Notes to Principal Financial Statements

For the years ended September 30, 2008 and 2007

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, 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), and Custodial Funds. 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 review. 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 23, Indian Trust Funds. 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 Interior.

B. Organization and Structure of Interior

Interior is composed of the following eight operating Bureaus and Departmental Offices:

- National Park Service (NPS) (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- U.S. Fish and Wildlife Service (FWS)
- Bureau of Land Management (BLM)

- Bureau of Reclamation (BOR)
- Office of Surface Mining and Reclamation Enforcement (OSM)
- Minerals Management Service (MMS) (includes the Environmental Improvement and Restoration Fund)
- U.S. Geological Survey (USGS)
- Indian Affairs (IA)
- Departmental Offices (DO)

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 certain bureaus may be found in the individual financial reports prepared by certain bureaus.

The U.S. Bureau of Mines (BOM) was closed in 1996. Although it no longer exists, certain transactions and data related to BOM programs and activities are reflected in Interior's FY 2008 and FY 2007 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, and budgetary resources of 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 Interior in accordance with generally accepted accounting principles (GAAP) and Office of Management and Budget (OMB) Circular No. A-136, "Financial Reporting Requirements." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, 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 2008 financial statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity.

In 2007, Interior's BLM had a change to the methodology for allocating costs to Mission Goals for Recreation and Serving Communities. The change in methodology was approved during the latter part of the 4th quarter at the bureau level and resulted in a reclassification of $660 thousand between the two cost categories. Recreation costs were decreased and Serving Communities costs were increased; total costs remain unchanged. However, the reclassification was not made at the consolidated level as the amount was considered immaterial and there were time constraints regarding the publication of the FY 2007 Performance and Accountability Report. Due to the change in methodology, Interior's FY 2007 Consolidated Statement of Net Cost was reclassified in FY 2008 and will vary from the FY 2007 Statement published in the FY 2007 PAR. Certain prior year amounts have been reclassified to conform to FY 2008 financial statement presentations.

Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as *intragovernmental* which is defined as exchange transactions made between two reporting entities within the Federal Government.

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 U.S. Department of the Treasury except for imprest fund accounts. Treasury processes cash receipts and disbursements on behalf of Interior and Interior's accounting records are reconciled with those of Treasury on a regular basis.

The 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 following describes the type of funds Interior maintains: (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.

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 nonmarketable par value or nonmarketable, 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, bonds, and bank notes. Interior generally invests in mortgage instruments issued by the Federal National Mortgage Association, Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

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 by multiplying the total number of shares by the market price on the last day of the fiscal year.

Investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the market values of investments reported.

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

Intragovernmental Loans. Interior has a restricted, unavailable receipt fund entitled Interior Reclamation Fund into which a substantial portion of 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 Interior'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 of the Department of Energy (DOE). Western recovers the capital investments, associated interest, and operating and maintenance costs through future power rates, and subsequently remits amounts to the Reclamation Fund.

The Bonneville Power Administration (BPA), also a component of DOE, is responsible for the transmission and marketing of hydropower generated at Reclamation facilities located in the Pacific Northwest region. Unlike Western, BPA does not receive appropriations from the Reclamation Fund, but they legislatively assumed the repayment obligation for the appropriations used to construct Reclamation's hydropower generation facilities.

The amounts transferred to Western and BPA are recorded as receivables at the time of the transfer as Western and BPA are required to repay Interior. Interior reduces the receivables at the time payments are received from Western and BPA.

Loans with the Public. Loans are accounted for as receivables after the funds have been disbursed. For loans obligated on or after the effective date of the Credit Reform Act, October 1, 1991, 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.

For loans obligated prior to October 1, 1991, 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.

Loans are exposed to various risks such as interest rate and credit risks. Such risks, and the resulting loans, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the collectibility of loans will occur in the near term and that such changes could affect the collectibility of loans reported.

H. Inventory and Related Property, Net

Interior's inventory and related property is primarily composed of published maps; gas and storage rights; operating supplies for the Working Capital Fund; airplane parts and fuel; and recoverable, below-ground, crude helium. These inventories were categorized based on Interior's major activities and the 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. All inventory products and materials are valued at historical cost, using a method of averaging actual costs to produce like-kind scale maps within the same fiscal year. The USGS estimates an allowance for excess, spoiled, and obsolete map inventory to arrive at a new realizable value, 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.

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 as operating materials to be consumed 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.

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 Interior's standard forms functions.

I. General Property, Plant, and Equipment, Net

General Purpose Property, Plant, and Equipment. General purpose property, plant, and equipment (PP&E) 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 PP&E 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 from 10 to 80 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 2 to 50 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. An administrative site may contain more than one building, structure, or facility, but it is always bounded by a defined perimeter or an established boundary. For equipment, vehicles and aircraft, and capital leases of other personal property, Interior has established a capitalization threshold of $15,000. There are no restrictions on the use or convertibility of Interior's general purpose PP&E.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard (SFFAS) 6, *Accounting for Property, Plant, and Equipment,* Interior recorded certain general PP&E 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 (CIP) 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.

CIP also includes projects in abeyance. In past years, Interior began construction on 12 projects located in California, Colorado, Arizona, Washington, North Dakota, and South Dakota, for which activities were 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 time and weather and to keep the asset ready for completion.

Internal Use Software. Internal use software includes purchased commercial off-the-shelf (COTS) software, 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 10 years for calculating amortization of software using the straight-line method.

Stewardship Assets. Stewardship assets consist 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, and library and museum collections.

The stewardship land and heritage assets managed by Interior are considered priceless and irreplaceable. As such, Interior assigns no financial value to them and the PP&E capitalized and reported on the Balance Sheet excludes these assets. Note 10, Stewardship Assets, provides additional information concerning stewardship land and heritage assets. The Required Supplementary Information Section provides information on the condition of 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. 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 and Disposal 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 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.

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.

Contingent Liabilities. *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.

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 most 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 majority of operating funds for Interior are available for either multiple years or until expended. Appropriations are reflected as financing source entitled. "Appropriations Used" on the Statement of Changes in Net Position once goods and services have been received. The 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 Interior and the other party receive value, including park entrance fees; map sales; land 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 Statement of Net Cost and serve to offset the costs of these goods and services.

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 Interior's operations and are reported on the Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by Federal agencies are processed through the Treasury's central accounting system. Regardless of whether they derive from exchange or non-exchange transactions, all receipts that are not designated 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 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 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounts,* Interior reports these State amounts as "Royalties Retained," an other budgetary financing source on the Statement of Changes in Net Position, rather than on the 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. MRM distributes the proceeds in accordance with legislated allocation formulas to U.S. Treasury accounts, other Federal agencies, States, the Office of the Special Trustee for American Indians, and IA for further distribution to Indian Tribes and Individual Indian mineral owners. MMS is authorized to retain a portion of the custodial rental income collected 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, included in accounts receivable, represents royalties on September production of oil and gas leases that Interior subsequently receives payment for 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 of 1953, may take part or all of its oil and gas in RIK (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 RIK as mineral lease revenue on the Statement of Custodial Activity.

Interior assisted the Administration's initiative to fill the Strategic Petroleum Reserve. Interior transfered to 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 distributed to DOE on the Statement of Custodial Activity.

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, 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.

Advances and Deferred Revenue. Advances and deferred revenue from the public represents funding received from certain water and power customers who benefit from current and future power deliveries. The payments are recognized as revenue incrementally as water and power benefits are provided.

Advances and deferred revenue received from Federal agencies primarily represent cash advances to the Interior Franchise Fund (IFF), National Business Center (NBC), BLM, and MMS. IFF and NBC provide shared administrative services and commonly provide products to Federal agencies. BLM and MMS intragovernmental and public advances and deferred revenue represent liabilities to perform services or deliver goods to customers that have remitted payment in advance of receiving goods and services.

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 liability is recognized for these amounts, as employees do not vest in these benefits.

Federal Employees Workers' Compensation Program (FECA). 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. Interior recognizes an unfunded liability to DOL for these estimated future payments. 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 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 Program (FEGLI). 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 preretirement portion of coverage, Interior has recognized the entire service cost of the postretirement 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. The majority of 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 employees participating in FERS, Interior contributes an amount equal to 1 percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. Employees participating in CSRS receive no matching contribution from Interior. During FY 2008, employees could contribute as much as $15,500 of their gross earnings to the plan.

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 participants. 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, 1985, 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 his/her 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 during the fiscal year, with a *roll-forward* or projection to the end of the year, in accordance with Interpretation of Federal Financial Accounting Standards Interpretation 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 Interior's entities have been eliminated from the Balance Sheet, the Statement of Net Cost, and the Statement of Changes in Net Position. As provided for by OMB Circular No. A-136, the Statement of Budgetary Resources is presented on a combined basis, therefore, intradepartmental transactions and balances have not been eliminated from this statement. Intradepartmental transactions have been eliminated within the Statement of Custodial Activity. In order to present all custodial activity, the distributions to the Department's entities have not been eliminated on the Statement of Custodial Activity and the Statement of Changes in Net Position. The distributions, however, are reported separately on the Statement of Custodial Activity.

O. Possessory Interest and Leasehold Surrender Interest (PI/LSI)

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 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.

Interior does not report the assets used by concessioners in its financial statements because the concessioners control the benefits of the assets and have the responsibilities of the risks and maintenance of the assets. In addition, Interior does not report a PI/LSI liability at the time a concessioner receives PI/LSI because an event of financial consequence has not occurred. However, Interior does record a liability at the time that Interior decides to discontinue a concession operation or take possession of the assets.

Interior has concession agreements which contain provisions that provide for the establishment of escrow-type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These *Special Account* funds are maintained in separate interest-bearing bank accounts for the concessioners, are not assets of Interior, and may not be used in Interior operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the financial statements.

P. Liability for Capital Transfer to the General Fund of the Treasury

Interior receives appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components, for which Interior is required to recover the capital investment and operating costs through user fees, mainly the sale of water and power. These recoveries are deposited in Treasury's General Fund.

Interior records a liability for appropriations determined to be recoverable from project beneficiaries. The liability is decreased when reimbursments are received from Interior's customers and subsequently transferred to Treasury's General Fund.

For additional information, see Note 27, Liability for Capital Transfer to the General Fund of the Treasury.

Q. Earmarked Funds

Earmarked funds are financed by specifically identified revenues and other financing sources. These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal Government's General Fund.

The Federal Government does not set aside assets to pay future expenditures associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general Government purposes. Treasury securities are issued to the earmarked fund as evidence of earmarked receipts. These securities are an asset to the earmarked fund and are presented as Investments in the table accompanying Note 24, Earmarked. Treasury securities are a liability of the U.S. Treasury and are eliminated in the consolidation of the U.S. Governmentwide financial statements. Treasury will finance any future redemption of the securities by an earmarked fund in the same manner that all other Government expenditures are financed.

R. Allocation Transfers

Interior is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one Department to obligate budget authority and outlay funds to another Department. A separate fund (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequently obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. All financial activity related to these allocation transfers is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived. Interior allocated funds, as a parent, to the Department of Agriculture, the Department of Transportation, and the Corps of Engineers. Interior receives allocation transfers, as the child, from the Department of Agriculture, the Department of Health and Human Services, the Department of Labor, the Department of Transportation, the Environmental Protection Agency, the General Services Administration, and the U.S. Agency for International Development.

S. 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.

T. Estimates

Interior has made certain estimates and assumptions related 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, 2008 and 2007, consists of the following:

(dollars in thousands)	FY 2008	FY 2007
General Funds	$ 6,481,932	$ 5,455,504
Special Funds	29,615,226	27,352,216
Revolving Funds	1,196,900	1,426,978
Trust Funds	184,544	172,974
Other Fund Types	454,362	368,999
Total Fund Balance with Treasury by Fund Type	$ 37,932,964	$ 34,776,671

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. These receipts are available 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, and 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 helium operations, IFF, Interior Working Capital 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 Interior.

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 and the Alaska Townsite Trustee 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.

The Status of the Fund Balance with Treasury 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 balance also includes amounts appropriated in prior fiscal years, which are not

Status of Fund Balance with Treasury as of September 30, 2008 and 2007, consists of the following:

(dollars in thousands)	FY 2008	FY 2007
Unobligated		
Available	$ 4,519,599	$ 3,567,620
Unavailable	225,145	157,329
Obligated Not Yet Disbursed	5,942,533	6,032,685
Subtotal	10,687,277	9,757,634
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	26,835,521	24,824,285
Clearing and Deposit Accounts	410,166	194,752
Subtotal	27,245,687	25,019,037
Total Status of Fund Balance with Treasury	$ 37,932,964	$ 34,776,671

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. 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.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported in the Combined Statement of Budgetary Resources because the budgetary balances are supported by amounts other than fund balance with Treasury, such as investments in Treasury securities.

NOTE 3. CASH

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

Cash as of September 30, 2008 and 2007, consists of the following:

(dollars in thousands)	FY 2008	FY 2007
Cash Not Yet Deposited to Treasury	$ -	$ 221
Impreset Fund	474	535
Total Cash	$ 474	$ 756

NOTE 4. INVESTMENTS, NET

A. Investments in Treasury Securities

The IA, BLM, BOR, DO, MMS, NPS, OSM, and FWS invest funds in securities on behalf of various Interior programs.

Indian Affairs. IA 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. IA's investments in public securities are discussed more fully below.

Bureau of Land Management. BLM is authorized to invest in special nonmarketable par value and market-based book entry 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. BLM invests in these Treasury securities pursuant to authorizing legislation for two accounts: (1) the proceeds of certain land sales authorized by the Southern Nevada Public Land Management Act, enacted in October 1998; and (2) the proceeds of certain land sales authorized by the Lincoln County Land Act, enacted in October 2000. 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 was transferred to MMS in FY 2008.

Bureau of Reclamation. BOR has investment authority in the Lower Colorado River Basin Development Fund and the San Gabriel Basin Restoration Fund, both of which are classified as earmarked funds. Investments consist of the cost of nonmarketable, market-based securities purchased through the Federal Investment Branch of the Bureau of the Public Debt and interest earned. The market value of these securities is equal to the cost.

