



United States Department of the Interior

BUREAU OF RECLAMATION

Washington, D.C. 20240

IN REPLY REFER TO:

D-7400
ADM-1.00

MEMORANDUM

To: Office of the Inspector General
Attention: Assistant Inspector General for Audits

Through: R. Thomas Weimer *R. Thomas Weimer* NOV 23 2004
Principal Deputy Assistant Secretary - Water and Science

From: John W. Keys, III *John W. Keys, III* NOV 23 2004
Commissioner

Subject: Response to the Draft Independent Auditors' Report on the
Bureau of Reclamation's Financial Statements for Fiscal Years 2004 and 2003
(Assignment No. C-IN-BOR-0063-2004)

We appreciate the opportunity to review and comment on the draft audit report titled Independent Auditors' Report on the Bureau of Reclamation's Financial Statements for Fiscal Years 2004 and 2003. Enclosed for your consideration is Reclamation's response to the recommendations as stated in the draft audit report.

Generally, we concur with the findings and recommendations on the controls over land inventory. We have provided information on planned corrective actions for these findings. However, Reclamation does not concur with recommendation A.2. to include a material land inventory internal control weakness in our Federal Managers' Financial Integrity Act (FMFIA) report. Furthermore, Reclamation does not concur that its financial management systems do not substantially comply with Federal accounting standards as required by the Federal Financial Management Improvement Act (FFMIA). Reclamation asserts that its financial management systems are substantially in compliance with accounting standards. Specifically, Reclamation meets the FFMIA compliance requirement as provided in the Office of Management and Budget (OMB) Memorandum, "Revised Implementation Guidance for the Federal Financial Management Improvement Act," dated January 4, 2001. For example, Reclamation prepares financial statements in compliance with Form and Content of Agency Financial Statements, OMB Bulletin No. 01-09, and Reclamation's financial information produced for internal management is accurate and consistent with Federal accounting standards. Reclamation does not agree that the land inventory material weakness has significantly affected our ability to prepare financial statements and related disclosures that are consistent with Federal accounting standards,

budget reports, or other financial information for management decision making purposes. Taken as a whole, Reclamation's financial management systems provide financial information which is complete, accurate, reliable, and consistent, in accordance with Federal accounting standards.

Additionally, Reclamation concurs with the finding on the controls over revenue recognition, accuracy and completeness, and related recommendation B.1. However, Reclamation does not concur with the finding on controls over revenue recognition, classification of facility transfers, and related recommendation B.2. to change the accounting treatment of such. Reclamation's current accounting treatment of transferred facilities is in accordance with generally accepted accounting principles, including those specified in the Statement of Federal Financial Accounting Standards (SFFAS) No. 6 "Accounting for Property, Plant, and Equipment," and SFFAS No. 8 "Supplementary Stewardship Reporting."

If you have any questions or require additional information, please contact Reclamation's Audit Liaison Officer, Tom Lab, at 303-445-3436.

Attachments (2)

cc: Assistant Secretary - Water and Science
Attention: Olivia Ferriter
(w/copy of incoming and att)

Bureau of Reclamation
KPMG, LLP Draft Audit Report
Response to Draft Audit Report Recommendations
November 2004

A. Controls Over Land Inventory

Recommendation A.1

Continue to complete the reconciliation of the financial accounting system support for land and land rights costs with the subsidiary records, including individual project plat book maps, which contain data from individual land purchase contracts.

Response

Concur. Reclamation will continue the reconciliation of the financial accounting system support for land and land rights with subsidiary records, including individual project plat book maps in accordance with the 5-year corrective action plan.

The responsible official is the Director, Operations. The target date for completing the reconciliation is September 30, 2005.

Recommendation A.2

Continue to include a material land inventory system internal control weakness in Reclamation's Federal Managers' Financial Integrity Act (FMFIA) report to the Department of the Interior until resolved.

Response

Non-Concur. As of September 30, 2004, Reclamation had reconciled 93 percent of projects and 98 percent of land costs in the Foundation Information for Real Property Management System (FIRM) to the Federal Financial System (FFS). In Reclamation's opinion, the progress we have made on the reconciliation, the minimal outstanding balances to be reconciled, and the control weaknesses identified do not meet the definition of an FMFIA material weakness for reporting in Reclamation's Fiscal Year 2005 Annual Assurance Statement on Management Controls.

