Civilian Conservation Centers are operated by the Departments of the Interior and Agriculture and are located on National Wildlife Refuges, in National Parks, and in National Forests. Job Corps students perform valuable work to improve these public lands. In FY 2004, a total of

approximately \$57.4 million was expended by the Department for the Job Corps Program.

Bureau Job Corps Program Highlights

Bureau of Reclamation. Reclamation operates five Job Corps Centers to educate and train disadvantaged youth. In FY 2004, Reclamation expended \$30 million in residential education and job training, including courses in computer technology, painting, woodworking, welding, culinary arts, and social and leadership development.

Post-program job placement services are available to Job Corps students. The following chart shows the numbers of Reclamation Center graduates as a percentage of the total Center enrollment and the number of graduates placed into jobs within 1 year of graduation as a percentage of the graduates in the placement pool.

Reclamation Center Graduates						
Center	Graduates	Enrollment	%	Graduates Placed	Graduate Placement Pool	%
Centennial	269	270	99.6	301	340	88.5
Columbia Basin	195	235	83.0	221	263	84.0
Ft. Simcoe	191	228	83.8	215	267	80.5
Weber Basin	183	200	91.5	182	209	87.1
Collbran	144	213	67.6	175	198	88.4

National Park Service. Job Corps Civilian Conservation Centers are residential, educational, training, and employment programs created as part of President Lyndon Johnson’s “War on Poverty” via the Economic Opportunity Act of 1964. The 40th anniversary of NPS’s involvement with Job Corps will occur during 2004. Job Corps Civilian Conservation Centers are operated by the NPS through an interagency agreement with the Department of Labor. NPS operates three Job Corps Civilian Conservation Centers: the Oconaluftee Center in North Carolina, the Great Onyx Center in Mammoth Cave, Kentucky, and the Harpers Ferry Center in Harpers Ferry, West Virginia. Student capacity is approximately 200 for each of the centers. The Centers offer a variety of vocational training programs, such as carpentry, plumbing, brick and cement masonry, health occupations, and landscaping. Students obtain

jobs in various industries including transportation (trucking), plumbing, and building construction. Job Corps Centers are rated on the attainment of goals for graduation and student placement in jobs once students leave the program. For FY 2004, the graduates and placements for the three NPS centers are:

NPS Graduates		
Center	Graduates	Placements
Great Onyx	237/290 = 82.0%	197/233 = 84.5%
Harpers Ferry	171/189 = 90.5%	157/179 = 87.7%
Oconaluftee	146/166 = 90.4%	149/160 = 92.1%

U.S. Fish and Wildlife Service. FWS is provided operating funds by the Department of Labor for its participation in the Job Corps Program. The FWS operates two Job Corps Civilian Conservation Centers: Mingo, located at the Mingo Wildlife Refuge in Puxico, Missouri, and Treasure Lake, located at the Wichita Mountains Wildlife Refuge in Diahoma, Oklahoma. Job Corps Centers are rated on the attainment of goals for graduation and student placement in jobs once students leave the program. The FWS’s ratings are as follows for the number of students served, graduates, placements, and percentage of graduates placed:

FWS Graduates					
Center	Students Served	Graduates	Percent	Placements	Percent of Graduate Placements
Mingo	405	235	58%	218	93%
Treasure Lake	306	179	59%	168	94%

Investment in Non-Federal Physical Property

The Department of the Interior provides a long-term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by State and local governments and Insular Areas, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

Interior's investment in non-Federal physical property is described in the *Table 3-10*.

Bureau of Indian Affairs

BIA's investments in non-Federal physical property include schools, dormitories, other infrastructures, and the Indian Reservation and Roads (IRRB) program. BIA's Office of Facility Management and Construction, in conjunction with BIA, owns or provides funds for a considerable number and broad variety of buildings and other associated facilities across the Nation, including buildings with historic and architectural significance. The education facilities serve a number of schools that provide educational opportunities for Indian students. BIA also provides funding for administrative buildings at a number of Tribal locations. Other facilities include dormitories, detention centers, irrigation facilities, and dams. Additionally, program sub-activities have elements that include minor improvement, repair and replacement, portable classrooms, emergency repairs, demolition and reduction of excess space, environmental projects, telecommunication improvements and repair, seismic safety, and emergency management systems.