Investments as of September 30, 2008, consist of the following:

(dollars in thousands)	Investment Type		Cost		Net Amortized (Premium)/Discount		Investments, Net		Market Value Disclosure
U.S. Treasury Securities									
Indian Affairs	Marketable	$	67,342	$	-	$	67,342	$	67,342
Bureau of Land Management	Nonmarketable, market-based		1,924,692		9,004		1,933,696		1,933,696
Bureau of Reclamation	Nonmarketable, market-based		450,369		-		450,369		450,369
Departmental Offices									
Utah Reclamation Mitigation and Conservation Account	Nonmarketable, market-based		177,805		(993)		176,812		178,184
Natural Resource Damage Assessment and Restoration Fund	Nonmarketable, market-based		239,703		(116)		239,587		239,929
Tribal Trust and Special Funds	Nonmarketable, market-based		46,648		-		46,648		46,648
	Marketable		57,333		(1,059)		56,274		57,922
Minerals Management Service - Restricted	Nonmarketable, market-based		1,145,124		(16,297)		1,128,827		1,189,348
Minerals Management Service - Custodial	Nonmarketable, market-based		141,478		(634)		140,844		140,934
National Park Service	Nonmarketable, market-based		1,455		(18)		1,437		1,455
Office of Surface Mining	Nonmarketable, market-based		2,427,849		1,057		2,428,906		2,505,373
U.S. Fish and Wildlife Service	Nonmarketable, market-based		656,587		(6,717)		649,870		661,264
Total U.S. Treasury Securities			7,336,385		(15,773)		7,320,612		7,472,464
Accrued Interest			24,486		-		24,486		-
Total Non-Public Investments			7,360,871		(15,773)		7,345,098		7,472,464
Public Securities									
Indian Affairs	Marketable		25		-		25		25
Departmental Offices - Tribal Trust and Special Funds	Marketable		199,213		45		199,258		199,612
Total Public Securities			199,238		45		199,283		199,637
Accrued Interest			2,230		-		2,230		-
Total Public Investments			201,468		45		201,513		199,637
Total Investments		$	7,562,339	$	(15,728)	$	7,546,611	$	7,672,101

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

DO invests a portion of Tribal Trust and Special Funds in marketable and nonmarketable, 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 nonmarketable, market-based Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. 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 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 OCS bid amounts from the apparent high bidders for all OCS lease sales. Should any of othe apparent

Investments as of September 30, 2007, consist of the following:

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Indian Affairs	Marketable	$ 74,419	$ -	$ 74,419	$ 74,456
Bureau of Land Management	Nonmarketable, market-based	2,180,860	28,308	2,209,168	2,212,961
Bureau of Reclamation	Nonmarketable, market-based	401,370	-	401,370	401,459
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Nonmarketable, market-based	170,116	16	170,132	170,517
Natural Resource Damage Assessment and Restoration Fund	Nonmarketable, market-based	236,113	505	236,618	236,710
Tribal Trust and Special Funds	Nonmarketable, market-based	77,050	-	77,050	77,050
	Marketable	53,428	(798)	52,630	52,841
Minerals Management Service - Restricted	Nonmarketable, market-based	1,104,241	(12,561)	1,091,680	1,094,377
Minerals Management Service - Custodial	Nonmarketable, market-based	48,881	45	48,926	48,932
National Park Service	Nonmarketable, market-based	1,455	(10)	1,445	1,455
Office of Surface Mining	Nonmarketable, market-based	2,362,172	821	2,362,993	2,355,161
U.S. Fish and Wildlife Service	Nonmarketable, market-based	573,667	(179)	573,488	575,290
Total U.S. Treasury Securities		7,283,772	16,147	7,299,919	7,301,209
Accrued Interest		22,626	-	22,626	-
Total Non-Public Investments		7,306,398	16,147	7,322,545	7,301,209
Public Securities					
Indian Affairs	Marketable	30	-	30	30
Departmental Offices - Tribal Trust and Special Funds	Marketable	161,400	19	161,419	162,082
Total Public Securities		161,430	19	161,449	162,112
Accrued Interest		1,905	-	1,905	-
Total Public Investments		163,335	19	163,354	162,112
Total Investments		$ 7,469,733	$ 16,166	$ 7,485,899	$ 7,463,321

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.

Beginning in FY 2008, MMS assumed responsibility from BLM for investments and related activity associated with mineral revenues derived from the National Petroleum Reserve – Alaska (NPRA), attributable to the Kuukpik Withdrawal Area (KWA) in accordance with Public Law 106-291. The KWA is an area designated as available for selection by the Kuukpik village corporation under the Alaska Native Claims Settlement Act. The Kuukpik village corporation has the option to select certain leases in this area and derive mineral revenue from them. Presently, 100 percent of rents, bonuses, and potential royalties are required to be invested until such time as the Kuukpik village corporation makes their selections and conveyance is finalized.

National Park Service. The monies generated from the sale of the National Law Enforcement Officers Memorial Silver Dollar established the National Law Enforcement Officers Memorial Maintenance Fund and have been invested in a nonmarketable, market-based, interest bearing security.

Office of Surface Mining and Reclamation Enforcement. OSM is authorized to invest available Abandoned Mine Land (AML) funds in nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. OSM has authority to invest AML trust funds in Treasury bills, notes, bonds, and one-day certificates. The AML investment interest is transferred to the United Mine Workers of America Health Care Plans to provide a portion of the health and death benefits for eligible coal miners and their dependents.

U.S. Fish and Wildlife Service

FWS has investments in nonmarketable, 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 and the Multi-National Species Conservation Fund.

B. Investments in Public Securities

IA is authorized by law to invest irrigation and power receipts in marketable Treasury and public securities. Investments in public securities consist of two mortgage instruments issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. Investments in public securities reflect investments held by IA's Power and Irrigation program and are recorded at cost.

DO invests 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 by BOR; water testing and other scientific studies conducted for State and local governments by the USGS; remittance of fees from park concessioners are collected by the NPS; and fees for irrigation and power services collected by IA. 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.

Recovery of Reimbursable Capital Costs. 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 allocation to the construction of reimbursable irrigation and M&I water facilities. Also, power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on BOR's

Accounts and Interest Receivable from the Public consists of the following as of September 30, 2008 and 2007:

(dollars in thousands)	FY 2008	FY 2007
Accounts and Interest Receivable from the Public		
Current	$ 668,851	$ 396,353
1 - 180 Days Past Due	49,240	62,816
181 - 365 Days Past Due	13,682	9,813
1 to 2 Years Past Due	36,906	171,337
Over 2 Years Past Due	231,113	79,281
Total Billed Accounts and Interest Receivable - Public	999,792	719,600
Unbilled Accounts and Interest Receivable	1,550,660	1,537,990
Total Accounts and Interest Receivable - Public	2,550,452	2,257,590
Allowance for Doubtful Accounts - Public	(970,147)	(310,573)
Total Accounts and Interest Receivable - Public, Net	$ 1,580,305	$ 1,947,017

behalf. Costs associated with multipurpose plants are allocated to the various purposes 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 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, 2008 and 2007, amounts not yet earned under unmatured repayment contracts were $2.7 and $2.8 billion, respectively.

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 and Interest Receivable from Federal entities consist of the following as of September 30, 2008 and 2007.

(dollars in thousands)	FY 2008	FY 2007
Accounts and Interest Receivable from Federal Agencies		
Billed	$ 1,217,258	$ 1,111,057
Unbilled	486,575	310,822
Total Accounts and Interest Receivable - Federal	$ 1,703,833	$ 1,421,879

NOTE 6. INTRAGOVERNMENTAL LOANS AND INTEREST RECEIVABLE, NET

Intragovernmental Loans and Interest Receivable, as of September 30, 2008 and 2007, are summarized as follows.

(dollars in thousands)	FY 2008	FY 2007
Principal	$ 6,810,664	$ 6,599,293
Interest	2,350,871	2,192,969
Cumulative Repayments	(6,075,917)	(5,943,259)
Allowance for Non-Reimbursable Costs	(21,702)	(21,702)
Intragovernmental Loans and Interest Receivable, Net	$ 3,063,916	$ 2,827,301

Interest rates vary by project and pertinent legislation, and range from 4.9 percent to 7.4 percent for FY 2008 and 4.9 percent to 7.6 percent for FY 2007. Repayment terms are generally over a period not to exceed 50 years from the time revenue producing assets are placed in service.

NOTE 7. LOANS AND INTEREST RECEIVABLE, NET

Direct loans and loan guarantees made prior to FY 1992 were funded by congressional appropriation from general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans. Net loans receivable or the value of the assets related to direct loans, is not necessarily equal to the proceeds that could be expected from selling these loans.

Direct loans and loan guarantees made after FY 1991 are accounted for in accordance with the requirements of the Federal Credit Reform Act (FCRA) 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. FCRA 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. There have been 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 reestimate 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.

IA and BOR administer loan programs while the DO 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 direct loans or guarantees for loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans or guarantees for 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 reestimates.

Indian Affairs. IA provides guaranteed loans to Indian Tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The IA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the FCRA, 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 precredit 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 precredit 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. 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, the Rural Development and Policy Act of 1980, and the Rehabilitation and Betterment Act.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to BOR, net of an allowance for estimated uncollectible loan balances. The allowance is determined by management for loan balances where collectibility is considered to be uncertain based on various factors, including age, past experience, present market and economic 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 2008 includes a modification and technical reestimates. In FY 2007, the Ft. McDowell Yavapi Nation repayment obligation was cancelled in accordance with the Fort McDowell Indian Community Water Rights Settlement Revision Act of 2006 (Public Law 109-373). In FY 2008, appropriations for this cancellation were received and the associated loan receivable was written off. The subsidy re-estimate appropriation received in FY 2008 resulted in a net increase to the subsidy cost allowance of $2.3 million for the quarter ended September 30, 2008, due to minor changes in the calculation this fiscal year. In FY 2007, OMB issued a new credit subsidy calculator that considers borrower performance in conjunction with historical loan financing account re-estimates, cash, and borrowing balances to arrive at the total technical re-estimate. This change in methodology combined with the FY 2007 Ft. McDowell loan forgiveness resulted in a net upward re-estimate, with a corresponding net increase to the subsidy cost allowance of $23.3 million for the year ended September 30, 2007. In FY 2008 and 2007 there were no other changes in economic conditions, other risk factors, legislation, credit policies, and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates. For FY 2008 and 2007, there were no additional loan appropriations; therefore, there is no budget subsidy rate.

Departmental Offices. DO has two loans, one precredit reform loan to the U.S. Virgin Islands and one postcredit reform loan to the American Samoa Government (ASG).

In 1977, a loan was extended to the Virgin Islands from the Federal Financing Bank (FFB). This loan was considered a pre-Credit Reform loan. The loan receivable from the Virgin Islands has an offsetting liability to the FFB. Principal and interest payments are due in January and July of each year. Interest is based on the amortization schedule for the loan with the FFB. The interest is accrued each year-end based upon the period of July through September. In July 2008, the loan was paid in full.

In 2001, a loan was extended to the ASG. 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 were used by the ASG for debt reduction and fiscal reform. In FY 2005, Interior reserved the full loan amount based on a reassessment of the loan's collectability.

National Park Service. The NPS has a single noninterest 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 of approximately $360,000. 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 2008 and 2007, 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.

Outstanding loan balances, as of September 30, 2008 and 2007, are summarized as follows.

(dollars in thousands)

A. Direct Loan and Loan Guarantee Program Names:		FY 2008		FY 2007
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$	11,596	$	12,113
Indian Affairs - Direct Loans (Credit Reform)		7,220		7,913
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)		100		102
Indian Affairs - Guaranteed Loans (Credit Reform)		466		507
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)		41,964		47,301
Bureau of Reclamation - Direct Loans (Credit Reform)		51,331		55,628
Departmental Offices - Virgin Island (Pre-Credit Reform)		-		843
Departmental Offices - American Samoa Government (Credit Reform)		-		-
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)		2,518		2,878
Total Loans and Interest Receivable, Net	$	115,195	$	127,285

(dollars in thousands)
Direct Loans

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

	Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
	Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 10,436	$ 1,777	$ (617)	$ -	$ 11,596
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	49,146	73	(7,255)	-	41,964
	Departmental Offices - Virgin Island (Pre-Credit Reform)	-	-	-	-	-
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	2,518	-	-	-	2,518
FY 2008	Total	$ 62,100	$ 1,850	$ (7,872)	$ -	$ 56,078
	Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 11,323	$ 1,713	$ (923)	$ -	$ 12,113
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	54,481	75	(7,255)	-	47,301
	Departmental Offices - Virgin Island (Pre-Credit Reform)	794	49	-	-	843
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	2,878	-	-	-	2,878
FY 2007	Total	$ 69,476	$ 1,837	$ (8,178)	$ -	$ 63,135

(dollars in thousands)
C. Direct Loans Obligated After FY 1991:

	Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
	Indian Affairs - Direct Loans (Credit Reform)	$ 5,520	$ 189	$ -	$ 1,511	$ 7,220
	Bureau of Reclamation - Direct Loans (Credit Reform)	77,351	-	-	(26,020)	51,331
	Departmental Offices - American Samoa Government (Credit Reform)	16,422	254	-	(16,676)	-
FY 2008	Total	$ 99,293	$ 443	$ -	$ (41,185)	$ 58,551
	Indian Affairs - Direct Loans (Credit Reform)	$ 6,200	$ 180	$ -	$ 1,533	$ 7,913
	Bureau of Reclamation - Direct Loans (Credit Reform)	94,139	-	-	(38,511)	55,628
	Departmental Offices - American Samoa Government (Credit Reform)	17,317	945	-	(18,262)	-
FY 2007	Total	$ 117,656	$ 1,125	$ -	$ (55,240)	$ 63,541

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

Direct Loan Programs	FY 2008	FY 2007
Bureau of Reclamation - Direct Loans (Credit Reform)	$ -	$ 9,213
Departmental Offices - American Samoa Government (Credit Reform)	-	-
Total	$ -	$ 9,213

(dollars in thousands)

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)	$ -	$ -	$ -	$ (1)	$ (1)
	Departmental Offices - American Samoa Government (Credit Reform)	-	-	-	-	-
FY 2008	Total	$ -	$ -	$ -	$ (1)	$ (1)

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	$ -	$ -	$ -	$ (713)	$ (713)
	Departmental Offices - American Samoa Government (Credit Reform)	-	-	-	-	-
FY 2007	Total	$ -	$ -	$ -	$ (713)	$ (713)

Modifications and Reestimates

	Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Indian Affairs - Direct Loans (Credit Reform)	$ -	$ (527)	$ 693	$ 166
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	-	949	949
	Departmental Offices - American Samoa Government (Credit Reform)	-	-	-	-
FY 2008	Total	$ -	$ (527)	$ 1,642	$ 1,115
	Indian Affairs - Direct Loans (Credit Reform)	$ -	$ (2,628)	$ (566)	$ (3,194)
	Bureau of Reclamation - Direct Loans (Credit Reform)	4,404	-	23,330	27,734
	Departmental Offices - American Samoa Government (Credit Reform)	2,177	-	-	2,177
FY 2007	Total	$ 6,581	$ (2,628)	$ 22,764	$ 26,717

Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY 2008	FY 2007
Indian Affairs - Direct Loans (Credit Reform)	$ 167	$ (3,194)
Bureau of Reclamation - Direct Loans (Credit Reform)	948	27,021
Departmental Offices - American Samoa Government (Credit Reform)	-	2,177
Total	$ 1,115	$ 26,004

(dollars in thousands)

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)	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2008	Total	0.0%	0.0%	0.0%	0.0%	0.0%

	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)	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2007	Total	0.0%	0.0%	0.0%	0.0%	0.0%

(dollars in thousands)

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

	FY 2008	FY 2007
Beginning balance of the subsidy cost allowance	$ 55,239	$ 30,557
Add: Subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	-	-
(b) Other subsidy costs	(1)	(713)
Total of the above subsidy expense components	(1)	(713)
Adjustments:		
(a) Loan modification	1,113	6,581
(d) Loans written off	(13,002)	1,009
(e) Subsidy allowance amortization	(3,960)	2,049
(f) Other	678	(4,379)
Ending balance of the subsidy cost allowance before reestimates	40,067	35,104
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(527)	(2,628)
(b) Technical/default reestimate	1,642	22,764
Total of the above reestimate components	1,115	20,136
Ending balance of the subsidy cost allowance	$ 41,182	$ 55,240