Recommendation A.3

Properly implement existing policies and procedures to ensure land deletions are recorded properly in Reclamation's financial accounting system. This includes improved coordination between Reclamation's realty office and finance.

Response

Concur. Reclamation will properly implement existing policies and procedures to ensure all current year land deletions are properly recorded. Reclamation will ensure that established coordination processes between its realty and finance offices are followed.

The responsible officials are the Director, Operations and Director, Management Services. Quality control and oversight will be performed throughout the year to ensure full implementation by September 30, 2005.

B. Controls Over Revenue Recognition

Recommendation B.1

Establish and implement sufficient internal controls, including regional quality control reviews and management oversight, to ensure that the revenue recognition entries are complete and accurate.

Response

Concur. Reclamation will establish and implement controls, including regional quality control reviews and management oversight, to ensure that revenue recognition entries are complete and accurate.

The responsible officials are the Director, Operations and the Director, Management Services. Quality control and oversight will be performed throughout the year to ensure full implementation by September 30, 2005.

Recommendation B.2

Establish and implement controls, including policies and procedures, to ensure transfers of facilities are properly accounted for in accordance with accounting principles generally accepted in the United States of America.

Response

Non-concur. Reclamation's procedures for transferring facilities are in accordance with applicable generally accepted accounting principles. Reclamation's facilities are originally constructed under Reclamation Law, under which Reclamation retains title to the facilities. Subsequent transfer of facilities does not cause these facilities to meet the criteria for non-Federal physical property. As specified in Statement of Federal Financial Accounting Standards (SFFAS) No. 8, "Supplementary Stewardship Reporting," investment in non-Federal physical property results from "expenses incurred by the Federal Government for the purchase, the construction, or the major renovation of physical property *owned by state and local governments*" (italics added). Reclamation

did not originally construct the transferred facilities with the intent that a state or local government would own these facilities. Legislation to transfer these facilities was subsequently enacted.

After legislation is passed to transfer facilities to another entity, Reclamation transfers these facilities in accordance with generally accepted accounting principles. SFFAS No. 6, "Accounting for Property, Plant, and Equipment" (PP&E), paragraph 38, specifies the following treatment: "In the period of disposal, retirement, or removal from service, general PP&E shall be removed from the asset accounts along with associated accumulated depreciation/amortization. Any difference between the book value of the PP&E and amounts realized shall be recognized as a gain or loss in the period that the general PP&E is disposed of, retired, or removed from service." Reclamation currently follows this requirement.

Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)

Reclamation does not concur that its financial management systems do not substantially comply with Federal accounting standards as required by the FFMIA. Reclamation asserts that its financial management systems are substantially in compliance with accounting standards. Specifically, Reclamation meets the FFMIA compliance requirement as provided in the Office of Management and Budget (OMB) Memorandum, "Revised Implementation Guidance for the Federal Financial Management Improvement Act," dated January 4, 2001. For example, Reclamation prepares financial statements in compliance with Form and Content of Agency Financial Statements, OMB Bulletin No. 01-09, and Reclamation's financial information produced for internal management is accurate and consistent with Federal accounting standards.

The OMB FFMIA Implementation Guidance recognizes three indicators of compliance with accounting standards: (1) receiving an unqualified opinion, which Reclamation has received; (2) producing managerial cost information consistent with SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards," which Reclamation has achieved; and (3) receiving an internal control audit report that disclosed no material weaknesses in internal controls that affect the agency's ability to prepare financial statements and related disclosures that are consistent with Federal accounting standards, budget reports, or other financial information for management decision making purposes. KPMG's finding focuses primarily on Reclamation's land and land rights material internal control weakness as its basis for determination of noncompliance with accounting standards. Reclamation has taken corrective action in accordance with a 5-year corrective action plan and has reconciled 93 percent of projects and 98 percent of land costs in FIRM to FFS. Reclamation does not agree that the land inventory material weakness has significantly affected our ability to prepare financial statements and related disclosures that are consistent with Federal accounting standards, budget reports, or other financial information for management decision making purposes. Taken as a whole, Reclamation's financial management systems provide financial information which is complete, accurate, reliable, and consistent, in accordance with Federal accounting standards.