The Indian Reservation and Roads Program (IRRP) is administered jointly with the Federal Highway Administration. The purpose of the program is to provide safe and adequate transportation and public road access to and within Indian reservations, Indian lands, and communities for Indians and Alaska Natives. The IRRP also provides safe and adequate transportation and public road access for program visitors, recreational users, resource users, and others, while contributing to economic development, self-determination, and employment of Indians and Alaska Natives. As of October 2003, the IRRP system consisted of approximately 25,700 miles of BIA and tribally-owned roads and 38,000 miles of State, county, and local government public roads, as well as an inventory of over 900 BIA-owned bridges.

The BIA's FY 2004 investment in the IRRP was \$213.7 million, a decrease of \$24.6 million compared to the FY 2003 total of \$238.3 million. The BIA did not receive all of its FY 2004 funding for road construction and repair until after June 30, 2004. Consequently, the funds were obligated late in the

fiscal year, resulting in fewer expenses incurred by September 30, 2004.

Bureau of Reclamation

BOR's investments in non-Federal physical property provide assistance through a variety of measures, all related to water and related resources management. BOR incurs expenses for specific programs to provide for the construction or improvement of structures and facilities used in State and local irrigation projects and water quality improvement projects. BOR-wide programs that improve State and local fish and wildlife habitats through activities such as the construction or betterment of structures or facilities are also included.

Assets constructed with Federal funding meet the criteria for non-Federal physical property at the time of transfer under BOR's title transfer program. In FY 2004, the net book value of assets transferred to State and local governments totaled approximately \$63 million, of which \$56.1 was completed plant net of accumulated depreciation of \$75.1 million. Land costs associated with the transfers totaled approximately \$6.9 million.

Fish and Wildlife Service

FWS's investments in non-Federal physical property include the purchase or improvement of physical assets for purposes of enhancing fish and wildlife management in States and for land restoration, species protection, recreational hunting and boating improvements, and habitat loss prevention. Expenses for maintenance and operations are not considered investments. In FY 2004, FWS estimates that it provided approximately \$122 million in grants to State and local governments that resulted in the purchase, construction, or major renovation of physical property they own.

National Park Service

Congress may annually appropriate funds to the NPS for work on non-NPS facilities that is done by individuals who are not NPS employees. These funds are referred to as "Pass Through" appropriations because the role of NPS is limited primarily to preparing an agreement that allows the funds to be obligated and certifying and processing subsequent payments for the work. Typically, over 90% of the funds are obligated within the year they are

TABLE 3-10

**FY 2004 Investment in Non-Federal Physical Property
(in millions)**

Category	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	TOTAL
Bureau of Indian Affairs						
Dams and Other Water Structures	\$ -	\$ 1.4	\$ 6.2	\$ 0.1	\$ 0.6	\$ 8.3
Land	-	-	-	-	-	-
Roads and Bridges	273.3	246.4	254.5	238.3	213.7	1,226.2
Schools and Public Buildings	-	24.8	41.3	18.9	44.7	129.7
Total	273.3	272.6	302.0	257.3	259.0	1,364.2
Bureau of Reclamation 1/						
Dams and Other Water Structures	126.0	105.1	118.9	124.4	106.6	581.0
Land	-	-	-	-	-	-
Roads and Bridges	-	-	-	-	-	-
Schools and Public Buildings	-	-	-	-	-	-
Total	126.0	105.1	118.9	124.4	106.6	581.0
Fish and Wildlife Service						
Dams and Other Water Structures	-	-	-	62.0	37.6	99.6
Land 2/	-	-	-	52.0	84.6	136.6
Roads and Bridges	-	-	-	-	-	-
Schools and Public Buildings	-	-	-	-	-	-
Not Classified	-	178.0	169.0	-	-	347.0
Total	-	178.0	169.0	114.0	122.2	583.2
National Park Service 3/						
Dams and Other Water Structures	4.0	14.6	29.7	44.0	57.9	150.2
Land	1.9	5.9	8.7	12.8	35.3	64.6
Roads and Bridges	1.1	1.5	1.7	2.5	2.3	9.1
Schools and Public Buildings	30.0	46.0	74.3	53.9	42.8	247.0
Total	37.0	68.0	114.4	113.2	138.3	470.9
Dept. Offices-Insular Area Capital Investment						
Dams and Other Water Structures	10.6	12.9	13.7	15.0	8.7	60.9
Land	-	-	-	-	-	-
Roads and Bridges	4.0	5.9	2.6	1.0	2.0	15.5
Schools and Public Buildings	16.7	21.0	23.9	14.9	6.8	83.3
Total	31.3	39.8	40.2	30.9	17.5	159.7
Dept. Offices-CUPCA/Commission 4/						
Dams and Other Water Structures	0.3	0.4	-	0.4	-	1.1
Land	-	-	0.0	0.2	-	0.2
Roads and Bridges	-	0.1	-	-	-	0.1
Schools and Public Buildings	1.8	1.6	3.9	0.2	0.1	7.6
Total	2.1	2.1	3.9	0.8	0.1	9.0
TOTAL						
Dams and Other Water Structures	140.9	134.4	168.5	245.9	211.4	901.1
Land	1.9	5.9	8.7	65.0	119.9	201.4
Roads and Bridges	278.4	253.9	258.8	241.8	218.0	1,250.9
Schools and Public Buildings	48.5	93.4	143.4	87.9	94.4	467.6
Not Classified	-	178.0	169.0	-	-	347.0
TOTAL	\$ 469.7	\$ 665.6	\$ 748.4	\$ 640.6	\$ 643.7	\$ 3,168.0