(dollars in thousands)
Defaulted Guaranteed Loans

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

	Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
	Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 2,287	$ 1,059	$ -	$ (3,246)	$ 100
FY 2008	Total	$ 2,287	$ 1,059	$ -	$ (3,246)	$ 100
	Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 2,391	$ 1,006	$ -	$ (3,295)	$ 102
FY 2007	Total	$ 2,391	$ 1,006	$ -	$ (3,295)	$ 102

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

	Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Asset Values Related to Defaulted Guaranteed Loans Rec., Net
	Indian Affairs - Guaranteed Loans (Credit Reform)	$ 4,103	$ 1,102	$ -	$ (4,739)	$ 466
FY 2008	Total	$ 4,103	$ 1,102	$ -	$ (4,739)	$ 466
	Indian Affairs - Guaranteed Loans (Credit Reform)	$ 4,447	$ 1,245	$ -	$ (5,185)	$ 507
FY 2007	Total	$ 4,447	$ 1,245	$ -	$ (5,185)	$ 507

(dollars in thousands)
Loan Guarantees

J. Guaranteed Loans Outstanding as of September 30, 2008:
Guaranteed Loans Outstanding

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Pre-1992	$ 263	$ 229
FY 1992	566	504
FY 1993	64	51
FY 1994	6,443	5,796
FY 1995	75	60
FY 1996	-	-
FY 1997	4,123	3,710
FY 1998	3,430	3,087
FY 1999	11,221	10,076
FY 2000	32,823	29,534
FY 2001	5,683	4,843
FY 2002	14,587	13,111
FY 2003	27,200	24,431
FY 2004	55,520	49,789
FY 2005	29,336	26,171
FY 2006	91,451	81,507
FY 2007	60,893	53,231
FY 2008	17,715	15,774
Total	$ 361,393	$ 321,904

New Guaranteed Loans Disbursed:

	Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
	Amount Paid in FY 2008 for Prior Years	$ 47,081	$ 42,373
	Amount Paid in FY 2008 for 2008 Guarantees	18,672	16,804
FY 2008	Total	65,753	59,177
	Amount Paid in FY 2007 for Prior Years	44,193	39,774
	Amount Paid in FY 2007 for 2007 Guarantees	31,891	28,702
FY 2007	Total	$ 76,084	$ 68,476

(dollars in thousands)
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
	Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 36,180	$ 36,180
FY 2008	Total	$ -	$ 36,180	$ 36,180
	Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 41,434	$ 41,434
FY 2007	Total	$ -	$ 41,434	$ 41,434

(dollars in thousands)
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
	Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,186	$ 2,976	$ (1,183)	$ -	$ 3,979
FY 2008	Total	$ 2,186	$ 2,976	$ (1,183)	$ -	$ 3,979
	Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,622	$ 3,016	$ (1,370)	$ -	$ 4,268
FY 2007	Total	$ 2,622	$ 3,016	$ (1,370)	$ -	$ 4,268

Modifications and Reestimates:

	Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ (773)	$ (3,344)	$ (4,117)
FY 2008	Total	$ -	$ (773)	$ (3,344)	$ (4,117)
	Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ (31,166)	$ (25,547)	$ (56,713)
FY 2007	Total	$ -	$ (31,166)	$ (25,547)	$ (56,713)

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Programs	FY 2008	FY 2007
Indian Affairs - Guaranteed Loans (Credit Reform)	$ (138)	$ (52,445)
Total	$ (138)	$ (52,445)

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

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Indian Affairs - Guaranteed Loans (Credit Reform)	3.0%	5.0%	-2.0%	0.0%	6.0%
FY 2008	Total	3.0%	5.0%	-2.0%	0.0%	6.0%
	Indian Affairs - Guaranteed Loans (Credit Reform)	3.0%	5.0%	-2.0%	0.0%	6.0%
FY 2007	Total	3.0%	5.0%	-2.0%	0.0%	6.0%

(dollars in thousands)
N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY 2008	FY 2007
Beginning balance of the loan guarantee liability	$ 41,434	$ 92,380
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	2,186	2,621
(b) Default costs (net of recoveries)	2,976	3,016
(c) Fees and other collections	(1,183)	(1,370)
Total of the above subsidy expense components	3,979	4,267
Adjustments:		
(a) Loan guarantee modification	-	-
(b) Fees received	996	1,805
(c) Interest supplements paid	(3,559)	(4,070)
(d) Claim payments to lenders	(101)	(1,540)
(e) Interest accumulation on the liability balance	2,039	5,861
(f) Other (recovery, revenue, and prior period adjustments)	(4,490)	(556)
Ending balance of the loan guarantee liability before reestimates	40,298	98,147
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(773)	(31,166)
(b) Technical/default reestimate	(3,344)	(25,547)
Total of the above reestimate components	(4,117)	(56,713)
Ending balance of the loan guarantee liability	$ 36,181	$ 41,434

(dollars in thousands)
O. Administrative Expense:

	Direct Loan Programs		Loan Guarantee Programs	
	Bureau of Reclamation - Direct Loans (Credit Reform)	$ 56	Indian Affairs - Guaranteed Loan Programs	$ 1,336
FY 2008	Total	$ 56		$ 1,336
	Bureau of Reclamation - Direct Loans (Credit Reform)	$ 76	Indian Affairs - Gurarantеed Loan Programs	$ 1,199
FY 2007	Total	$ 76		$ 1,199

NOTE 8. INVENTORY AND RELATED PROPERTY, NET

Inventory and Related Property as of September 30, 2008 and 2007, consist of the following:

(dollars in thousands)	FY 2008	FY 2007
Inventory		
Published Maps Held for Current/Future Sale	$ 7,770	$ 7,379
Gas and Storage Rights held for Current / Future Sales	890	907
Operating Materials		
Working Capital Fund: Inventory, Held for Use	2,372	1,010
Airplane Parts and Fuel, Held for Use	1,097	1,006
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	7,235	7,235
Recoverable Below-Ground Crude Helium Held for Sale	224,568	244,765
Total Inventory and Related Property	243,932	262,302
Allowance for Obsolescence	(7,285)	(6,889)
Inventory and Related Property, Net	$ 236,647	$ 255,413

NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Property, Plant, and Equipment (PP&E) consists of that property which is used in operations and, with some exceptions, consumed over time.

PP&E categories with corresponding accumulated depreciation as of September 30, 2008, are shown in the following table.

FY 2008 (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,104,991	$ 81,216	$ 2,023,775
Buildings	3,342,038	1,379,386	1,962,652
Structures and Facilities	20,259,351	9,591,410	10,667,941
Leasehold Improvements	64,263	26,061	38,202
Construction in Progress			
Construction in Progress - General	2,101,182	-	2,101,182
Construction in Progress in Abeyance	575,036	-	575,036
Equipment, Vehicles, and Aircraft	1,863,754	1,165,183	698,571
Assets Under Capital Lease	46,973	12,758	34,215
Internal Use Software:			
In Use	180,532	106,377	74,155
In Development	131,179	-	131,179
Total Property, Plant, and Equipment	$ 30,669,299	$ 12,362,391	$ 18,306,908

PP&E categories with corresponding accumulated depreciation as of September 30, 2007, are shown in the following table.

FY 2007 (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,090,597	$ 74,817	$ 2,015,780
Buildings	3,156,022	1,301,107	1,854,915
Structures and Facilities	20,015,177	9,359,854	10,655,323
Leasehold Improvements	70,016	22,613	47,403
Construction in Progress			
Construction in Progress - General	1,949,212	-	1,949,212
Construction in Progress in Abeyance	571,639	-	571,639
Equipment, Vehicles, and Aircraft	1,792,378	1,135,334	657,044
Assets Under Capital Lease	30,367	6,994	23,373
Internal Use Software:			
In Use	156,837	88,444	68,393
In Development	87,716	-	87,716
Total Property, Plant, and Equipment	$ 29,919,961	$ 11,989,163	$ 17,930,798

NOTE 10. STEWARDSHIP ASSETS

Interior's mission is to protect and manage the Nation's natural resources and cultural heritage. To ensure that these resources are preserved and sustained for the benefit and enjoyment of future generations, Congress has enacted legislation to assist in asset management.

Effective October 1, 2007, Interior adopted the provisions of SFFAS No. 29, *Heritage Assets and Stewardship Land,* that Interior had not adopted in prior years. Under such provisions, Interior presented heritage asset and stewardship land unit disclosures in the notes to the financial statements rather than as Required Supplementary Information. In accordance with such provisions, Interior did not present comparative 2007 heritage asset and stewardship land disclosures.

The predominant laws governing the management of stewardship land are the NPS Organic Act (16 U.S.C. 1-4) and the Federal Land Policy and Management Act (FLPMA) of 1976 (43 U.S.C. 1701 et seq., Public Law 94-579, Sec. 103 (e)). However, there are many other significant laws that provide additional guidance on various aspects of stewardship land. Combined, these laws direct the management of the land for the benefit of present and future generations.

One of the most significant laws, FLPMA, created the concept of multiple use. Management of public lands and their resources are used in a combination that best meets the present and future needs of the American people.

The preservation and management of heritage assets located on Federal lands or preserved in Federal and Nonfederal facilities is guided chiefly by the Antiquities Act of 1906 (16 U.S.C. 431-433), the Archaeological Resources Protection Act of 1979, as amended (16 U.S.C. 470aa-mm), Curation of Federally-Owned and Administered Archeological Collections (36 C.F.R Part 79), the Native American Graves Protection and Repatriation Act of 1990, the National Historic Preservation Act (16 U.S.C. 468-468d), and Executive Order 13287 "Preserve America." These laws, however, are a sample of the many laws and regulations put in place that govern the preservation and management of stewardship assets.

Through these laws and regulations, Interior strives to preserve and manage stewardship land and heritage assets so that their value is preserved intelligently and that they are thoughtfully integrated into the needs of the surrounding communities. The cited legislation is implemented through Interior policy and guidance, whereby continuous program management evaluations and technical reviews ensure compliance.

The Required Supplementary Information section of this report provides additional information on the condition of stewardship land and heritage assets.

Stewardship Lands

Interior-administered stewardship lands encompass a wide range of activities, including recreation, conservation, and functions vital to the health of the economy of the American people. These include National Parks, National Wildlife Refuges, Public Lands, and many other lands of national and 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, scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber management; watersheds; and wildlife and fish habitat.

In general, units are added through Presidential, Congressional, or Secretarial action; an authorization by the President, Congress, or the Secretary is also required to remove units from Interior stewardship lands. The IA is in a unique position in that the land managed is Tribal/Reservation land that has been administratively designated to IA for a specific purpose that will benefit the Tribe. The land or land rights could be withdrawn/returned to the Tribe based on the terms of the initial agreement or subsequent agreements. Although the structures constructed on these lands may be considered operational in nature, the land on which these structures reside are managed in a stewardship manner to provide services to the Tribe/Reservation. However, boundaries of individual units may be expanded or altered by fee title purchase, transfer of jurisdiction, gift, or withdrawal from the public domain. The change in boundaries of individual units occurs to enhance the purpose for which the unit exists.

Bureau Stewardship Lands

Indian Affairs

Regional Offices. Land owned by IA generally consists of parcels located within the boundaries of Indian reservations which have been temporarily withdrawn for administrative uses. Therefore, classifying this land as Stewardship Land is consistent with SFFAS No. 29, *Heritage Assets and Stewardship Land*, in that heritage assets, including stewardship land, are to be held for the general welfare of the nation and are intended to be preserved and protected. IA has stewardship responsibility for the multiple-use management of lands held for the benefit of American Indians and Alaska Natives. IA manages its stewardship land by 12 administrative regional offices whose boundaries largely follow one or more state lines.

Primary Land Management Categories	As of October 1, 2007	Increase	Decrease	As of September 30, 2008
IA - Regional Offices	12	-	-	12
BLM - Geographic Management Areas	126	14	6	134
BOR - Federal Water and Related Projects	145	-	3	142
FWS - National Wildlife Refuges	548	-	-	548
FWS - Coordination Areas	50	-	1	49
FWS - Wetland Management Districts	37	-	-	37
FWS - National Fish Hatcheries	67	-	-	67
FWS - Fish Health Centers	9	-	-	9
FWS - Fish Technology Centers	8	-	-	8
FWS - Associated Fish Facilities	19	-	-	19
NPS - Park Units	377	1	-	378
OS - Commission Land	1	-	-	1
Total Number of Units	1,399	15	10	1,404

Two exceptions are the Navajo region, which includes parts of Arizona, Utah and New Mexico, and the Eastern Oklahoma region, which includes the eastern section of Oklahoma.

Bureau of Land Management

Geographic Management Areas. The BLM reports its stewardship land by 12 "administrative" states whose boundaries largely follow one or more political state lines; the administrative States are further divided into 126 administrative management areas. Specific land use plans are developed and implemented for each of these administrative management areas to manage the land's resources for both present and future periods.

The BLM is guided by principles of multiple use. Multiple uses include: domestic livestock grazing, fish and wildlife development and utilization, mineral exploration and production, rights-of-way, outdoor recreation, or timber production.

Bureau of Reclamation

Federal Water and Related Projects. This land is used for Federal water and related projects that have been authorized and funded by Congress. These projects include dams, reservoirs, canals, laterals, and various other types of water related properties. The lands for these projects were acquired or withdrawn from the public domain to construct, operate, and maintain the projects. Recreational activities such as fishing, boating, camping, etc., are authorized on these withdrawn lands.

Fish and Wildlife Service

Lands are acquired through a variety of methods, including withdrawal from the public domain, fee title purchase, transfer of jurisdiction, donation, or gift. The FWS purchases land through two primary sources of funding: the Migratory Bird Conservation Fund and the Land and Water Conservation Fund. The FWS lands are managed and used in accordance with the explicit purpose of the statutes that authorize acquisition or designation and that direct use and management of the land.

National Wildlife Refuges (NWR). NWR land is used for the fish, wildlife, and plants that depend on these lands for habitat. These lands are protected in perpetuity for as long as they remain in the NWR System. NWR land is managed to maintain their natural state, to mitigate adverse effects of actions previously conducted by others, or to enhance existing conditions to improve benefits to fish, wildlife, and plant resources.

Coordination Areas. Coordination Area land is used as a wildlife management area that is made available to a State by cooperative agreement between the FWS and a State agency having control over wildlife resources.

Wetland Management Districts. Wetland Management Districts are important components of the NWR System. They differ from refuges, which frequently consist of a single contiguous parcel of land, in that they are generally scattered, small parcels of land. The primary use is to conserve waterfowl nesting and rearing habitats. Wetland Management Districts consist of Waterfowl Production Areas, Wetland Easements, or Grassland Easements.

National Fish Hatcheries. National Fish Hatchery land is used to rear various aquatic species in accordance with specific species management plans for the purpose of recovery, restoration, mitigation, or other special conservation effort and may include the release or transfer of, or the provision of refuge for, the species propagated.

Fish Health Centers. This land is used, in cooperation with federal, state, and tribal fishery managers, to identify and control fish pathogens and diseases, particularly in wild stocks. These facilities focus on providing core diagnostic, monitoring, and technical assistance services that are essential for maintaining healthy fish populations and reducing impacts of fish disease.

Fish Technology Centers. This land is used to house applied research centers that provide leadership in science-based management of trust aquatic resources through the development of new concepts, strategies, and techniques to solve problems in hatchery operations and aquatic resource conservation.