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U.S. Department of the Interior
Bureau of Reclamation
Consolidated Balance Sheet
As of September 30, 2004, and 2003

(In Thousands)	2004	2003
ASSETS (Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	\$ 5,233,607	\$ 4,719,708
Accounts and Interest Receivable, Net (Note 4)	351,765	211,218
Advances and Prepayments	1,236	1,759
Total Intragovernmental Assets	<u>5,586,608</u>	<u>4,932,685</u>
Cash	91	107
Accounts and Interest Receivable, Net (Note 4)	32,179	18,212
Loans and Interest Receivable, Net (Note 5)	166,900	166,621
General Property, Plant, and Equipment, Net (Note 6)	13,065,549	13,055,281
Other:		
Advances and Prepayments	21,612	11,666
Other Assets, Net (Note 7)	170,371	179,001
Total Assets	<u>\$ 19,043,310</u>	<u>\$ 18,363,573</u>
LIABILITIES (Note 8)		
Intragovernmental Liabilities:		
Accounts Payable	\$ 25,712	\$ 18,617
Debt (Note 9)	114,098	114,826
Other:		
Accrued Payroll Benefits	21,100	19,643
Advances from Others	10,360	9,363
Deferred Revenue	21	34
Judgment Fund Liability	46,959	48,798
Other Liabilities	21,028	22,204
Total Intragovernmental Liabilities	<u>239,278</u>	<u>233,485</u>
Accounts Payable	196,000	220,987
Federal Employees Compensation Act Liability	85,815	93,468
Environmental Cleanup Costs (Note 10)	5,629	5,804
Other:		
Accrued Payroll and Benefits	44,818	40,828
Advances from Others	91,240	110,114
Deferred Revenue	180,060	176,051
Contingent Liabilities (Note 10)	62,625	69,100
Other Liabilities	115	115
Total Liabilities	<u>905,580</u>	<u>949,952</u>
NET POSITION		
Unexpended Appropriations	325,934	314,643
Cumulative Results of Operations	17,811,796	17,098,978
Total Net Position	<u>18,137,730</u>	<u>17,413,621</u>
Total Liabilities and Net Position	<u>\$ 19,043,310</u>	<u>\$ 18,363,573</u>

The accompanying notes are an integral part of these statements.

U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Net Cost
For the Year Ended September 30, 2004

(In Thousands)

RESOURCE USE

Deliver Water in an Environmentally Responsible and Cost Efficient Manner:

Segment Expenses for Services Provided to the Public	\$ 1,076,772
Segment Exchange Revenues from the Public	(446,484)
Segment Cost of Operations for Services Provided to the Public	<u>630,288</u>
Segment Expenses for Services Provided to Other Federal Entities	51,632
Segment Exchange Revenues from Other Federal Entities	(50,575)
Segment Cost of Operations for Services Provided to Other Federal Entities	<u>1,057</u>
<i>Net Segment Cost of Operations</i>	<u>631,345</u>

Generate Hydropower in an Environmentally Responsible and Cost Efficient Manner:

Segment Expenses for Services Provided to the Public	125,338
Segment Exchange Revenues from the Public	(182,662)
Segment Cost of Operations for Services Provided to the Public	<u>(57,324)</u>
Segment Expenses for Services Provided to Other Federal Entities	87,523
Segment Exchange Revenues from Other Federal Entities	(84,481)
Segment Cost of Operations for Services Provided to Other Federal Entities	<u>3,042</u>
<i>Net Segment Cost of Operations</i>	<u>(54,282)</u>

RESOURCE PROTECTION

Improve Health of Watersheds, Landscapes, and Biological Communities:

Segment Expenses for Services Provided to the Public	16,123
Segment Exchange Revenues from the Public	209
Segment Cost of Operations for Services Provided to the Public	<u>16,332</u>
Segment Expenses for Services Provided to Other Federal Entities	349
Segment Exchange Revenues from Other Federal Entities	(18)
Segment Cost of Operations for Services Provided to Other Federal Entities	<u>331</u>
<i>Net Segment Cost of Operations</i>	<u>16,663</u>