1/ Reclamation's investment includes fish and wildlife habitats and water management programs.

2/ The FY 2004 amount has been corrected from what was published in the FY 2003 PAR

3/ In FY 2003, NPS' expenditures were recorded in incorrect categories; the FY 2004 presentation is correct. Also, the NPS includes "Other Structures" in the "Dams and Other Water Structures" category.

4/ CUPCA-Central Utah Project Completion Act/Commission-Utah Reclamation Mitigation & Conservation Commission

appropriated. Once obligated, fund expenditure is entirely dependent on the party receiving the funds. Only cash assets are associated with these projects. In FY 2004, \$33.6 million has been expended for these pass through projects.

Departmental Offices - The Office of Insular Affairs

The Office of Insular Affairs (OIA) carries out the Secretary of the Interior's responsibilities for U.S. affiliated insular areas. These include the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, as well as the three freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The OIA achieves its mission by improving the financial management practices of insular governments, increasing economic development, and increasing Federal responsiveness to the unique needs of island communities. OIA hopes to increase the resources available to the insular area governments while promoting economic self-sufficiency.

OIA provides capital improvement grants to the insular areas. These grants involve hospitals, public buildings, roads, schools, sewage facilities, and solid waste facilities. The capital investment in non-Federal physical property in the territories was approximately \$17.5 million in FY 2004.

Departmental Offices - Central Utah Project Completion Act

The Central Utah Project Completion Act (CUPCA) expressly authorized the Utah Reclamation Mitigation and Conservation Commission to invest in fish and wildlife habitat improvements on non-Federal properties because the Federal reclamation projects in Utah affected fish and wildlife resources beyond the boundaries of the Reclamation projects and opportunities to mitigate on Federal lands are often limited.

Other
Supplementary
Information
(See Auditors'
Report)

Other Supplemental Information includes the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position.