Associated Fish Facilities. These land units are owned by the Federal government, but operated by some other entity (state agency, tribal conservation unit, etc.). The FWS usually has limited management or oversight responsibility for these land units.

National Park Service

Park Units. National Park units are used and managed in accordance with the statutes authorizing their establishment or directing their use and management. The 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.

Office of the Secretary/Departmental Offices

Utah Reclamation Mitigation and Conservation Commission. This land is used for fish and wildlife habitat and recreation 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 BOR project assets such as dams, power plants, roads, pipelines, aqueducts, operation and maintenance buildings, and visitor centers.

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

Non-collectible heritage assets include historic sites, historic and prehistoric structures, cultural landscapes, and many other resources. Some stewardship land assets are also considered to be non-collectible heritage assets, such as national parks and fish and wildlife refuges. In addition, subsets of lands within the National Park System may have additional heritage asset designations such as wilderness areas, wild and scenic rivers, trails, national battlefields, and national recreation areas. Heritage assets are added or withdrawn through Presidential, Congressional, or Secretarial designation.

Descriptions of the 31 types of non-collectible heritage assets are:

Cooperative Management and Protection Areas. The BLM manages one congressionally designated cooperative management and protection area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects are maintained and enhanced by the BLM, private landowners, tribes, and other public interest groups.

Headwaters Forest Reserve. The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by the BLM and the State of California. While title is held by BLM, this area is co-managed by the BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened Coho salmon and other fisheries.

Lake Todatonten Special Management Area. The U.S. Congress authorized the creation of the Lake Todatonten Special Management Area located in the interior of Alaska. Lake Todatonten, the central feature of this special management area, is particularly important to waterfowl which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and other furbearers and are managed by the BLM.

National Battlefields. A national battlefield is an area of land on which a single historic battle or multiple historic battles took place during varying lengths of time. This general title includes national battlefields, national battlefield parks, national battlefield sites, and national military parks.

National Conservation Areas. Congress designates national conservation areas so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. National Conservation Areas are managed by BLM.

Non-Collectible Heritage Asset Categories	As of October 1, 2007	Increase	Decrease	As of September 30, 2008
Cooperative Management and Protection Areas	1	-	-	1
Headwaters Forest Reserve	1	-	-	1
Lake Todatonten Special Management Area	1	-	-	1
National Battlefield Parks	3	-	-	3
National Battlefield Sites	1	-	-	1
National Battlefields	11	-	-	11
National Conservation Areas	13	-	-	13
National Historic Landmarks (NHL)	202	-	-	202
National Historic Sites	79	1	-	80
National Historic Trails	10	-	-	10
National Historical Parks	42	-	-	42
National Lakeshores	4	-	-	4
National Memorials	28	-	-	28
National Military Parks	9	-	-	9
National Monuments	91	-	1	90
National Natural Landmarks (NNL)	108	-	-	108
National Parks	58	-	-	58
National Parkways	4	-	-	4
National Preserves	18	-	-	18
National Recreation Areas	19	-	-	19
National Recreation Trails	89	6	-	95
National Reserves	2	-	-	2
National Rivers	5	-	-	5
National Scenic Trails	6	-	-	6
National Seashores	10	-	-	10
National Wild and Scenic Rivers	60	-	-	60
National Wildlife Refuges	548	-	-	548
Outstanding Natural Area	1	2	-	3
International Historic Sites	1	-	-	1
Wilderness Areas	321	-	-	321
Other	11	-	-	11
Total	1,757	9	1	1,765

National Historic Landmarks. 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 significance 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. They also possess a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association. National Historic Landmarks are managed by IA, BOR, FWS, BLM, and NPS.

National Historic Sites. Usually, a national historic site contains a single historical feature that was directly associated with its subject. Derived from the Historic Sites Act of 1935, some historic sites were established by Secretaries of the Interior; but most have been authorized by acts of Congress.

National Historic Trails. See National Trails System.

National Historical Parks. This designation generally applies to historic parks that extend beyond single properties or buildings.

National Lakeshores. A national lakeshore is a protected area of lakeshore that is maintained to preserve a significant portion of the diminishing shoreline of the Great Lakes for the benefit, inspiration, education, recreational use, and enjoyment of the public. Although National Lakeshores can be established on any natural freshwater lake, the existing four are all located on the Great Lakes. National Lakeshores closely parallel National Seashores in character and use.

National Memorials. A national memorial is commemorative of a historic person or episode; it need not occupy a site historically connected with its subject.

National Monuments. National monuments are normally designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. The Antiquities Act of 1906 authorized the President to declare by public proclamation landmarks, structures, and other objects of historic or scientific interest situated on lands owned or controlled by the Government to be national monuments. National Monuments are managed by BLM, FWS, and NPS.

National Natural Landmarks. National Natural Landmarks are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth and must be located within the boundaries of the United States, its Territories, or on the Continental Shelf. National Natural Landmarks are managed by Reclamation, FWS, NPS, and BLM.

National Parks. Generally, national parks are large natural places that encompass a wide variety of attributes, sometimes including significant historic assets. Hunting, mining, and consumptive activities are not authorized.

National Parkways. The title parkway refers to a roadway and the parkland paralleling the roadway. All were intended for scenic motoring along a protected corridor and often connect cultural sites.

National Preserves. National preserves are areas having characteristics associated with national parks but in which Congress has permitted continued public hunting, trapping, oil/gas exploration, and extraction.

National Recreation Areas. A national recreation area is an area designated by Congress to assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. National Recreation Areas are generally centered on large reservoirs and emphasize water-based recreation with some located near major population centers.

National Recreation Trails. See National Trails System.

National Reserves. National Reserves are similar to national preserves; except that management may be transferred to local or state authorities.

National Rivers. There are several variations to this category: National River and Recreation Area, National Scenic River, Wild River, etc. These rivers possess remarkable scenic, recreational, geologic, fish and wildlife, historic, cultural or other similar values, shall be preserved in free-flowing condition, and that they and their immediate environments shall be protected for the benefit and enjoyment of present and future generations.

National Scenic Trails. See National Trails System.

National Seashores. A National Seashore preserves shoreline areas and off-shore islands with natural and recreational significance with the dual goal of protecting precious, ecologically fragile land, while allowing the public to enjoy a unique resource. The national seashores are located on the Atlantic, Pacific, and Gulf coasts of the United States.

National Trails System. Since the passage of the National Trail System Act in 1968, BLM and NPS have assumed responsibility over several national historic, recreation, or scenic trails designated by Congress. Designations include National Historic Trails, National Scenic Trails, and National Recreation Trails.

National Wild and Scenic Rivers. Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstanding remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

National Wildlife Refuges (NWR) NWR land is utilized to benefit the fish, wildlife, and plants that depend on these lands for habitat benefit over both the short and long term. These lands are protected for as long as they remain in the NWR System.

Outstanding Natural Area. An outstanding natural area consists of protected lands to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. BLM manages one such area, the Yaquina Head Outstanding Natural Area, located in Newport, Oregon.

International Historic Site. These are relevant to the respective countries' histories. The lone International Historic Site, Saint Croix International Historic Site, is relevant to both U.S. and Canadian history and is managed by the NPS.

Wilderness Areas. Wilderness Areas are defined as a place where the earth and its community of life are untrammaled by man, where man himself is a visitor and does not remain. These areas are open to the public for purposes of recreational, scenic, scientific, educational, conservatorial, and historical use. Generally a wilderness area is greater than 5,000 acres and appears 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. Wilderness areas are managed by BLM, NPS, and FWS.

Other. This category includes those park units that cannot be readily included in any of the standard categories. Examples include: Catoctin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks located in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap National Park for the Performing Arts located in Virginia.

Collectible Heritage Assets

The Department is steward of a large, unique, and diversified collection of library holdings and museum collections. Museum collections are held in both Federal and non-Federal facilities.

	As of October 1, 2007	Increase	Decrease	As of September 30, 2008
Library Collections	7	-	-	7

Library Collections

Library collections are added when designated by the Secretary, Congress, or the President. A library collection may be withdrawn if it is later managed as part of a museum collection, if legislation is amended, and/or if the park unit is withdrawn.

Departmental Offices. DO manages the Interior Library. This library was created by Secretarial Order and the collections represent a national resource in the disciplines vital to the missions of the Department. The collection covers Native American culture and history, American history, National Parks, geology, nature, wildlife management, public lands management, and law. In addition, the Library's collection of online databases and access to other electronic information sources enable Departmental personnel and other researchers to access needed information from their computers. Departmental policy dictates that copies of all publications produced by or for its bureaus and offices will be deposited in the Library collection.

U.S. Geological Survey. USGS library holdings, collected during more than a century of providing library services, are an invaluable legacy to the Nation. The Secretarial Order that founded the USGS decreed that copies of reports published by the USGS should be given to the library in exchange for publications of State and national geological surveys and societies. The USGS's four library collections provide scientific information needed by Interior researchers, as well as researchers of other government agencies, universities, and professional communities. Besides providing resources for USGS scientific investigations, the library collections provide access to geographical, technical, and historical literature in paper and electronic formats for the general public and the industry. These libraries are housed in Reston, Virginia; Menlo Park, California; Denver, Colorado; and Flagstaff, Arizona.

National Park Service. The NPS reports those libraries that are specifically designated as libraries in the park's establishing legislation and are not managed as part of the park's museum collection.

Museum Collections	As of October 1, 2007	Increase	Decrease	As of September 30, 2008
Held at Interior Bureau Facilities	600	3	8	595
Held at Non-Interior Bureau Facilities	482	1	3	480
Total	1,082	4	11	1,075

Museum Collections

Department of the Interior museum collections are intimately associated with the lands and cultural and natural resources for which Interior bureaus share stewardship responsibilities. Disciplines represented include art, ethnography, archeology, documents, history, biology, paleontology, and geology.

Collections are organized by location for the purposes of physical accountability. Each bureau has the authority to add or remove an individual museum collection unit based on their own discretion. No further approval is required for additions and deletions of a museum collection outside of the bureau .

Museum collections are housed in both Federal and nonfederal institutions in an effort to maximize accessibility to the public while reducing costs to the American public and our bureaus. Museum collections managed by Interior are important both for their intrinsic value and for their usefulness that supports Interior's mission of managing Federal land, cultural resources, and natural resources.

NOTE 11. ASSETS ANALYSIS

Assets of Interior include entity assets (unrestricted and restricted) and nonentity 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. Nonentity 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 Environmental Improvement and Restoration Fund, the Reclamation Fund, and other unavailable receipt funds. See Note 24, Earmarked Funds, for additional information on some of these funds.

Nonentity assets, restricted by nature, consist of MMS's custodial royalty activity, a portion of the Sport Fish Restoration and Boating Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

Interior's assets as of September 30, 2008, are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2008
Intragovernmental Assets:				
Fund Balance with Treasury	$ 10,936,133	$ 26,485,878	$ 510,953	$ 37,932,964
Investments, Net	5,719,851	1,484,169	141,078	7,345,098
Accounts and Interest Receivable	837,912	815	865,106	1,703,833
Loans and Interest Receivable, Net	-	3,063,916	-	3,063,916
Other				
Advances and Prepayments	556	-	-	556
Total Intragovernmental Assets	17,494,452	31,034,778	1,517,137	50,046,367
Cash	474	-	-	474
Investments, Net	201,513	-	-	201,513
Accounts and Interest Receivable, Net	196,178	4,078	1,380,049	1,580,305
Loans and Interest Receivable, Net	115,195	-	-	115,195
Inventory and Related Property, Net	236,647	-	-	236,647
General Property, Plant, and Equipment, Net	18,306,908	-	-	18,306,908
Other				
Advances and Prepayments	94,355	-	-	94,355
Net Power Rights	97,503	-	-	97,503
Subtotal	191,858	-	-	191,858
TOTAL ASSETS	$ 36,743,225	$ 31,038,856	$ 2,897,186	$ 70,679,267

Interior's assets as of September 30, 2007, are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2007
Intragovernmental Assets:				
Fund Balance with Treasury	$ 9,979,040	$ 24,502,019	$ 295,612	$ 34,776,671
Investments, Net	5,812,382	1,419,391	90,772	7,322,545
Accounts and Interest Receivable	761,304	1,022	659,553	1,421,879
Loans and Interest Receivable, Net	-	2,827,301	-	2,827,301
Other				
Advances and Prepayments	529	-	-	529
Total Intragovernmental Assets	16,553,255	28,749,733	1,045,937	46,348,925
Cash	756	-	-	756
Investments, Net	163,354	-	-	163,354
Accounts and Interest Receivable, Net	177,925	4,414	1,764,678	1,947,017
Loans and Interest Receivable, Net	127,285	-	-	127,285
Inventory and Related Property, Net	255,413	-	-	255,413
General Property, Plant, and Equipment, Net	17,930,798	-	-	17,930,798
Other				
Advances and Prepayments	101,654	-	-	101,654
Net Power Rights	108,318	-	-	108,318
Subtotal	209,972	-	-	209,972
TOTAL ASSETS	$ 35,418,758	$ 28,754,147	$ 2,810,615	$ 66,983,520

NOTE 12: INTRAGOVERNMENTAL DEBT

Intragovernmental debt to Treasury activity as of September 30, 2008 and 2007, is summarized as follows:

(dollars in thousands)	FY 2007 Beginning Balance	Borrowing / (Repayments), Net	FY 2007 Ending Balance	Borrowing / (Repayments), Net	FY 2008 Ending Balance
Helium Fund	$ 914,204	$ (150,000)	$ 764,204	$ (120,000)	$ 644,204
Credit Reform Borrowings	139,129	(46,120)	93,009	(22,104)	70,905
Federal Financing Bank	3,239	(2,445)	794	(794)	-
Total Debt Due to Treasury	$ 1,056,572	$ (198,565)	$ 858,007	$ (142,898)	$ 715,109

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 intra-Governmental 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.

The principal 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. Furthermore, the principal balance, which includes borrowings 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 will repay Treasury 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 related to the Helium Fund as of September 30, 2008 and 2007, is summarized as follows:

(dollars in thousands)	FY 2008	FY 2007
Principal	$ 251,651	$ 251,651
Interest		
Balance, Beginning of Year	512,553	662,553
Repayments	(120,000)	(150,000)
Balance, End of Year	392,553	512,553
Total Debt Due to Treasury	$ 644,204	$ 764,204

B. Intragovernmental Debt to Treasury under Credit Reform

IA, BOR, and DO (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.

Indian Affairs

The Credit Reform Act authorizes IA 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 4.38 percent to 10.25 percent. These loans have various maturity dates from 2008 to 2034.

Bureau of Reclamation

As discussed in Note 7, Loans and Interest Receivable, BOR establishes 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 5.42 to 7.59 percent for FY 2008 and 3.63 to 7.59 percent for FY 2007.

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 5.53 percent. The repayment date for this loan is September 30, 2027.

C. Intragovernmental Debt to Treasury - Federal Financing Bank

Departmental Offices (Office of Insular Affairs) has borrowed funds from Treasury in accordance with the Federal Financing Bank Act of 1973. 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.