RECREATION

Provide Quality and Fair Value in Recreation:

Segment Expenses for Services Provided to the Public	22,270
Segment Exchange Revenues from the Public	(24,215)
Segment Cost of Operations for Services Provided to the Public	<u>(1,945)</u>
Segment Expenses for Services Provided to Other Federal Entities	270
Segment Exchange Revenues from Other Federal Entities	(264)
Segment Cost of Operations for Services Provided to Other Federal Entities	<u>6</u>
<i>Net Segment Cost of Operations</i>	<u>(1,939)</u>

CENTRALIZED PROGRAM SUPPORT AND OTHER

Working Capital Fund, Policy and Administration, and Other:

Segment Expenses for Services Provided to the Public	120,801
Segment Exchange Revenues from the Public	(56,128)
Segment Cost of Operations for Services Provided to the Public	<u>64,673</u>
Segment Expenses for Services Provided to Other Federal Entities	40,050
Segment Exchange Revenues from Other Federal Entities	(40,050)
Segment Cost of Operations for Services Provided to Other Federal Entities	<u>-</u>
<i>Net Segment Cost of Operations</i>	<u>64,673</u>

Total Expenses for Services Provided to the Public	1,361,304
Total Exchange Revenues from the Public	(709,280)
Total Net Cost of Operations for Services Provided to the Public	<u>652,024</u>
Total Expenses for Services Provided to Other Federal Entities	179,824
Total Exchange Revenues from Other Federal Entities	(175,388)
Total Net Cost of Operations for Services Provided to Other Federal Entities	<u>4,436</u>
Total Net Cost of Operations (Note 12)	<u>\$ 656,460</u>

The accompanying notes are an integral part of these statements.

U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Net Cost
For the Year Ended September 30, 2003

(In Thousands)

WATER AND ENERGY MANAGEMENT AND DEVELOPMENT	
Segment Expenses for Services Provided to the Public	\$ 492,398
Segment Exchange Revenues from the Public	(279,663)
Segment Cost of Operations for Services Provided to the Public	212,735
Segment Expenses for Services Provided to Other Federal Entities	66,130
Segment Exchange Revenues from Other Federal Entities	(65,414)
Segment Cost of Operations for Services Provided to Other Federal Entities	716
<i>Net Segment Cost of Operations</i>	213,451
FACILITIES OPERATIONS	
Segment Expenses for Services Provided to the Public	550,300
Segment Exchange Revenues from the Public	(249,791)
Segment Cost of Operations for Services Provided to the Public	300,509
Segment Expenses for Services Provided to Other Federal Entities	54,540
Segment Exchange Revenues from Other Federal Entities	(53,333)
Segment Cost of Operations for Services Provided to Other Federal Entities	1,207
<i>Net Segment Cost of Operations</i>	301,716
FACILITIES MAINTENANCE AND REHABILITATION	
Segment Expenses for Services Provided to the Public	99,154
Segment Exchange Revenues from the Public	(12,581)
Segment Cost of Operations for Services Provided to the Public	86,573
Segment Expenses for Services Provided to Other Federal Entities	2
Segment Exchange Revenues from Other Federal Entities	(2)
Segment Cost of Operations for Services Provided to Other Federal Entities	-
<i>Net Segment Cost of Operations</i>	86,573
FISH AND WILDLIFE MANAGEMENT AND DEVELOPMENT	
Segment Expenses for Services Provided to the Public	137,350
Segment Exchange Revenues from the Public	(47,881)
Segment Cost of Operations for Services Provided to the Public	89,469
Segment Expenses for Services Provided to Other Federal Entities	16,567
Segment Exchange Revenues from Other Federal Entities	(16,397)
Segment Cost of Operations for Services Provided to Other Federal Entities	170
<i>Net Segment Cost of Operations</i>	89,639
LAND MANAGEMENT AND DEVELOPMENT	
Segment Expenses for Services Provided to the Public	33,365
Segment Exchange Revenues from the Public	(2,876)
Segment Cost of Operations for Services Provided to the Public	30,489
Segment Expenses for Services Provided to Other Federal Entities	2
Segment Exchange Revenues from Other Federal Entities	-
Segment Cost of Operations for Services Provided to Other Federal Entities	2
<i>Net Segment Cost of Operations</i>	30,491
POLICY AND ADMINISTRATION	
Segment Expenses for Services Provided to the Public	65,926
Segment Exchange Revenues from the Public	-
Segment Cost of Operations for Services Provided to the Public	65,926
Segment Expenses for Services Provided to Other Federal Entities	-
Segment Exchange Revenues from Other Federal Entities	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-
<i>Net Segment Cost of Operations</i>	65,926
CENTRALIZED PROGRAM SUPPORT	
Segment Expenses for Services Provided to the Public	26,752
Segment Exchange Revenues from the Public	(28,132)
Segment Cost of Operations for Services Provided to the Public	(1,380)
Segment Expenses for Services Provided to Other Federal Entities	43,534
Segment Exchange Revenues from Other Federal Entities	(33,063)
Segment Cost of Operations for Services Provided to Other Federal Entities	10,471
<i>Net Segment Cost of Operations</i>	9,091
Total Expenses for Services Provided to the Public	1,405,245
Total Exchange Revenues from the Public	(620,924)
Total Net Cost of Operations for Services Provided to the Public	784,321
Total Expenses for Services Provided to Other Federal Entities	180,775
Total Exchange Revenues from Other Federal Entities	(168,209)
Total Net Cost of Operations for Services Provided to Other Federal Entities	12,566
Total Net Cost of Operations (Note 12)	\$ 796,887