Consolidating Balance Sheet
as of September 30, 2004
(in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury (Note 2)	\$ 1,468,919	1,252,381	5,233,607	1,047,353
Investments, Net (Note 4)	68,565	829,445	-	392,303
Accounts and Interest Receivable, Net (Note 5)	28,199	12,493	351,764	47,832
Other				
Advances and Prepayments	1,732	1,090	1,236	22,718
Total Intragovernmental Assets	1,567,415	2,095,409	5,586,607	1,510,206
Cash (Note 3)	432	55	91	-
Investments, Net (Note 4)	1,077	-	-	190,767
Accounts and Interest Receivable, Net (Note 5)	26,388	20,691	32,179	8,231
Loans and Interest Receivable, Net (Note 6)	33,558	-	166,900	23,098
Inventory and Related Property, Net (Note 7)	-	321,319	-	567
General Property, Plant, and Equipment, Net (Note 8)	1,328,541	355,621	13,065,549	298,728
Other				
Advances and Prepayments	91,412	131	21,612	656
Other Assets, Net (Note 9)	-	-	170,371	-
Stewardship Assets (Note 1. I)				
TOTAL ASSETS (Note 10)	\$ 3,048,823	2,793,226	19,043,309	2,032,253
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable	\$ 43,240	24,895	25,711	5,608
Debt (Note 11)	29,615	1,139,204	114,098	21,962
Other				
Accrued Payroll and Benefits	27,172	24,997	21,100	4,516
Advances and Deferred Revenue (Note 12)	146,882	16,221	10,360	476,185
Deferred Credits	1,114	-	21	(489)
Custodial Liability	-	73,376	-	-
Aquatic Resource Amounts Due to Others	-	-	-	-
Judgment Fund	117,248	12,224	46,958	-
Other Liabilities	44,728	84,783	21,028	-
Total Intragovernmental Liabilities	409,999	1,375,700	239,276	507,782
Accounts Payable	94,146	31,436	196,000	113,603
Loan Guarantee Liability (Note 6)	60,081	-	-	-
United States Park Police Pension Actuarial Liability (Note 27)	-	-	-	-
Federal Employees Compensation Act Liability (Note 13)	118,325	90,507	85,815	17,809
Environmental Cleanup Costs (Note 14)	67,065	6,330	5,629	1,300
Other				
Accrued Payroll and Benefits	44,379	81,214	44,818	31,207
Advances and Deferred Revenue (Note 12)	7,550	340	91,240	4,729
Deferred Credits	7,746	450,828	180,060	7,665
Contingent Liabilities (Note 14)	58,070	3,650	62,625	712
Other Liabilities	27,851	102,387	115	-
TOTAL LIABILITIES (Note 15)	895,212	2,142,392	905,578	684,807
Commitments and Contingencies (Note 14, 16, and 28)				
Net Position				
Unexpended Appropriations	1,177,903	461,140	325,934	403,845
Cumulative Results of Operations	975,708	189,694	17,811,797	943,601
Total Net Position	2,153,611	650,834	18,137,731	1,347,446
TOTAL LIABILITIES AND NET POSITION	\$ 3,048,823	2,793,226	19,043,309	2,032,253

Consolidating Balance Sheet
as of September 30, 2004
(in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2004
1,501,565	18,603,252	44,792	1,479,492	234,783	-	\$ 30,866,144
1,029,419	65	2,051,300	1,816,232	-	-	6,187,329
294,990	17,490	45	26,410	60,776	(491,965)	348,034
1,283	5,487	50	1,302	3,883	(37,570)	1,211
2,827,257	18,626,294	2,096,187	3,323,436	299,442	(529,535)	37,402,718
-	395	-	107	1	-	1,081
-	-	-	-	-	-	191,844
1,148,036	13,702	6,631	10,700	81,083	-	1,347,641
-	3,958	-	-	-	-	227,514
-	-	-	-	2,433	-	324,319
32,058	980,223	2,561	900,160	190,770	-	17,154,211
3	12,434	-	286	45	-	126,579
-	-	-	-	-	-	170,371
4,007,354	19,637,006	2,105,379	4,234,689	573,774	(529,535)	\$ 56,946,278
4,865	26,197	45	5,810	9,885	(69,430)	76,826
-	-	-	-	-	-	1,304,879
2,866	59,162	1,020	17,904	12,355	-	171,092
1,137,546	4,145	4	680	1,744	(39,511)	1,754,256
-	10	2	9	2,997	(919)	2,745
999,250	-	-	-	-	(401,148)	671,478
-	-	-	420,896	-	-	420,896
-	2,433	-	15	-	-	178,878
-	2,024	480	1,926	21,447	(18,527)	157,889
2,144,527	93,971	1,551	447,240	48,428	(529,535)	4,738,939
245,192	163,742	17,947	80,068	82,711	-	1,024,845
-	-	-	-	-	-	60,081
-	604,640	-	-	-	-	604,640
8,711	240,469	3,829	58,821	40,569	-	664,855
-	7,513	-	12,874	1,097	-	101,808
16,298	162,268	6,249	66,586	82,258	-	535,277
391	13,351	-	5,949	1,474	-	125,024
34,997	2,070	834	408	6,177	-	690,785
550,000	16,813	68,600	12	20,971	-	781,453
437,635	53,741	-	21,247	1,038	-	644,014
3,437,751	1,358,578	99,010	693,205	284,723	(529,535)	9,971,721
7,450	1,000,273	38,490	501,981	163,343	-	4,080,359
562,153	17,278,155	1,967,879	3,039,503	125,708	-	42,894,198
569,603	18,278,428	2,006,369	3,541,484	289,051	-	46,974,557
4,007,354	19,637,006	2,105,379	4,234,689	573,774	(529,535)	\$ 56,946,278