NOTE 13. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

Federal Employee and Veteran Benefits Payable as of September 30, 2008 and 2007, consisted of the following:

(dollars in thousands)	FY 2008	FY 2007
Federal Employee and Veteran Benefits Payable		
U.S. Park Police Pension Actuarial Liability	$ 665,782	$ 671,179
U.S. Park Police Pension Current Liability	36,318	33,121
Federal Employees Compensation Actuarial Liability	681,123	659,333
Total Federal Employee and Veteran Benefits Payable	$ 1,383,223	$ 1,363,633

U.S. Park Police Pension Plan.

In estimating the U.S. Park Police (USPP) Pension Plan liability and associated expense, the NPS's actuary applies economic assumptions to historical cost information to estimate the government's future cost to provide benefits to current and future retirees. 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 associated expenses and the change in the USPP Pension Plan Liability.

Economic Assumptions Used Expressed In Percentages	FY 2008	FY 2007
Interest Rate	6.25	6.25
Inflationary Rate	3.50	3.50
Projected Salary Increase	4.25	4.25

(dollars in thousands) USPP Pension Plan Expense	FY 2008	FY 2007
Normal Costs	$ 200	$ 200
Interest	42,800	43,100
Assumption Changes at Beginning of Year	(8,882)	(14,479)
Total Pension Expenses	$ 34,118	$ 28,821

(dollars in thousands) USPP Pension Plan Liability	FY 2008	FY 2007
Beginning Balance	$ 704,300	$ 708,600
Total Pension Expense	34,118	28,821
Less Benefit Payments	(36,318)	(33,121)
Ending Balance	$ 702,100	$ 704,300

NOTE 14. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

Interior is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government and has responsibility to remediate sites with environmental contamination. 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 but the likelihood of unfavorable outcome is more than remote.

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2008 and 2007, are summarized in the categories below.

FY 2008		Estimated Range of Loss	
(dollars in thousands)	Accrued Liabilities	Lower End	Upper End
Contingent Liabilities			
Probable	$ 1,188,548	$ 422,548	$ 2,102,179
Reasonably Possible		174,286	3,015,471
Environmental and Disposal Liabilities			
Probable	155,548	155,548	375,374
Reasonably Possible		66,746	221,064

FY 2007		Estimated Range of Loss	
(dollars in thousands)	Accrued Liabilities	Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	$ 354,678	$ 354,678	$ 2,077,491
Reasonably Possible		292,462	3,023,145
Environmental and Disposal Liabilities			
Probable	147,514	147,514	355,142
Reasonably Possible		74,085	209,281

General Contingent Liabilities

General Contingent Liabilities consist of numerous lawsuits and claims filed against Interior which are awaiting adjudication. These liabilities typically relate to Federal Tort Claims Act administrative and judicial claims, contract related actions, tribal and Indian trust-related matters, personnel and employment-related matters, and various land and resource related claims and adjudications. Most of the cash settlements are expected to be paid out of the Judgment Fund, which is maintained by Treasury, rather than the operating resources of Interior. In suits brought through the Contract Disputes Act of 1978 and awards under Federal antidiscrimination and whistleblower protection acts, Interior is required to reimburse the Judgment Fund from future agency appropriations.

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.

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. These matters arise in the course of carrying out Interior programs and operations, including interaction with tribes and individual Indians, interaction with trust territory in the Pacific Islands, operation of wildlife refuges, law enforcement of Interior-managed land, general management activities on Interior land, resource related claims, and operations of reclamation projects. 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.

Additional pending litigation relates to the Secretary of Interior's management of the monies and lands held in trust by the Federal Government for Indian tribes and individuals. Certain parties for whom OST holds assets in trust have filed a class action lawsuit for an accounting of the individuals' trust funds, which includes a claim for $58 billion filed in March of 2008. The lawsuit has led to a ruling requiring the U.S. Government to pay the IIM account beneficiaries approximately $456 million. However, the Plaintiffs and the U.S. Government have filed appeal actions and neither OST nor the Office of the Solicitor for Interior can presently determine the outcome of these appeal actions nor the total amount, responsibility, and funding source of the potential liability. Therefore, 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.

Environmental and Disposal Liability

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, Resource Conservation and Recovery Act, Oil Pollution Act, Clean Water Act, Clean Air Act, Safe Drinking Water Act, and Asbestos Hazard Emergency Response Act. Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances 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. Estimated environmental and disposal liabilities include expected future cleanup costs, and for those sites where future liability is unknown, the cost of studies necessary to evaluate response 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., nonfriable asbestos), are not subject to cleanup under applicable law. The current policy is that unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials are not to be accrued as environmental cleanup. Currently, any cost for remediation or abatement would only accrue if the material becomes friable or is otherwise released into the environment. Under normal circumstances, remediation or abatement is limited to situations such as the remodeling or demolition of a building containing such materials. Costs would then be reported in the same manner as any other environmental liability.

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.

Interior's liabilities covered and not covered by budgetary resources as of September 30, 2008, are as follows:

(dollars in thousands)	Covered by Budgetary Resources Current	Covered by Budgetary Resources Non-Current	Not Covered by Budgetary Resources Current	Not Covered by Budgetary Resources Non-Current	FY 2008
Intragovernmental Liabilities:					
Accounts Payable	$ 50,224	$ -	$ -	$ 561,401	$ 611,625
Debt	50,000	665,109	-	-	715,109
Other					
Liability for Capital Transfers to the General Fund of the Treasury	-	-	44,607	2,005,859	2,050,466
Advances and Deferred Revenue	542,126	-	109	368	542,603
Custodial Liability	-	-	538,933	143,016	681,949
Other Liabilities					
Accrued Employee Benefits	51,041	-	28,025	39,480	118,546
Judgment Fund	-	-	-	192,580	192,580
Unfunded FECA Liability	-	-	29,703	56,709	86,412
Other Miscellaneous Liabilities	120	-	154,563	6,982	161,665
Total Other Liabilities	51,161	-	212,291	295,751	559,203
Total Other Intragovernmental Liabilities	593,287	-	795,940	2,444,994	3,834,221
Total Intragovernmental Liabilities	693,511	665,109	795,940	3,006,395	5,160,955
Public Liabilities:					
Accounts Payable	889,467	70,741	-	-	960,208
Loan Guarantee Liability	-	36,180	-	-	36,180
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	665,782	665,782
U.S. Park Police Pension Current Liability	36,318	-	-	-	36,318
FECA Actuarial Liability	-	-	-	681,123	681,123
Total Federal Employee Veterans' Benefits	36,318	-	-	1,346,905	1,383,223
Environmental and Disposal Liabilities	-	-	510	155,038	155,548
Other					
Contingent Liabilities	-	-	-	1,188,548	1,188,548
Advances and Deferred Revenue	375,188	-	392,983	292,455	1,060,626
Payments Due to States	-	-	494,877	137,407	632,284
Grants Payable	292,228	-	-	-	292,228
Other Liabilities					
Accrued Payroll and Benefits	235,277	-	-	-	235,277
Unfunded Annual Leave	-	-	50,953	328,777	379,730
Capital Leases	5,385	924	-	21,748	28,057
Custodial Liability	-	-	25,126	-	25,126
Secure Rural Schools Act Payable	-	-	92,083	-	92,083
Storm Damage	42,369	78,685	-	-	121,054
Other Miscellaneous Liabilities	968	2,307	19,468	53,775	76,518
Total Other Liabilities	283,999	81,916	187,630	404,300	957,845
Total Other Public Liabilities	951,415	81,916	1,075,490	2,022,710	4,131,531
Total Public Liabilities	1,877,200	188,837	1,076,000	3,524,653	6,666,690
Total Liabilities	$ 2,570,711	$ 853,946	$ 1,871,940	$ 6,531,048	$ 11,827,645

Interior's liabilities covered and not covered by budgetary resources as of September 30, 2007, are as follows:

(dollars in thousands)	Covered by Budgetary Resources Current	Covered by Budgetary Resources Non-Current	Not Covered by Budgetary Resources Current	Not Covered by Budgetary Resources Non-Current	FY 2007
Intragovernmental Liabilities:					
Accounts Payable	$ 62,745	$ -	$ -	$ 528,035	$ 590,780
Debt	50,000	807,164	49	794	858,007
Other					
Liability for Capital Transfers to the General Fund of the Treasury	-	-	44,467	1,973,114	2,017,581
Advances and Deferred Revenue	793,018	-	979	352	794,349
Custodial Liability	-	-	670,752	149,232	819,984
Other Liabilities					
Accrued Employee Benefits	41,996	-	24,784	35,462	102,242
Judgment Fund	-	-	-	192,276	192,276
Unfunded FECA Liability	-	-	35,792	58,636	94,428
Other Miscellaneous Liabilities	434	-	110,574	96,211	207,219
Total Other Liabilities	42,430	-	171,150	382,585	596,165
Total Other Intragovernmental Liabilities	835,448	-	887,348	2,505,283	4,228,079
Total Intragovernmental Liabilities	948,193	807,164	887,397	3,034,112	5,676,866
Public Liabilities:					
Accounts Payable	712,168	72,884	-	-	785,052
Loan Guarantee Liability	-	41,434	-	-	41,434
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	671,179	671,179
U.S. Park Police Pension Current Liability	33,121	-	-	-	33,121
FECA Actuarial Liability	-	-	6,186	653,147	659,333
Total Federal Employee Veterans' Benefits	33,121	-	6,186	1,324,326	1,363,633
Environmental and Disposal Liabilities	-	-	-	147,514	147,514
Other					
Contingent Liabilities	-	-	-	354,678	354,678
Advances and Deferred Revenue	205,028	-	237,362	298,868	741,258
Payments Due to States	-	-	490,275	149,232	639,507
Grants Payable	291,896	-	-	-	291,896
Other Liabilities					
Accrued Payroll and Benefits	196,762	-	-	-	196,762
Unfunded Annual Leave	-	-	52,558	302,648	355,206
Capital Leases	2,606	273	12	22,709	25,600
Custodial Liability	-	-	17,703	-	17,703
Secure Rural Schools Act Payable	-	-	110,213	-	110,213
Storm Damage	38,327	71,183	-	-	109,510
Other Miscellaneous Liabilities	18,760	1,688	26,514	75,120	122,082
Total Other Liabilities	256,455	73,144	207,000	400,477	937,076
Total Other Public Liabilities	753,379	73,144	934,637	1,203,255	2,964,415
Total Public Liabilities	1,498,668	187,462	940,823	2,675,095	5,302,048
Total Liabilities	$ 2,446,861	$ 994,626	$ 1,828,220	$ 5,709,207	$ 10,978,914

NOTE 16. ROYALTIES RETAINED

Royalties Retained include mineral receipts transferred to Interior totaling $5,804 and $4,440 million for periods ended September 30, 2008 and 2007, respectively. These amounts include transfers to the Land and Water Conservation Fund, to MMS for distribution to States and the Coastal Impact Assistance Program (grant program), and to offset costs incurred by MMS related to royalty collections and the Reclamation Fund. These amounts are presented on the Statement of Changes in Net Position in accordance with Federal accounting standards and are considered other sources of budgetary financing.

NOTE 17. LEASES

Capital Leases

Interior's capital leases are with the public and consist of a 20-year lease for the Western Archeological and Conservation Center in Tucson, Arizona, and 3-year leases for copiers. The aggregate of Interior's future minimum lease payments for capital leases are presented in the table below.

Capital leases as of September 30, 2008 and 2007, consist of the following:

(dollars in thousands)	FY 2008	FY 2007
Real Property	$ 28,000	$ 28,000
Personal Property	18,973	2,367
Accumulated Amortization	(12,758)	(6,994)

(dollars in thousands) Fiscal Year	Real Property	Personal Property	Total
2009	$ 2,172	$ 3,574	$ 5,746
2010	2,172	1,127	3,299
2011	2,172	-	2,172
2012	2,172	-	2,172
2013	2,253	-	2,253
Thereafter	23,031	-	23,031
Total Future Capital Lease Payments	33,972	4,701	38,673
Less: Imputed Interest	10,051	565	10,616
Less: Executory Costs	-	-	-
FY 2008 Net Capital Lease Liability	23,921	4,136	28,057
FY 2007 Net Capital Lease Liability	$ 24,795	$ 805	$ 25,600

Operating Leases

Most of Interior's facilities are obtained through the General Services Administration (GSA), which charges an amount that approximates commercial rental rates. The terms of Interior's 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 periodically executes an agreement with GSA or enters into cancelable agreements, some of which do not have a formal 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 agreements frequently exceed one year, although a definite period is not always specified.

For real and personal property, future payments are calculated based on the terms of the agreement or if the agreement is silent, an annual inflationary factor of 2.4 percent for FY 2008 and 2.5 percent for FY 2009 and beyond. The inflationary factors are applied against the actual 2008 rental expense. For agreements that have an indefinite period of performance, future payments are calculated only for 5 years.

The aggregate of Interior's future minimum lease payments for operating leases are presented in the following table.

Operating leases as of September 30, 2008 consist of the following:

Future Operating Lease Payments

(dollars in thousands)	Real Property		Personal Property		
Fiscal Year	Federal	Public	Federal	Public	Total
2009	$ 256,099	$ 64,694	$ 64,422	$ 3,208	$ 388,423
2010	246,689	59,891	66,035	2,675	375,290
2011	237,087	52,138	67,685	2,645	359,555
2012	202,411	45,353	69,378	2,677	319,819
2013	171,980	37,454	71,112	2,705	283,251
Thereafter	181,074	398,825	-	2	579,901
Total Future Operating Lease Payments	$ 1,295,340	$ 658,355	$ 338,632	$ 13,912	$ 2,306,239

NOTE 18. 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 the OPM. In accordance with SFFAS 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 Statement of Changes in Net Position. Costs paid by other agencies on behalf of Interior were $472 million and $550 million during FY 2008 and FY 2007, respectively. Interior's imputed costs that were recognized in the financial statements but eliminated for consolidation purposes were $79 million and $94 million during FY 2008 and FY 2007, respectively.

During FY 2008 and FY 2007, the costs associated with acquiring, constructing, and renovating heritage assets were $190 million and $134 million, respectively. The costs associated with acquiring and improving stewardship lands were $189 million and $132 million during FY 2008 and FY 2007, respectively.

NOTE 19. STRATEGIC PETROLEUM RESERVE

During FY 2008 and FY 2007, Interior transferred to the DOE approximately 16.2 and 4.3 million barrels of oil, respectively, drawn from Federal leases within the Gulf of Mexico. The purpose of these transfers was to refill selected Strategic Petroleum Reserve (SPR) locations in accordance with transfer arrangements of RIK crude oil to the DOE. The transferred oil is reflected as mineral lease revenue and a distribution of revenue to the DOE on the Statement of Custodial Activity. The new SPR fill initiative began in July 2007 and ended in June 2008.

The value of oil transferred in FY 2008 and FY 2007 was approximately $1,600 and $306 million, respectively. The value of the oil was based on actual volumes reported on pipeline statements applied to commodity prices at on-shore market centers, less actual monthly value differences between offshore and onshore market centers that were bid by the successful bidders on the RIK volumes.

NOTE 20. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The tables on the following pages present Interior's earned revenues for sales of goods and services to Federal agencies and the public, gross costs associated with Federal agencies and the public, and net cost of operations by program and by bureau.

Responsibility Segment Presentation.
OMB Circular No. A-136, "Financial Reporting Requirements," 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 revenue and gross costs by Mission Goals from Interior's Strategic Plan.