The accompanying notes are an integral part of these statements.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Changes in Net Position
For the Years Ended September 30, 2004, and 2003**

(In Thousands)	2004	2003
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 314,643	\$ 338,509
Budgetary Financing Sources:		
Appropriations Received, General Funds	168,998	151,924
Appropriations Transferred In/Out	38,141	39,305
Appropriations Used	(195,353)	(215,095)
Other Adjustments	(495)	-
Total Budgetary Financing Sources	<u>11,291</u>	<u>(23,866)</u>
Ending Balance - Unexpended Appropriations	<u>\$ 325,934</u>	<u>\$ 314,643</u>
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	\$ 17,098,978	\$ 16,743,925
Budgetary Financing Sources:		
Appropriations Used	195,353	215,095
Royalties and Other Revenue Transfers	1,066,779	641,244
Budgetary Transfers In/Out Without Reimbursement	(5,449)	103,215
Donations and Other Non-exchange Revenue	149	188
Other Financing Sources:		
Imputed Financing from Costs Absorbed by Others	137,554	244,807
Other Transfers In/Out Without Reimbursement	(25,181)	(52,665)
Donations of Property	73	56
Total Financing Sources	<u>1,369,278</u>	<u>1,151,940</u>
Net Cost of Operations	<u>(656,460)</u>	<u>(796,887)</u>
Ending Balance - Cumulative Results of Operations	<u>\$ 17,811,796</u>	<u>\$ 17,098,978</u>

The accompanying notes are an integral part of these statements.

U.S. Department of the Interior
Bureau of Reclamation
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2004, and 2003