Consolidating Balance Sheet
as of September 30, 2003
(in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury (Note 2)	\$ 1,339,871	857,881	4,719,708	901,066
Investments, Net (Note 4)	68,334	370,316	-	371,802
Accounts and Interest Receivable, Net (Note 5)	63,675	8,907	211,220	22,005
Other				
Advances and Prepayments	557	1,498	1,759	9,788
Total Intragovernmental Assets	1,472,437	1,238,602	4,932,687	1,304,661
Cash (Note 3)	431	55	107	-
Investments, Net (Note 4)	1,097	-	-	181,540
Accounts and Interest Receivable, Net (Note 5)	15,288	14,936	18,211	10,420
Loans and Interest Receivable, Net (Note 6)	38,042	-	166,621	24,675
Inventory and Related Property, Net (Note 7)	-	335,796	-	523
General Property, Plant, and Equipment, Net (Note 8)	1,322,636	332,762	13,055,281	241,008
Other				
Advances and Prepayments	95,876	136	11,666	4,035
Other Assets, Net (Note 9)	22,543	-	179,001	-
Stewardship Assets (Note 1. I)				
TOTAL ASSETS (Note 10)	\$ 2,968,350	1,922,287	18,363,574	1,766,862
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable	\$ 26,307	13,742	18,617	10,342
Debt (Note 11)	25,115	1,199,204	114,826	25,307
Other				
Accrued Payroll and Benefits	28,581	23,359	19,643	20,945
Advances and Deferred Revenue (Note 12)	144,401	-	9,364	216,819
Deferred Credits	100	17,131	34	992
Custodial Liability	-	-	-	-
Aquatic Resource Amounts Due to Others	-	-	-	-
Judgment Fund	116,697	12,224	48,797	-
Other Liabilities	44,675	49,967	22,204	1,157
Total Intragovernmental Liabilities	385,876	1,315,627	233,485	275,562
Accounts Payable	60,185	43,332	220,986	73,852
Loan Guarantee Liability (Note 6)	52,185	-	-	-
Federal Employees Compensation Act Liability (Note 13)	127,268	95,344	93,468	20,750
Environmental Cleanup Costs (Note 14)	73,523	17,568	5,804	1,000
Other				
Accrued Payroll and Benefits	33,229	78,453	40,828	25,997
Advances and Deferred Revenue (Note 12)	6,076	-	110,114	4,688
Deferred Credits	12,807	115,296	176,051	160,998
Contingent Liabilities (Note 14)	58,210	650	69,100	693
Other Liabilities	4,481	106,492	115	-
TOTAL LIABILITIES (Note 15)	813,840	1,772,762	949,951	563,540
Commitments and Contingencies (Note 14, 16, and 28)				
Net Position				
Unexpended Appropriations	1,149,928	412,460	314,643	340,297
Cumulative Results of Operations	1,004,583	(262,935)	17,098,979	863,025
Total Net Position	2,154,511	149,525	17,413,622	1,203,322
TOTAL LIABILITIES AND NET POSITION	\$ 2,968,351	1,922,287	18,363,573	1,766,862