The primary Mission Goals are: Resource Protection, Resource Use, Recreation, and Serving Communities. Management Excellence costs are part of mission area goal costs. Reimbursable costs are comprised of services provided to other Federal agencies not part of Interior's core mission. These Mission Goals are supported by 17 Department level end outcome goals identified in Interior's FY 2007 Strategic Plan.

Intragovernmental costs and exchange revenue by responsibility segment for the year ended September 30, 2008, consists of the following:

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Minerals Management Service
Resource Protection					
Intragovernmental Costs	$ 156	$ 116,506	$ 23,764	$ 18,206	$ 4,129
Public Costs	901	454,010	37,653	134,891	27,872
Total Costs	1,057	570,516	61,417	153,097	32,001
Intragovernmental Earned Revenue	-	75,029	7,597	7,056	-
Public Earned Revenue	-	50,392	46,803	4,227	-
Total Earned Revenue	-	125,421	54,400	11,283	-
Net Costs	$ 1,057	$ 445,095	$ 7,017	$ 141,814	$ 32,001
Resource Use					
Intragovernmental Costs	$ -	$ 75,800	$ 479,879	$ 1,325	$ 97,274
Public Costs	-	260,322	1,043,739	10,083	3,468,028
Total Costs	-	336,122	1,523,618	11,408	3,565,302
Intragovernmental Earned Revenue	-	1,826	249,281	-	-
Public Earned Revenue	-	315,466	603,666	4	173,540
Total Earned Revenue	-	317,292	852,947	4	173,540
Net Costs	$ -	$ 18,830	$ 670,671	$ 11,404	$ 3,391,762
Recreation					
Intragovernmental Costs	$ -	$ 29,557	$ 13,214	$ -	$ -
Public Costs	-	183,589	24,114	-	-
Total Costs	-	213,146	37,328	-	-
Intragovernmental Earned Revenue	-	7,828	5,714	-	-
Public Earned Revenue	-	23,525	18,966	-	-
Total Earned Revenue	-	31,353	24,680	-	-
Net Costs	$ -	$ 181,793	$ 12,648	$ -	$ -
Serving Communities					
Intragovernmental Costs	$ 354,231	$ 401,563	$ -	$ 118,650	$ -
Public Costs	2,421,624	1,191,393	-	900,517	-
Total Costs	2,775,855	1,592,956	-	1,019,167	-
Intragovernmental Earned Revenue	298,394	103,723	-	20,234	-
Public Earned Revenue	132,885	27,443	-	22,805	-
Total Earned Revenue	431,279	131,166	-	43,039	-
Net Costs	$ 2,344,576	$ 1,461,790	$ -	$ 976,128	$ -
Reimbursable Activity and Other					
Intragovernmental Costs	$ -	$ -	$ 228,912	$ 558,553	$ 1,080
Public Costs	-	-	297,644	1,749,864	7,558
Total Costs	-	-	526,556	2,308,417	8,638
Intragovernmental Earned Revenue	-	-	409,314	2,113,322	8,336
Public Earned Revenue	-	-	80,980	6,236	1,083
Total Earned Revenue	-	-	490,294	2,119,558	9,419
Net Costs	$ -	$ -	$ 36,262	$ 188,859	$ (781)
Total					
Intragovernmental Costs	$ 354,387	$ 623,426	$ 745,769	$ 696,734	$ 102,483
Public Costs	2,422,525	2,089,314	1,403,150	2,795,355	3,503,458
Total Costs	2,776,912	2,712,740	2,148,919	3,492,089	3,605,941
Intragovernmental Earned Revenue	298,394	188,406	671,906	2,140,612	8,336
Public Earned Revenue	132,885	416,826	750,415	33,272	174,623
Total Earned Revenue	431,279	605,232	1,422,321	2,173,884	182,959
Net Cost of Operations	$ 2,345,633	$ 2,107,508	$ 726,598	$ 1,318,205	$ 3,422,982

National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2008
$ 237,211	$ 9,371	$ 274,361	$ 340,428	$ (247,497)	$ 776,635
778,115	179,142	1,212,049	972,869	-	3,797,502
1,015,326	188,513	1,486,410	1,313,297	(247,497)	4,574,137
22,692	256	82,376	268,599	(169,687)	293,918
109,508	4,444	70,651	213,828	-	499,853
132,200	4,700	153,027	482,427	(169,687)	793,771
$ 883,126	$ 183,813	$ 1,333,383	$ 830,870	$ (77,810)	$ 3,780,366
$ -	$ 18,203	$ 5,031	$ 31,676	$ (364,532)	$ 344,656
-	99,379	13,780	74,811	-	4,970,142
-	117,582	18,811	106,487	(364,532)	5,314,798
-	227	1,364	8,555	(14,849)	246,404
-	168	586	1,334	-	1,094,764
-	395	1,950	9,889	(14,849)	1,341,168
$ -	$ 117,187	$ 16,861	$ 96,598	$ (349,683)	$ 3,973,630
$ 469,531	$ -	$ 34,438	$ -	$ (105,469)	$ 441,271
1,458,807	-	845,927	-	-	2,512,437
1,928,338	-	880,365	-	(105,469)	2,953,708
44,914	-	10,040	-	(10,215)	58,281
216,757	-	3,700	-	-	262,948
261,671	-	13,740	-	(10,215)	321,229
$ 1,666,667	$ -	$ 866,625	$ -	$ (95,254)	$ 2,632,479
$ -	$ 386	$ 33,512	$ 27,430	$ (371,557)	$ 564,215
-	14,482	99,377	104,628	-	4,732,021
-	14,868	132,889	132,058	(371,557)	5,296,236
-	4	4,518	9,546	(106,040)	330,379
-	15	2,620	2,276	-	188,044
-	19	7,138	11,822	(106,040)	518,423
$ -	$ 14,849	$ 125,751	$ 120,236	$ (265,517)	$ 4,777,813
$ -	$ -	$ -	$ -	$ (554,925)	$ 233,620
-	148,061	-	-	-	2,203,127
-	148,061	-	-	(554,925)	2,436,747
-	-	-	-	(1,263,985)	1,266,987
-	-	-	-	-	88,299
-	-	-	-	(1,263,985)	1,355,286
$ -	$ 148,061	$ -	$ -	$ 709,060	$ 1,081,461
$ 706,742	$ 27,960	$ 347,342	$ 399,534	$ (1,643,980)	$ 2,360,397
2,236,922	441,064	2,171,133	1,152,308	-	18,215,229
2,943,664	469,024	2,518,475	1,551,842	(1,643,980)	20,575,626
67,606	487	98,298	286,700	(1,564,776)	2,195,969
326,265	4,627	77,557	217,438	-	2,133,908
393,871	5,114	175,855	504,138	(1,564,776)	4,329,877
$ 2,549,793	$ 463,910	$ 2,342,620	$ 1,047,704	$ (79,204)	$ 16,245,749

Intragovernmental costs and exchange revenue by responsibility segment for the year ended September 30, 2007, consists of the following:

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Minerals Management Service
Resource Protection					
Intragovernmental Costs	$ 311	$ 116,219	$ 24,268	$ 17,506	$ 240
Public Costs	491	384,543	43,232	56,974	931
Total Costs	802	500,762	67,500	74,480	1,171
Intragovernmental Earned Revenue	-	$ 125,761	6,592	7,764	-
Public Earned Revenue	-	63,520	42,366	1,033	-
Total Earned Revenue	-	189,281	48,958	8,797	-
Net Costs	$ 802	$ 311,481	$ 18,542	$ 65,683	$ 1,171
Resource Use					
Intragovernmental Costs	$ -	$ 80,410	$ 417,105	$ 1,936	$ 97,833
Public Costs	-	236,884	925,449	5,896	1,756,180
Total Costs	-	317,294	1,342,554	7,832	1,854,013
Intragovernmental Earned Revenue	-	1,380	244,342	-	-
Public Earned Revenue	-	303,160	569,244	-	181,995
Total Earned Revenue	-	304,540	813,586	-	181,995
Net Costs	$ -	$ 12,754	$ 528,968	$ 7,832	$ 1,672,018
Recreation					
Intragovernmental Costs	$ -	$ 31,989	$ 11,497	$ -	$ -
Public Costs	-	177,829	24,149	-	-
Total Costs	-	209,818	35,646	-	-
Intragovernmental Earned Revenue	-	4,181	4,399	-	-
Public Earned Revenue	-	23,909	19,566	-	-
Total Earned Revenue	-	28,090	23,965	-	-
Net Costs	$ -	$ 181,728	$ 11,681	$ -	$ -
Serving Communities					
Intragovernmental Costs	$ 425,065	$ 383,552	$ -	$ 144,127	$ -
Public Costs	2,189,397	1,282,314	-	814,035	-
Total Costs	2,614,462	1,665,866	-	958,162	-
Intragovernmental Earned Revenue	237,950	88,604	-	18,202	-
Public Earned Revenue	121,873	35,751	-	20,757	-
Total Earned Revenue	359,823	124,355	-	38,959	-
Net Costs	$ 2,254,639	$ 1,541,511	$ -	$ 919,203	$ -
Reimbursable Activity and Other					
Intragovernmental Costs	$ -	$ -	$ 216,655	$ 345,612	$ 1,753
Public Costs	-	-	275,409	2,113,977	9,132
Total Costs	-	-	492,064	2,459,589	10,885
Intragovernmental Earned Revenue	-	-	379,377	2,322,443	10,661
Public Earned Revenue	-	-	45,880	3,793	640
Total Earned Revenue	-	-	425,257	2,326,236	11,301
Net Costs	$ -	$ -	$ 66,807	$ 133,353	$ (416)
Total					
Intragovernmental Costs	$ 425,376	$ 612,170	$ 669,525	$ 509,181	$ 99,826
Public Costs	2,189,888	2,081,570	1,268,239	2,990,882	1,766,243
Total Costs	2,615,264	2,693,740	1,937,764	3,500,063	1,866,069
Intragovernmental Earned Revenue	237,950	219,926	634,710	2,348,409	10,661
Public Earned Revenue	121,873	426,340	677,056	25,583	182,635
Total Earned Revenue	359,823	646,266	1,311,766	2,373,992	193,296
Net Cost of Operations	$ 2,255,441	$ 2,047,474	$ 625,998	$ 1,126,071	$ 1,672,773

	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2007
	$ 208,268	$ 18,695	$ 274,591	$ 352,779	$ (232,959)	$ 779,918
	660,634	195,963	1,202,945	932,927	-	3,478,640
	868,902	214,658	1,477,536	1,285,706	(232,959)	4,258,558
	16,478	370	80,865	263,052	(164,081)	336,801
	75,044	1,184	73,779	199,695	-	456,621
	91,522	1,554	154,644	462,747	(164,081)	793,422
	$ 777,380	$ 213,104	$ 1,322,892	$ 822,959	$ (68,878)	$ 3,465,136
	$ -	$ 13,273	$ 2,536	$ 30,599	$ (298,392)	$ 345,300
	-	90,633	6,433	71,640	-	3,093,115
	-	103,906	8,969	102,239	(298,392)	3,438,415
	-	766	154	7,926	(15,960)	238,608
	-	42	25	1,042	-	1,055,508
	-	808	179	8,968	(15,960)	1,294,116
	$ -	$ 103,098	$ 8,790	$ 93,271	$ (282,432)	$ 2,144,299
	$ 449,843	$ -	$ 40,534	$ -	$ (75,285)	$ 458,578
	1,496,994	-	636,485	-	-	2,335,457
	1,946,837	-	677,019	-	(75,285)	2,794,035
	45,413	-	9,677	-	(14,350)	49,320
	242,121	-	3,771	-	-	289,367
	287,534	-	13,448	-	(14,350)	338,687
	$ 1,659,303	$ -	$ 663,571	$ -	$ (60,935)	$ 2,455,348
	$ -	$ 3	$ 24,665	$ 29,317	$ (391,168)	$ 615,561
	-	10,130	81,595	98,741	-	4,476,212
	-	10,133	106,260	128,058	(391,168)	5,091,773
	-	-	4,555	8,991	(86,654)	271,648
	-	-	3,324	1,238	-	182,943
	-	-	7,879	10,229	(86,654)	454,591
	$ -	$ 10,133	$ 98,381	$ 117,829	$ (304,514)	$ 4,637,182
	$ -	$ -	$ -	$ -	$ (450,052)	$ 113,968
	-	114,329	-	-	-	2,512,847
	-	114,329	-	-	(450,052)	2,626,815
	-	-	-	-	(1,072,700)	1,639,781
	-	-	-	-	-	50,313
	-	-	-	-	(1,072,700)	1,690,094
	$ -	$ 114,329	$ -	$ -	$ 622,648	$ 936,721
	$ 658,111	$ 31,971	$ 342,326	$ 412,695	$ (1,447,856)	$ 2,313,325
	2,157,628	411,055	1,927,458	1,103,308	-	15,896,271
	2,815,739	443,026	2,269,784	1,516,003	(1,447,856)	18,209,596
	61,891	1,136	95,251	279,969	(1,353,745)	2,536,158
	317,165	1,226	80,899	201,975	-	2,034,752
	379,056	2,362	176,150	481,944	(1,353,745)	4,570,910
	$ 2,436,683	$ 440,664	$ 2,093,634	$ 1,034,059	$ (94,111)	$ 13,638,686

NOTE 21. STATEMENT OF BUDGETARY RESOURCES

The 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 GAAP for the Federal Government. The total Budgetary Resources of $29,044,008 thousand and $26,798,562 thousand as of September 30, 2008 and 2007, respectively, include 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 balances available as of September 30, 2008 and 2007, were $6,897,515 thousand and $5,678,042 thousand, respectively. In addition, Interior's undelivered orders as of September 30, 2008 and 2007, were $7,577,202 thousand and $7,661,210 thousand, respectively.

Apportionment of Obligations Incurred

The following table contains only Category B apportionments since Interior does not receive Category A. Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories. Interior's obligations incurred for the year ended September 30, 2008 and 2007, are as follows:

(dollars in thousands) FY 2008		Apportioned		Exempt from Apportionment		Total
Obligations Incurred:						
Direct	$	17,102,482	$	78,432	$	17,180,914
Reimbursable		4,739,241		-		4,739,241
Total Obligations Incurred	$	21,841,723	$	78,432	$	21,920,155

(dollars in thousands) FY 2007		Apportioned		Exempt from Apportionment		Total
Obligations Incurred:						
Direct	$	16,391,071	$	92,847	$	16,483,918
Reimbursable		4,478,735		-		4,478,735
Total Obligations Incurred	$	20,869,806	$	92,847	$	20,962,653

BOR Trust Funds and Colorado River Dam Fund - Boulder Canyon Project are the only funds classified as exempt from 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 7, Loans and Interest Receivable). 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 the debt 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.

IA receives borrowing authority from Treasury for its loan programs in accordance with the 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, 2008 and 2007 was $0 and $100 thousand, respectively. IA'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, 2008 and 2007, were $7,905 and $8,229 thousand, respectively.

In 2001, the Bureau of the Public Debt extended a loan to the DO for the purpose of operating a direct loan to the ASG. 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 are appropriations given to Interior through public laws which authorize the retention of certain receipts. These appropriations do not specify amounts, but are dependent upon the amount of receipts collected. All Interior bureaus use one or more permanent no-year appropriations to finance operating costs and purchase PP&E. Interior has approximately 70 permanent indefinite appropriations. Most of these appropriations are used for special environmental programs and to carry out obligations of the Secretary of Interior.