(In Thousands)	Budgetary		Non-Budgetary Credit Program Financing Account	
	2004	2003	2004	2003
BUDGETARY RESOURCES				
Budget Authority:				
Appropriations Received	\$ 1,020,602	\$ 1,008,690	\$ -	\$ -
Borrowing Authority	-	-	4,125	18,906
Net Transfers, Current Year Authority	4,664	5,903	-	-
Unobligated Balance:				
Beginning of Fiscal Year	558,743	516,990	-	7
Net Transfers, Unobligated Balance, Actual	1,346	498	-	-
Spending Authority from Offsetting Collections:				
Earned:				
Collected	795,718	729,638	8,011	(8,838)
Receivable from Federal Sources	14,795	(16,580)	-	-
Change in Unfilled Customer Orders:				
Advance Received	3,854	25,319	-	-
Without Advance from Federal Sources	1,493	(9,869)	-	-
Recoveries of Prior Year Obligations	41,478	35,982	26	137
Permanently Not Available	(16,659)	(32,451)	(4,853)	(713)
Total Budgetary Resources	<u>\$ 2,426,034</u>	<u>\$ 2,264,120</u>	<u>\$ 7,309</u>	<u>\$ 9,499</u>
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred:				
Direct	\$ 990,891	\$ 978,171	\$ 7,309	\$ 9,499
Reimbursable	832,902	727,206	-	-
Total Obligations Incurred	<u>1,823,793</u>	<u>1,705,377</u>	<u>7,309</u>	<u>9,499</u>
Unobligated Balance:				
Apportioned	562,797	517,394	-	-
Exempt from Apportionment	39,444	41,349	-	-
Total Status of Budgetary Resources	<u>\$ 2,426,034</u>	<u>\$ 2,264,120</u>	<u>\$ 7,309</u>	<u>\$ 9,499</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS				
Obligations Incurred	\$ 1,823,793	\$ 1,705,377	\$ 7,309	\$ 9,499
Obligated Balance, Net, Beginning of Fiscal Year	627,386	618,276	8,051	8,941
Obligated Balance, Net, End of Fiscal Year:				
Accounts Receivable	37,330	22,534	-	-
Unfilled Customer Orders from Federal Sources	29,859	28,366	-	-
Undelivered Orders	(488,201)	(422,060)	(3,951)	(8,051)
Accounts Payable	(253,931)	(256,226)	-	-
Less: Spending Authority Adjustments	<u>(57,766)</u>	<u>(9,533)</u>	<u>(26)</u>	<u>(137)</u>
Outlays:				
Disbursements	1,718,470	1,686,734	11,383	10,252
Less: Offsetting Collections	<u>(799,572)</u>	<u>(754,957)</u>	<u>(8,011)</u>	<u>8,838</u>
Net Outlays Before Offsetting Receipts	918,898	931,777	3,372	19,090
Less: Offsetting Receipts	<u>(1,460,188)</u>	<u>(1,385,565)</u>	<u>-</u>	<u>-</u>
Net Outlays (Receipts)	<u>\$ (541,290)</u>	<u>\$ (453,788)</u>	<u>\$ 3,372</u>	<u>\$ 19,090</u>

The accompanying notes are an integral part of these statements.

U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Financing
For the Years Ended September 30, 2004, and 2003

(In Thousands)	2004	2003
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 1,831,102	\$ 1,714,876
Less: Spending Authority from Offsetting Collections and Adjustments	(865,375)	(755,790)
Obligations Net of Offsetting Collections and Adjustments	965,727	959,086
Less: Offsetting Receipts	(1,460,188)	(1,385,565)
Net Obligations	(494,461)	(426,479)
Other Resources:		
Donations of Property	73	56
Other Transfers In/Out Without Reimbursement	(25,181)	(52,665)
Imputed Financing from Costs Absorbed by Others	137,554	244,807
Net Other Resources Used to Finance Activities	112,446	192,198
Total Resources Used to Finance Activities	(382,015)	(234,281)
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	(69,485)	51,216
Resources That Fund Expenses Recognized in Prior Periods	13,787	(394)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	1,050,255	1,013,486
Resources That Finance the Acquisition of Assets	(261,540)	(258,030)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	36,451	32,578
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	769,468	838,856
Total Resources Used to Finance the Net Cost of Operations	387,453	604,575
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase (Decrease) in Annual Leave Liability	(219)	888
Increase (Decrease) in Environmental Cleanup Cost Liability	(176)	363
Increase (Decrease) in Exchange Revenue Receivable from the Public	2,995	(5,880)
Increase (Decrease) in Other Unfunded Liabilities	(7,097)	(26,180)
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(4,497)	(30,809)
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	185,514	172,732
Revaluation of Assets	44,791	-
Components of Net Cost of Operations Related to Transfer Accounts Where Budget Amounts Are Reported by Other Federal Entities (Note 14)	43,795	44,704
Other	(596)	5,685
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	273,504	223,121
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	269,007	192,312
Net Cost of Operations	\$ 656,460	\$ 796,887

The accompanying notes are an integral part of these statements.