Consolidating Balance Sheet
as of September 30, 2003
(in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2003
1,259,599	18,095,406	42,763	1,276,656	205,258	-	\$ 28,698,208
1,002,594	65	1,926,867	1,870,014	-	-	5,609,992
216,782	14,240	30	21,596	81,089	(252,375)	387,169
4	6,469	161	755	2,654	(20,021)	3,624
2,478,979	18,116,180	1,969,821	3,169,021	289,001	(272,396)	34,698,993
-	383	-	116	2	-	1,094
-	-	-	-	-	-	182,637
1,024,164	6,691	35,010	10,832	91,432	-	1,226,984
-	4,318	-	-	-	-	233,656
-	-	-	-	2,395	-	338,714
36,361	880,327	2,978	862,436	222,126	-	16,955,915
8	14,795	-	271	79	-	126,866
-	-	-	-	-	-	201,544
3,539,512	19,022,694	2,007,809	4,042,676	605,035	(272,396)	\$ 53,966,403
4,739	25,093	259	12,191	8,939	(52,391)	\$ 67,838
-	-	-	-	-	-	1,364,452
2,504	57,044	1,137	16,927	15,297	-	185,437
872,973	5,690	-	680	2,835	(16,023)	1,236,739
-	3,846	151	7	7,262	(10,197)	19,326
948,605	-	-	-	-	(185,218)	763,387
-	-	-	389,762	-	-	389,762
-	2,007	-	-	-	-	179,725
-	5,765	563	1,926	26,271	(8,567)	143,961
1,828,821	99,445	2,110	421,493	60,604	(272,396)	4,350,627
301,806	121,714	12,053	69,157	62,424	-	965,509
-	-	-	-	-	-	52,185
9,376	256,635	4,440	62,154	42,815	-	712,250
-	5,332	-	12,352	507	-	116,086
13,791	107,413	5,535	57,614	71,365	-	434,225
67	9,119	-	6,292	1,141	-	137,497
25,738	1,137	575	1,430	4,513	-	498,545
550,000	8,755	68,500	-	20,638	-	776,546
270,459	27,318	-	22	1,181	-	410,068
3,000,058	636,868	93,213	630,514	265,188	(272,396)	8,453,538
6,969	983,029	36,299	498,236	187,441	-	3,929,302
532,485	17,402,797	1,878,297	2,913,926	152,406	-	41,583,563
539,454	18,385,826	1,914,596	3,412,162	339,847	-	45,512,865
3,539,512	19,022,694	2,007,809	4,042,676	605,035	(272,396)	\$ 53,966,403

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2004
(in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation
UNEXPENDED APPROPRIATIONS			
Beginning Balances	\$ 1,149,927	412,460	314,643
Budgetary Financing Sources			
Appropriations Received, General Funds	2,332,793	2,002,596	168,998
Appropriations Transferred In/Out	289,264	(426,887)	38,141
Appropriations-Used	(2,564,378)	(1,505,149)	(195,353)
Other Adjustments	(29,705)	(21,879)	(495)
Total Budgetary Financing Sources	27,974	48,681	11,291
Ending Balance - Unexpended Appropriations	\$ 1,177,901	461,141	325,934
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	\$ 1,004,583	(262,935)	17,098,978
Cumulative Effect of Change in Accounting (Note 20)	-	-	-
Beginning Balances, adjusted	1,004,583	(262,935)	17,098,978
Budgetary Financing Sources			
Appropriations-Used	2,564,378	1,505,149	195,353
Royalties Retained (Note 21)	-	16,216	1,066,780
Transfers In/Out without Reimbursement	218,845	(71,693)	(5,449)
Non-Exchange Revenue			
Tax Revenue	-	-	-
Abandoned Mine Fees	-	-	-
Donations and Forfeitures of Cash and Cash Equivalents	187	176	149
Other Non-Exchange Revenue	-	-	-
Other Budgetary Financing Sources and Adjustments	2,641	15	-
Other Financing Sources			
Imputed Financing From Costs Absorbed by Others (Note 19)	52,189	75,389	137,554
Transfers In/Out without Reimbursement	(4,005)	(2,479)	(25,181)
Donations and Forfeitures of Property	-	-	73
Total Financing Sources	2,834,235	1,522,773	1,369,279
Net Cost of Operations	(2,863,111)	(1,070,143)	(656,460)
Ending Balance - Cumulative Results of Operations	\$ 975,707	189,695	17,811,797

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2004
(in thousands)

Departmental Offices and Other	Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	FY 2004
340,299	6,969	983,029	36,299	498,236	187,440	\$ 3,929,302
1,059,789	165,316	2,154,954	106,424	1,121,014	949,686	10,061,570
(58,117)	-	152,656	-	94,718	86	89,861
(928,421)	(162,538)	(2,258,373)	(101,939)	(1,198,544)	(956,739)	(9,871,434)
(9,702)	(2,297)	(31,994)	(2,294)	(13,443)	(17,131)	(128,940)
63,549	481	17,243	2,191	3,745	(24,098)	151,057
403,848	7,450	1,000,272	38,490	501,981	163,342	\$ 4,080,359
863,025	532,485	17,402,797	1,878,297	2,913,926	152,407	\$ 41,583,563
-	-	(649,300)	-	-	-	(649,300)
863,025	532,485	16,753,497	1,878,297	2,913,926	152,407	40,934,263
928,421	162,538	2,258,373	101,939	1,198,544	956,739	9,871,434
-	1,346,760	1,054,996	-	6,456	-	3,491,208
(13,009)	(3,983)	(332,008)	-	165,382	1,491	(40,424)
-	-	-	-	717,364	-	717,364
-	-	-	286,160	-	-	286,160
3,156	-	19,442	31	4,840	1,729	29,710
47,393	24,132	-	54,738	27,203	-	153,466
(1,791)	-	1,387	-	170	-	2,422
26,203	12,975	98,007	5,124	50,488	61,242	519,171
(595)	(569)	1,770	(401)	4,588	(350)	(27,222)
13,536	-	61	-	-	2,025	15,695
1,003,314	1,541,853	3,102,028	447,591	2,175,035	1,022,876	15,018,984
(922,738)	(1,512,185)	(2,577,370)	(358,009)	(2,049,457)	(1,049,576)	(13,059,049)
943,601	562,153	17,278,155	1,967,879	3,039,504	125,707	\$ 42,894,198