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 do not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or nonexchange revenue.

Legal Arrangements Affecting Use of Unobligated Balances. Interior's unobligated unavailable balances as of September 30, 2008 and 2007, are disclosed in the table below.

(dollars in thousands)		FY 2008		FY 2007
Unapportioned amounts unavailable for future apportionments	$	372	$	543
Expired Authority		188,477		157,324
Total Budgetary Accounts		188,849		157,867
Non-Budgetary Credit Program Financing Accounts		37,489		-
Unobligated Balance Unavailable	$	226,338	$	157,867

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 5th 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 109-54, 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, IA receives contract authority from Department of Transportation's Highway Trust Fund for the maintenance and construction of roads and bridges on IA 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 and the Budget of the United States Government. The 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 2007 amounts was released in February 2008, and the President's Budget with the FY 2008 amounts is estimated to be released in February 2009. Both can be located at the OMB website <http://www.whitehouse.gov/omb>. As such, the actual amounts for FY 2008 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 Statement of Budgetary Resources for the period ended September 30, 2007, differ from the amounts presented as 2007 Actuals in the President's FY 2009 Budget. Differences are presented and labeled on the following table.

(dollars in millions)	FY 2007 Amount per President's Budget *	FY 2007 Amount per Statement of Budgetary Resources	Difference	Explanation
Budgetary Resources:				
Unobligated Balance Beginning of Fiscal Year	$ 6,190	$ 6,295	$ (105)	A
Recoveries of Prior Year Unpaid Obligations	466	504	(38)	A
Appropriations Received	16,041	16,406	(365)	B,D
Borrowing Authority	1	1	-	
Contract Authority	-	-	-	
Spending Authority From Offsetting Collections	4,426	4,349	77	A,B
Nonexpenditure Transfers, net	(180)	(672)	492	A,C
Temporarily Not Available Pursuant to Public Law	(50)	-	(50)	A,D
Permanently Not Available	(62)	(84)	22	A,D
Total Budgetary Resources	$ 24,869	$ 26,799	$ (1,930)	A,B,C,D,F
Status of Budgetary Resources:				
Obligations Incurred	$ 21,054	$ 20,963	$ 91	B
Unobligated Balance - Available/Not Available	5,739	5,836	(97)	A,B
Total Status of Budgetary Resources	$ 24,869	$ 26,799	$ (1,930)	A,B,F
Change in Obligated Balance:				
Obligated Balance, Net, Beginning of Fiscal Year	$ 7,728	$ 7,727	$ 1	A,
Obligations Incurred	21,054	20,963	91	B
Less: Gross Outlays	(20,327)	(20,209)	(118)	B,D
Obligated Balance Transferred, Net	-	-	-	
Less: Recoveries of Prior Year Unpaid Obligations	(466)	(504)	38	A
Chg in Uncoll. Customer Payments from Fed Sources	30	30	-	
Obligated Balance, Net, End of Fiscal Year	$ 8,010	$ 8,006	$ 4	A,B,D
Net Outlays:				
Gross Outlays	$ 20,327	$ 20,209	$ 118	B,D
Less: Offsetting Collections	(4,202)	(4,378)	176	A,B
Less: Offsetting Receipts	(5,494)	(5,769)	275	E

* Source: Fiscal Year 2007 Actual amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2009

A. Expired Accounts
Differences relate to expired accounts being included in the Statement of Budgetary Resources, but not in the President's Budget.

B. Departmental Offices
Differences are primarily due to Interior including pass through appropriations and payments to Tribal Trust and Special Trust Fund Accounts [14215265 and 14218030] in the Statement of Budgetary Resources that were not included in

the President's Budget. Additional differences relate to changes in child accounts received after the Statement of Budgetary Resources was published and adjustments to the Working Capital Fund for obligations that were included in the President's Budget and not in the Statement of Budgetary Resources.

C. *Fish and Wildlife Service*
Differences are primarily due to a change in accounting principle. As a result of the new accounting principle, the Sport Fish Restoration and Boating Trust Fund payable ($488 million) was adjusted in the Appropriations realized and transfer line items of the Statement of Budgetary Resources. The adjustment does not impact the President's Budget.

D. *National Park Service*
Differences are primarily due to the Concession Improvement Account that is included in the President's Budget, but not in the Statement of Budgetary Resources.

E. *Offsetting Receipts*
Differences relate to receipts reported in the Statement of Budgetary Resources, but not in the President's Budget. The difference could only be reported at a high level because the President's Budget does not include details.

F. *Total Budgetary Resources*
The President's Budget did not include a "total budgetary resources available for obligations" line for the following funds: Mineral Leasing; National Forest Fund, Leases of Lands Acquired for Flood Control, Navigation, and Allied Purpose; and Oil Spill Research which were included in the Statement of Budgetary Resources.

NOTE 22. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

As required by SFFAS No. 7, *Accounting for Revenue and Other Financial Sources*, Interior has reconciled the Net Cost of Operations (reported in the Statement of Net Cost), to the current year obligations, reported on the Statement of Budgetary Resources.

The below schedule illustrates this reconciliation by listing the inherent differences in timing and recognition between the accrual proprietary accounting method used to calculate net cost, and the budgetary accounting method used to calculate budgetary resources and obligations.

Change in Unfunded Liabilities. This note 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. 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 this note.

The reconciliation of net cost of operations to budgetary accounts for the period ended September 30, 2008 and 2007, are as follows:

	2008	2007
Current Year Gross Obligations	$ 21,920,155	$ 20,962,653
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Earned		
Collected	$ (4,718,669)	$ (4,879,917)
Change in Receivable from Federal Sources	(71,128)	52,531
Change in Unfilled Customer Orders	(519,004)	478,836
Recoveries of Prior Year Unpaid Obligations	(488,802)	(504,265)
Offsetting Receipts	(6,924,469)	(5,769,483)
Other Financing Resources		
Transfers In (Out) without Reimbursement	(57,458)	(65,622)
Donations (Forfeitures) of Property	17,814	7,951
Imputed Financing Sources	551,294	644,297
Other	(117,564)	(26)
Total Resources Used to Finance Activity	$ 9,592,169	$ 10,926,955
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Budgetary Obligations and Resources not in the Net Cost of Operations		
Change in Unfilled Customer Orders	$ 519,002	$ (478,836)
Change in Undelivered Orders	90,594	(289,813)
Current Year Capitalized Purchases	(891,420)	(916,224)
Deferred Revenue	3,342	1,244
Change in Expended Authority in Loan and Trust Funds	(188,762)	(106,983)
Change in Budgetary Collections in Loan Funds	45,568	73,787
Offsetting Receipts that do not Affect Net Cost of Operations	6,924,469	5,769,484
Other Resources/Adjustments that do not Affect Net Cost of Operations	$ (1,165,560)	$ (1,478,932)
Components of the Net Cost of Operations which do not Generate or Use Resources in the Reporting Period		
Revenues without Current Year Budgetary Effect		
Change in Receivables Not in the Budget	$ (433,138)	$ (351,363)
Other Financing Sources Not in the Budget	(224)	(1,873)
Costs without Current Year Budgetary Effect		
Depreciation and Amortization	$ 481,178	$ 476,926
Disposition of Assets	17,159	20,587
Change in Future Funded Expenses	781,389	(457,677)
Imputed costs	538,190	633,419
Bad Debt Expense	102,992	(2,138)
Change in Other Expenses Not Requiring Budgetary Resources	(171,198)	(179,877)
Net Cost of Operations	$ 16,245,749	$ 13,638,686

NOTE 23. INDIAN TRUST FUNDS

Interior, through the Office of the Special Trustee (OST) for American Indians, maintains approximately 2,700 accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately $3,003 million and $2,881 million as of September 30, 2008 and 2007, 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 nonexpendable (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 378,000 open Individual Indian Monies accounts with a fund balance of approximately $444 million and $424 million as of September 30, 2008 and 2007, respectively.

IIM Trust Funds are primarily funds on deposit for individual Indians with a beneficial interest in those funds. IIM account holders realize receipts primarily from settlement of claims, land-use agreements; royalties on natural resource depletion; other proceeds derived directly from trust resources, receipt of 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, 2008 and 2007. 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 reflected in the financial statements due to issues with certain Interior trust-related systems and processes, which provide required trust financial 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 have requested an accounting of their funds. Some of these parties have filed lawsuits against the U.S. Government; and
- Regarding the IIM Trust Funds, certain parties for whom OST holds monetary assets in trust 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, see Note 14, Contingent Liabilities and Environmental and Disposal Liabilities.

IIM Trust Funds statements of assets and trust fund balances and statements of changes in trust fund balances prepared using a modified cash basis of accounting as of and for the year ended September 30, 2008 and 2007, are as follows:

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
As of September 30, 2008 and 2007

(dollars in thousands)		FY 2008		FY 2007
ASSETS				
Cash and cash equivalents	$	49,320	$	48,325
Investments		391,792		372,592
Accrued interest receivable		3,077		2,780
TOTAL ASSETS	$	444,189	$	423,697
TRUST FUND BALANCES, held for Individual Indians	$	444,189	$	423,697

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
For the Fiscal Years Ended September 30, 2008 and 2007

(dollars in thousands)		FY 2008		FY 2007
Receipts	$	437,911	$	303,677
Interest earned on invested funds		21,602		20,806
Gain (Loss) on disposition of investments, Net		255		459
Disbursements		(439,276)		(319,519)
Increase (decrease) in trust fund balances, net		20,492		5,423
Trust Fund Balances - Beginning of Year		423,697		418,274
Trust Fund Balances - End of Year	$	444,189	$	423,697

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

Tribal and Other Trust Funds statements of assets and trust fund balances and statements of changes in trust fund balances prepared using a cash basis of accounting as of and for the year ended September 30, 2008 and 2007, are as follows:

Tribal and Other Trust Funds
Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2008 and 2007

(dollars in thousands)	FY 2008	FY 2007
ASSETS		
Cash and cash equivalents	$ 519,436	$ 602,502
Investments	2,483,736	2,278,157
TOTAL ASSETS	$ 3,003,172	$ 2,880,659
TRUST FUND BALANCES		
Held for Indian tribes	$ 2,703,275	$ 2,590,799
Held by Department of the Interior and considered to be U.S. Government funds	299,897	289,860
TOTAL TRUST FUND BALANCES	$ 3,003,172	$ 2,880,659

Tribal and Other Trust Funds
Statement of Changes in Trust Fund Balances - Cash Basis
For the Fiscal Years Ended September 30, 2008 and 2007

(dollars in thousands)	FY 2008	FY 2007
Receipts	$ 371,170	$ 339,159
Interest and dividends Received	133,097	139,315
Gain (Loss) on disposition of investments, Net	1,578	604
Disbursements	(383,332)	(519,645)
Increase (Decrease) in trust fund balances, net	122,513	(40,567)
Trust Fund Balances - Beginning of Year	2,880,659	2,921,226
Trust Fund Balances - End of Year	$ 3,003,172	$ 2,880,659

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

NOTE 24. EARMARKED FUNDS

Earmarked funds are specifically identified revenues and other financing sources required by statute to be used for designated activities, benefits, or purposes that must be accounted for separately from the Government's general revenues.

Interior's significant earmarked funds are as follows:

The Land and Water Conservation Fund (LWCF). The 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.

Annually, amounts from OCS oil deposits are transferred from MMS to NPS under Public Law 89-665. Each year, amounts from the LWCF are warranted to some of the bureaus within Interior and the rest to the Department of Agriculture's Forest Service. These funds are considered inflows of resources to the government and are reported as a restricted asset.

The Historic Preservation Fund (HPF). 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.

Annually, under Public Law 89-665, royalties from OCS oil deposits are transferred from MMS to the NPS, Each year, amounts from the HPF are transferred via warrants to Bureaus within Interior and to the Department of Agriculture's Forest Service. These funds are considered inflows of resources to the government and are reported as a restricted asset.

Reclamation Fund. The Reclamation Fund was established by the Reclamation Act of 1902 (32 Statute [Stat.] 388). It 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 material 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 to other Federal agencies pursuant to congressional appropriation acts to invest and reinvest in the reclamation of arid lands in the Western United States. Costs associated with multipurpose plants are allocated to the various purposes, principally; power, irrigation, M&I water, fish and wildlife enhancement, recreation, and flood control. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control generally are nonreimbursable. Capital investment costs are recovered over a 40-year period, but may extend to 50 years or more, if authorized by the Congress. The funds are considered inflows of resources to the government.

Water and Related Resources Fund. The Water and Related Resources Fund receives most of its funding from appropriations derived from the Reclamation Fund. These funds are used for Reclamation's central mission of delivering water and generating hydropower in the Western United States. Costs associated with multipurpose structures and facilities are allocated to various purposes. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control can be nonreimbursable.
Capital investment costs are recovered over a 40-year period but may extend to 50 years or more, if authorized by Congress. Recovered capital investment costs and revenue generated from these activities are returned to the Reclamation Fund. The funds are considered intragovernmental flows.

Lower Colorado River Basin Fund. The Lower Colorado River Basin Fund receives funding from multiple sources for specific purposes as provided under Public Law 90-537 and amended by Public Law 108-451. Funding sources include appropriations, and Federal revenue from the Central Arizona Project, Federal revenues from the Boulder Canyon and the Parker-Davis Project, the Western Area Power Administration, Federal revenue from the Northwest-Pacific Southwest intertie in the States of Nevada and Arizona, and revenues earned from investing in Treasury securities. Funding sources may be retained and are available without further appropriation. The Fund provides for irrigation development and management activities within the Lower Colorado River Basin including operation, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects. The funds are considered inflows of resources to the government.

Upper Colorado River Basin Fund. The Upper Colorado River Basin Fund receives funding from appropriations, water users, and the Western Area Power Administration. Funding sources may be retained and are available without further appropriation. Public Law 90-537 provides that appropriations and revenues collected in connection with the operation of the Colorado River storage project shall be available for operations, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects. The funds are considered inflows of resources to the government.

Abandoned Mine Land Fund. Public Law 95-87 requires that all operators of coal mining operations pay a reclamation fee on every ton of coal produced. The fees through September 30, 2008, are 31.5 cents per ton of surface mined coal, 13.5 cents per ton of coal mined underground, and 9 cents per ton on lignite. On December 20, 2006, the Surface Mining Control and Reclamation Act Amendments of 2006 became law as part of the Tax Relief and Health Care Act of 2006 (Public Law 109-432). This law extends the statutory fee rates through September 30, 2021, and eliminates the requirement that Interior establish fee rates thereafter based upon amounts transferred to the United Mine Workers of America Combined Benefit Fund. The new law reduces existing fee rates by 10 percent for FY 2008 through 2012, and another 10 percent for FY 2013 through 2021.

The fees are deposited in the AML Reclamation Fund, which is used primarily to fund abandoned mine land reclamation projects. Under authority of Public Law 101-509, Interior invests AML funds in U.S. Treasury Securities. The funds are considered inflows of resources to the government.

