

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 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