

Principal Financial Statements

The principal financial statements included in Interior's FY 2005 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) Circular A-136, "Financial Reporting Requirements." 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 3 of this report.

Consolidated Balance Sheet
as of September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 32,031,132	\$ 30,866,144
Investments, Net (Note 4)	7,463,669	6,187,329
Accounts and Interest Receivable (Note 5)	508,677	348,034
Loans and Interest Receivable, Net (Note 6)	2,458,075	-
Other (Note 10)	1,405	1,211
Total Intragovernmental Assets	42,462,958	37,402,718
Cash (Note 3)	1,270	1,081
Investments, Net (Note 4)	199,125	191,844
Accounts and Interest Receivable, Net (Note 5)	2,660,566	1,347,641
Loans and Interest Receivable, Net (Note 7)	183,855	227,514
Inventory and Related Property, Net (Note 8)	305,695	324,319
General Property, Plant, and Equipment, Net (Note 9)	17,323,778	17,154,211
Other (Note 10)	296,653	296,950
Stewardship Assets		
TOTAL ASSETS (Note 10)	\$ 63,433,900	\$ 56,946,278
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	\$ 79,881	\$ 76,826
Debt (Note 11)	1,220,525	1,304,879
Other		
Resources Payable to Treasury	2,016,834	26,225
Advances and Deferred Revenue	1,626,524	1,757,001
Custodial Liability	996,371	671,478
Other Liabilities	937,328	902,530
Total Intragovernmental Liabilities	6,877,463	4,738,939
Accounts Payable	1,087,718	1,024,845
Loan Guarantee Liability (Note 7)	81,670	60,081
Federal Employee and Veteran Benefits (Note 12)	1,367,705	1,304,355
Environmental and Disposal Liabilities (Note 13)	120,808	101,808
Other		
Contingent Liabilities (Note 13)	631,174	760,482
Advances and Deferred Revenue	489,466	446,369
Payments Due to States	1,009,418	412,880
Other Liabilities	1,031,556	1,121,962
TOTAL LIABILITIES (Note 14)	12,696,978	9,971,721
Commitments and Contingencies (Note 13 and 16)		
Net Position		
Unexpended Appropriations	4,179,242	4,080,359
Cumulative Results of Operations	46,557,680	42,894,198
Total Net Position	50,736,922	46,974,557
TOTAL LIABILITIES AND NET POSITION	\$ 63,433,900	\$ 56,946,278

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

Consolidated Statement of Net Cost
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
Resource Protection		
Costs	\$ 3,727,461	\$ 3,032,636
Less: Earned Revenue	1,428,697	613,511
Net Cost	2,298,764	2,419,125
Resource Use		
Costs	4,120,619	3,242,339
Less: Earned Revenue	1,217,758	1,080,006
Net Cost	2,902,861	2,162,333
Recreation		
Costs	1,847,534	2,125,544
Less: Earned Revenue	340,109	258,952
Net Cost	1,507,425	1,866,592
Serving Communities		
Costs	6,859,829	6,631,788
Less: Earned Revenue	1,026,009	773,872
Net Cost	5,833,820	5,857,916
Reimbursable Activity and Other		
Costs	3,195,202	2,760,727
Less: Earned Revenue	2,325,046	2,007,644
Net Cost	870,156	753,083
Total		
Costs	19,750,645	17,793,034
Less: Earned Revenue	6,337,619	4,733,985
Net Cost of Operations (Note 17)	\$ 13,413,026	\$ 13,059,049

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

Consolidated Statement of Changes in Net Position
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 4,080,359	\$ 3,929,302
Budgetary Financing Sources		
Appropriations Received, General Funds	10,197,599	10,061,570
Appropriations Transferred In/Out	93,641	89,861
Appropriations-Used	(10,039,735)	(9,871,434)
Other Adjustments	(152,622)	(128,940)
Net Change	98,883	151,057
Ending Balance - Unexpended Appropriations	\$ 4,179,242	\$ 4,080,359
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	\$ 42,894,198	\$ 40,934,263
Adjustments		
Change in Accounting Principle (Note 24)	157,150	-
Beginning Balance, as adjusted	43,051,348	40,934,263
Budgetary Financing Sources		
Appropriations-Used	10,039,735	9,871,434
Royalties Retained (Note 15)	5,130,136	3,491,208
Non-Exchange Revenue	1,276,801	1,162,209
Transfers In/Out without Reimbursement	(58,601)	(40,424)
Donations and Forfeitures of Cash and Cash Equivalentts	33,159	24,491
Other Budgetary Financing Sources	51,040	2,422
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others (Note 18)	451,533	519,171
Transfers In/Out without Reimbursement	(31,041)	(27,222)
Donations and Forfeitures of Property	26,596	15,695
Total Financing Sources	16,919,358	15,018,984
Net Cost of Operations	(13,413,026)	(13,059,049)
Net Change	3,506,332	1,959,935
Ending Balance - Cumulative Results of Operations	\$ 46,557,680	\$ 42,894,198