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2003
(in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation
UNEXPENDED APPROPRIATIONS			
Beginning Balances, as adjusted	\$ 987,332	480,277	338,509
Budgetary Financing Sources			
Appropriations Received, General Funds	2,288,723	2,173,723	151,924
Appropriations Transferred In/Out	259,123	(418,347)	39,305
Appropriations-Used	(2,358,628)	(1,811,313)	(215,095)
Other Adjustments	(26,622)	(11,880)	-
Total Budgetary Financing Sources	162,596	(67,817)	(23,866)
Ending Balance - Unexpended Appropriations	\$ 1,149,928	412,460	314,643
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances, as adjusted	\$ 612,563	(572,912)	16,743,925
Budgetary Financing Sources			
Appropriations-Used	2,358,628	1,811,313	215,095
Royalties Retained (Note 21)	-	75,927	641,245
Transfers In/Out without Reimbursement	212,073	(72,417)	103,215
Non-Exchange Revenue			
Tax Revenue	-	-	-
Abandoned Mine Fees	-	-	-
Donations and Forfeitures of Cash and Cash Equivalents	549	69	37
Other Non-Exchange Revenue	-	-	151
Other Budgetary Financing Sources and Adjustments	11,832	4,994	-
Other Financing Sources			
Imputed Financing From Costs Absorbed by Others (Note 19)	38,930	64,291	244,807
Transfers In/Out without Reimbursement	(5,509)	2,373	(52,665)
Donations and Forfeitures of Property	3,401	-	56
Total Financing Sources	2,619,904	1,886,550	1,151,941
Net Cost of Operations	(2,227,884)	(1,576,573)	(796,887)
Ending Balance - Cumulative Results of Operations	\$ 1,004,583	(262,935)	17,098,979

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2003
(in thousands)

Departmental Offices and Other	Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	FY 2003
377,871	6,316	961,876	36,038	478,161	179,938	\$ 3,846,318
684,971	165,321	2,043,311	105,092	1,072,465	925,288	9,610,818
(9,657)	-	126,429	-	84,348	619	81,820
(709,475)	(162,550)	(2,121,646)	(103,609)	(1,130,272)	(907,121)	(9,519,709)
(3,413)	(2,118)	(26,941)	(1,222)	(6,466)	(11,283)	(89,945)
(37,574)	653	21,153	261	20,075	7,503	82,984
340,297	6,969	983,029	36,299	498,236	187,441	\$ 3,929,302
784,007	486,061	16,822,223	1,856,818	2,880,832	294,600	\$ 39,908,117
709,475	162,550	2,121,646	103,609	1,130,272	907,121	9,519,709
-	812,765	1,049,817	-	2,909	-	2,582,663
13,745	6,065	(279,994)	(271)	143,939	983	127,338
-	-	-	-	659,217	-	659,217
-	-	-	282,411	-	-	282,411
4,128	-	30,388	112	4,163	387	39,833
46,686	10,248	-	23,712	49,747	-	130,544
(13,505)	-	5,403	-	1,909	2,728	13,361
17,724	11,525	87,966	4,784	44,277	56,240	570,544
(4,023)	(270)	8,431	(87)	4,360	(10,253)	(57,643)
35,166	-	8,240	-	-	-	46,863
809,396	1,002,883	3,031,897	414,270	2,040,793	957,206	13,914,840
(730,378)	(956,459)	(2,451,323)	(392,791)	(2,007,699)	(1,099,400)	(12,239,394)
863,025	532,485	17,402,797	1,878,297	2,913,926	152,406	\$ 41,583,563