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

Combined Statement of Budgetary Resources
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	Total Budgetary Accounts		Non-Budgetary Credit Program Financing Accounts	
	FY 2005	FY 2004	FY 2005	FY 2004
Budgetary Resources:				
Budget Authority:				
Appropriations Received	\$ 16,085,947	\$ 14,712,390	\$ -	\$ -
Borrowing Authority	-	-	1,095	8,625
Net Transfers, Current Year Authority	(115,378)	(139,167)	-	-
Unobligated Balance:				
Beginning of Fiscal Year	5,209,456	4,905,271	76,836	67,678
Net Transfers, Unobligated Balance, Actual	665	25,980	-	-
Spending Authority From Offsetting Collections:				
Earned				
Collected	5,194,626	4,722,696	42,284	26,240
Receivable From Federal Sources	75,028	(4,537)	-	-
Change in Unfilled Customer Orders				
Advance Received	51,822	547,677	-	-
Without Advance From Federal Sources	270,854	28,869	-	-
Subtotal: Spending Authority From Offsetting Collections	5,592,330	5,294,705	42,284	26,240
Recoveries of Prior Year Obligations	411,226	393,579	9	26
Temporarily Not Available Pursuant to Public Law	(11,853)	(2,249)	-	-
Permanently Not Available	(347,464)	(177,829)	(18,282)	(6,189)
Total Budgetary Resources (Note 20)	\$ 26,824,929	\$ 25,012,680	\$ 101,942	\$ 96,380
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	\$ 15,934,806	\$ 14,667,176	\$ 18,633	\$ 19,544
Reimbursable	5,179,194	5,136,048	-	-
Total Obligations Incurred (Note 20)	21,114,000	19,803,224	18,633	19,544
Unobligated Balance: (Note 20)				
Apportioned	5,556,737	5,072,733	83,309	76,836
Exempt From Apportionment	44,920	39,444	-	-
Unobligated Balance not Available (Note 20)	109,272	97,279	-	-
Total Status of Budgetary Resources	\$ 26,824,929	\$ 25,012,680	\$ 101,942	\$ 96,380
Relationship of Obligations to Outlays:				
Obligations Incurred	\$ 21,114,000	\$ 19,803,224	\$ 18,633	\$ 19,544
Obligated Balance, Net, Beginning of Fiscal Year	6,769,816	5,740,974	7,775	8,063
Obligated Balance, Net, End of Fiscal Year:				
Accounts Receivable	401,687	326,657	-	-
Unfilled Customer Orders From Federal Sources	823,076	552,221	-	-
Undelivered Orders	(7,067,043)	(6,288,774)	(4,005)	(3,952)
Accounts Payable	(1,490,176)	(1,359,920)	-	(3,823)
Total Obligated Balance, Net, End of Fiscal Year	(7,332,456)	(6,769,816)	(4,005)	(7,775)
Less: Spending Authority Adjustments	(757,106)	(417,910)	(9)	(26)
Outlays:				
Disbursements	19,794,254	18,356,472	22,394	19,806
Collections	(5,246,450)	(5,270,374)	(42,284)	(26,240)
Net Outlays Before Offsetting Receipts	14,547,804	13,086,098	(19,890)	(6,434)
Less: Offsetting Receipts	(5,904,495)	(4,269,067)	-	-
Net Outlays (Receipts)	\$ 8,643,309	\$ 8,817,031	\$ (19,890)	\$ (6,434)

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

Consolidated Statement of Financing
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 21,132,633	\$ 19,822,768
Less: Spending Authority From Offsetting Collections/Recoveries	(6,045,849)	(5,714,550)
Obligations Net of Offsetting Collections and Recoveries	15,086,784	14,108,218
Less: Offsetting Receipts	(5,904,495)	(4,269,067)
Net Obligations	9,182,289	9,839,151
Other Resources:		
Donations and Forfeitures of Property	26,596	15,695
Transfers In/Out Without Reimbursement	(31,041)	(27,222)
Imputed Financing From Costs Absorbed by Others	451,533	519,171
Net Other Resources Used to Finance Activities	447,088	507,644
Total Resources Used to Finance Activities	9,629,377	10,346,795
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	(803,973)	(968,242)
Increase in Unfilled Customer Orders	322,677	576,546
Resources That Fund Expenses Recognized in Prior Periods	(218,599)	(137,970)
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	41,298	17,193
Offsetting Receipts Not Part of the Net Cost of Operations	3,504,679	2,832,565
Resources That Finance the Acquisition of Assets	(739,531)	(819,203)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(15,017)	37,256
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	2,091,534	1,538,145
Total Resources Used to Finance the Net Cost of Operations	11,720,911	11,884,940
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 in Annual Leave Liability	9,056	17,922
Increase in Environmental and Disposal Liability	23,467	-
Upward/Downward Re-estimates in Credit Subsidy Expense	21,358	(335)
(Increase) Decrease in Exchange Revenue Receivable From the Public	9,308	(1,166)
Other	748,399	306,782
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	811,588	323,203
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	483,116	460,946
Revaluation of Assets or Liabilities	9,154	44,791
Allocation Transfers Reconciling Items (Note 21)	377,999	358,936
Other	10,258	(13,767)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	880,527	850,906
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	1,692,115	1,174,109
Net Cost of Operations	\$ 13,413,026	\$ 13,059,049

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

Consolidated Statement of Custodial Activity
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	\$ 8,972,260	\$ 7,114,290
Onshore Lease Sales	1,658,786	383,945
Offshore Lease Sales	560,622	560,225
Strategic Petroleum Reserve (Note 19)	1,194,618	1,191,284
Total Revenue	\$ 12,386,286	\$ 9,249,744
Disposition of Revenue		
Distribution to Department of the Interior		
National Park Service Conservation Funds	1,048,870	1,049,000
Bureau of Reclamation	1,289,055	924,486
Minerals Management Service	1,762,092	1,300,525
Bureau of Land Management	81,408	16,216
Fish and Wildlife Service	1,036	737
Distribution to Other Federal Agencies		
Department of the Treasury	5,502,464	4,375,632
Department of Agriculture	50,860	25,232
Department of Commerce	1	-
Department of Energy (Note 19)	1,194,618	1,191,284
Distribution to Indian Tribes and Agencies	114,025	93,892
Distribution to States and Others	73,706	75,777
Change in Untransferred Revenue	1,268,151	196,963
Total Disposition of Revenue	\$ 12,386,286	\$ 9,249,744

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