Southern Nevada Public Land Management Fund (SNPLMF). The Southern Nevada Public Land Management Act, 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 deposit 85 percent of the proceeds in the SNPLMF 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 are required to be used by 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. The funds are considered inflows of resources to the government.

Environmental Improvement and Restoration Fund. The EIRF was created from a distribution of the Alaska Escrow Fund in which half of the principal is invested in Treasury Securities. Monies from the EIRF are invested and earn interest until further congressional action. Congress permanently appropriates 20 percent of prior fiscal year interest earned by the EIRF to the Department of Commerce for marine research activities. The remaining 80 percent earns interest and can be appropriated by Congress to other agencies, as provided by the law. Assets are not available to Interior unless appropriated by Congress. The funds are considered inflows of resources to the government.

Other Earmarked Funds. Interior is responsible for the management of numerous earmarked funds with a variety of purposes. Funds presented on an individual basis represent the majority of Interior's net position attributable to earmarked funds. All other earmarked funds have been aggregated in accordance with SFFAS 27, *Identifying and Reporting Earmarked Funds*, and are presented in the following tables.

Bureau of Indian Affairs

Power Systems - Indian Irrigation Projects

Operation & Maintenance,
Indian Irrigation Systems

Operation and Maintenance of Quarters

Alaska Resupply Program

Indian Water Rights and
Habitat Acquisition Program

Gifts and Donations

Bureau of Land Management

Helium Fund

Federal Land Transaction Facilitation Act

Naval Oil Shale Petroleum Restoration

Lincoln County Land Act

MLA, Oil & Gas Pipeline Rights-of-Way

Service Charges, Deposits, Forfeitures

Exp – Road Maintenance Deposits

Land Acquisition

Payments to Alaska, Oil & Gas Leases,
National Petroleum Reserve

Operation & Maintenance of Quarters

Fee Collection Support, Public Lands

Payments to Nevada, Clark County Lands

Range Improvements

Ecosystem Health & Recovery

NRDA 3rd Party Collections

Timber Pipeline Restoration Fund

Recreation Fees Demo Site

Deschutes County Land Transaction

Secure Rural Schools &
Community Self-Determination Act

Stewardship Contract Prod Sale

Permit Processing Fund Mineral Lease

Geothermal Steam Act Imp Fund

Naval Petroleum Res #2 Lease

Payment Proceeds, Water, MLA 1920

Payments to Counties,
Oregon & California Grant Lands

Payments to Coos Bay & Douglas Counties

Land & Resources Management Trust Fund

Highway Trust Fund

Trustee Fund, Alaska Town sites

Bureau of Reclamation

Colorado River Dam Fund –
Boulder Canyon Project

San Gabriel Restoration Fund

Central Valley Project Restoration Fund

Reclamation Trust Funds

Klamath – Water and Energy

North Platte Project – Facility Operations

North Platte – Farmers Irrigation District –
Facility Operations

Reclamation Recreation,
Entrance and Use Fees

Reclamation Fund General
Administration Expenses

Quarters Operation and Maintenance

U. S. Geological Survey

Quarters Fund

Natural Resource Damage Assessment
and Restoration Fund
(Note: This is only in USGS for FY 07)

Contributed Fund

Office of Surface Mining

Regulation and Technology, Civil Penalties

Bond Forfeitures

Minerals Management Service

Payments to States from receipts under Mineral
Leasing, Public and Acquired Military Lands

Payments to Alaska from Oil and Gas Leases,
National Petroleum Reserve

Payment to Oklahoma, Royalties

Payments to States, National Forest Fund

Payments to States, Flood Control Act of 1954

State's Share from certain Gulf of Mexico Leases

Coastal Impact Assistance Program

Geothermal Lease Revenues, Payments to Counties

Departmental Offices

National Resource Damage Assessment and Restoration Fund

Utah Reclamation Mitigation and Conservation Account

Priority Land Acquisitions

Priority Land Acquisitions and Land Exchanges

Land and Water Conservation Fund,
from Land and Water Conservation Fund,
Rent Receipts Outer Continental Shelf Lands,
National Park Service

Indian Arts and Craft

Hazardous Substance Response Trust Fund

National Indian Gaming Commission

Everglades Restoration

Take Pride in America Gifts and Bequests

Fish & Wildlife Service

Cooperative Endangered Species Conservation Fund

Wildlife Conservation and Appreciation Fund

Land Acquisition

Federal Aid to Wildlife Restoration

Operation and Maintenance of Quarters

National Wildlife Refuge Fund

Proceeds from Sales, Water Resource Development Projects

Migratory Bird Conservation Account

Cooperative Endangered Species Conservation Fund

Wildlife Conservation and Appreciation Fund

Lahontan Valley and Pyramid Lake Fish and Wildlife Fund

North American Wetlands Conservation Fund

Recreation Fee Enhancement Program

State and Tribal Wildlife Grants

North American Wetlands Conservation Fund, from Land and Water Conservation Fund

Cooperative Endangered Species Conservation Fund, from Land and Water Conservation Fund

Federal Infrastructure Improvement, from Land and Water Conservation Fund

Private Stewardship Grants

Landowner Incentive Program

Community Partnership Enhancement

Sport Fish Restoration and Boating Trust Fund
(Note: This is only in FWS for FY07)

Sport Fish Restoration Account

Contributed Funds

National Parks Service

Gulf of Mexico Energy Security Act (GOMESA)

Centennial Challenge

Land Acquisitions and State Assistance

Operation and Maintenance of Quarters

Fee Demonstration Program

National Park Passport Program

Park Concessioner's Franchise Fees

Donations

Federal Highways Administration

National Law Enforcement Memorial

Delaware Water Gap Route 209 Operations

Park Buildings and Maintenance

National Park Service Transportation Systems

Natural Resource Damage and Restoration

National Maritime Heritage

Filming and Photos Public Lands

Glacier Bay Cruise and Boat Fees

Education Expenses for the Children of Employees of Yellowstone National Park

Tax Losses on Lands Surrounding Grand Teton National Park

Birthplace of Abraham Lincoln

Federal Highways Construction

Interior's earmarked funds as of and for the year ended September 30, 2008, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources Fund
ASSETS				
Fund Balance with Treasury	$ 16,023,784	$ 2,767,090	$ 7,816,347	$ 1,091,175
Investments, Net	-	-	-	-
Accounts Receivable, Net	-	-	500,983	28,299
Loans Receivable, Net	-	-	3,063,916	-
General Property, Plant, and Equipment, Net	-	-	-	7,344,209
Other Assets	-	269	-	38,602
TOTAL ASSETS	$ 16,023,784	$ 2,767,359	$ 11,381,246	$ 8,502,285
LIABILITIES				
Accounts Payable	-	3	-	86,621
Debt	-	-	-	-
Other Liabilities	-	4	37	2,252,242
TOTAL LIABILITIES	-	7	37	2,338,863
NET POSITION				
Unexpended Appropriations	-	-	-	201,965
Cumulative Results of Operations	16,023,784	2,767,352	11,381,209	5,961,457
TOTAL NET POSITION	16,023,784	2,767,352	11,381,209	6,163,422
TOTAL LIABILITIES AND NET POSITION	$ 16,023,784	$ 2,767,359	$ 11,381,246	$ 8,502,285
COST/REVENUE				
Gross Costs	-	67,027	(1,244)	1,234,418
Earned Revenue	-	-	(349,937)	(255,475)
NET COST OF OPERATIONS	$ -	$ 67,027	$ (351,181)	$ 978,943
NET POSITION				
Net Position, Beginning Balance	15,372,152	2,684,722	9,918,473	6,040,047
Appropriations Received/Transferred and Other Adjustments	-	-	-	94,009
Royalties Retained	906,687	152,032	1,940,820	-
Non-Exchange Revenue and Donations	-	-	(22)	826
Other Financing Sources	-	-	-	-
Transfers In/(Out) without Reimbursement	(255,055)	-	(816,843)	907,414
Imputed Financing from Costs Absorbed by Others	-	-	135	100,069
Other	-	(2,375)	(12,535)	-
Net Cost of Operations	-	(67,027)	351,181	(978,943)
Change in Net Position	651,632	82,630	1,462,736	123,375
NET POSITION, ENDING BALANCE	$ 16,023,784	$ 2,767,352	$ 11,381,209	$ 6,163,422

Lower Colorado River Basin Fund	Upper Colorado River Basin Fund	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt. Fund	Environmental Improvement & Restoration Fund	Other Earmarked Funds	FY 2008
$ 13,485	$ 165,055	$ 11,099	$ 164,784	$ -	$ 3,096,910	$ 31,149,729
445,710	-	2,437,237	1,885,871	1,135,342	1,196,348	7,100,508
12,928	305	21,389	5	-	1,852,008	2,415,917
-	-	-	-	-	-	3,063,916
2,961,751	2,381,686	-	29,846	-	661,722	13,379,214
102,545	479	-	73	-	236,793	378,761
$ 3,536,419	$ 2,547,525	$ 2,469,725	$ 2,080,579	$ 1,135,342	$ 7,043,781	$ 57,488,045
14,266	76,751	327	37,199	-	577,930	793,097
-	-	-	-	-	644,204	644,204
4,697	205,259	5,137	17,143	-	1,036,470	3,520,989
18,963	282,010	5,464	54,342	-	2,258,604	4,958,290
11,757	28,498	-	-	-	173,995	416,215
3,505,699	2,237,017	2,464,261	2,026,237	1,135,342	4,611,182	52,113,540
3,517,456	2,265,515	2,464,261	2,026,237	1,135,342	4,785,177	52,529,755
$ 3,536,419	$ 2,547,525	$ 2,469,725	$ 2,080,579	$ 1,135,342	$ 7,043,781	$ 57,488,045
181,892	144,928	262,678	224,328	-	4,636,189	6,750,216
(195,277)	(81,557)	(4,603)	(84,529)	-	(831,548)	(1,802,926)
$ (13,385)	$ 63,371	$ 258,075	$ 139,799	$ -	$ 3,804,641	$ 4,947,290
3,475,040	2,254,533	2,353,551	2,168,925	1,097,830	4,118,330	49,483,603
26,893	59,908	-	-	-	299,915	480,725
-	-	-	-	-	2,796,909	5,796,448
2,566	(1)	369,850	-	37,512	594,078	1,004,809
-	-	-	-	-	-	
(428)	(3,958)	(1,065)	(3,468)	-	765,884	592,481
-	18,404	-	411	-	14,733	133,752
-	-	-	168	-	(31)	(14,773)
13,385	(63,371)	(258,075)	(139,799)	-	(3,804,641)	(4,947,290)
42,416	10,982	110,710	(142,688)	37,512	666,847	3,046,152
$ 3,517,456	$ 2,265,515	$ 2,464,261	$ 2,026,237	$ 1,135,342	$ 4,785,177	$ 52,529,755

Interior's earmarked funds as of and for the year ended September 30, 2007, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources Fund
ASSETS				
Fund Balance with Treasury	$ 15,372,152	$ 2,684,312	$ 6,567,639	$ 763,270
Investments, Net	-	-	-	-
Accounts Receivable, Net	-	-	523,586	22,530
Loans Receivable, Net	-	-	2,827,301	-
General Property, Plant, and Equipment, Net	-	-	-	7,373,681
Other Assets	-	416	-	22,238
TOTAL ASSETS	$ 15,372,152	$ 2,684,728	$ 9,918,526	$ 8,181,719
LIABILITIES				
Accounts Payable	-	3	-	75,501
Debt	-	-	-	-
Other Liabilities	-	3	53	2,066,171
TOTAL LIABILITIES	-	6	53	2,141,672
NET POSITION				
Unexpended Appropriations	-	-	-	206,521
Cumulative Results of Operations	15,372,152	2,684,722	9,918,473	5,833,526
TOTAL NET POSITION	15,372,152	2,684,722	9,918,473	6,040,047
TOTAL LIABILITIES AND NET POSITION	$ 15,372,152	$ 2,684,728	$ 9,918,526	$ 8,181,719
COST/REVENUE				
Gross Costs	-	62,792	1,057	1,042,109
Earned Revenue	-	-	(335,383)	(185,605)
NET COST OF OPERATIONS	$ -	$ 62,792	$ (334,326)	$ 856,504
NET POSITION				
Net Position, Beginning Balance	14,836,220	2,597,823	8,993,132	5,947,569
Appropriations Received/Transferred and Other Adjustments	-	-	-	109,090
Royalties Retained	902,079	151,723	1,326,070	-
Non-Exchange Revenue and Donations	-	-	9,600	67
Other Financing sources	-	-	-	-
Transfers In/(Out) without Reimbursement	(366,147)	-	(733,278)	733,162
Imputed Financing from Costs Absorbed by Others	-	-	112	106,663
Other	-	(2,032)	(11,489)	-
Net Cost of Operations	-	(62,792)	334,326	(856,504)
Change in Net Position	535,932	86,899	925,341	92,478
NET POSITION, ENDING BALANCE	$ 15,372,152	$ 2,684,722	$ 9,918,473	$ 6,040,047

Lower Colorado River Basin Fund	Upper Colorado River Basin Fund	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt. Fund	Environmental Improvement & Restoration Fund	Other Earmarked Funds	FY 2007
$ 3,305	$ 152,356	$ 512	$ 126,645	$ 1	$ 2,761,345	$ 28,431,537
391,391	-	2,371,561	2,120,657	1,097,829	1,120,138	7,101,576
10,551	355	2,411	1	-	1,790,977	2,350,411
-	-	-	-	-	-	2,827,301
2,972,426	2,398,884	2	14,984	-	569,897	13,329,874
115,910	30	-	20	-	259,004	397,618
$ 3,493,583	$ 2,551,625	$ 2,374,486	$ 2,262,307	$ 1,097,830	$ 6,501,361	$ 54,438,317
16,061	84,537	547	48,132	-	552,786	777,567
-	-	-	-	-	764,204	764,204
2,482	212,555	20,388	45,250	-	1,066,041	3,412,943
18,543	297,092	20,935	93,382	-	2,383,031	4,954,714
11,313	8,458	-	-	-	109,253	335,545
3,463,727	2,246,075	2,353,551	2,168,925	1,097,830	4,009,077	49,148,058
3,475,040	2,254,533	2,353,551	2,168,925	1,097,830	4,118,330	49,483,603
$ 3,493,583	$ 2,551,625	$ 2,374,486	$ 2,262,307	$ 1,097,830	$ 6,501,361	$ 54,438,317
176,790	96,168	327,356	246,704	-	3,726,911	5,679,887
(176,928)	(86,331)	(1,441)	(147,788)	-	(823,529)	(1,757,005)
$ (138)	$ 9,837	$ 325,915	$ 98,916	$ -	$ 2,903,382	$ 3,922,882
3,448,683	2,188,772	2,269,877	2,304,538	1,062,797	3,491,018	47,140,429
26,999	70,467	-	-	-	196,022	402,578
-	-	-	-	-	2,055,948	4,435,820
-	1	411,542	-	35,033	476,170	932,413
-						
(780)	(2,363)	(1,953)	(37,054)	-	790,789	382,376
-	7,493	-	357	-	13,433	128,058
-	-	-	-	-	(1,668)	(15,189)
138	(9,837)	(325,915)	(98,916)	-	(2,903,382)	(3,922,882)
26,357	65,761	83,674	(135,613)	35,033	627,312	2,343,174
$ 3,475,040	$ 2,254,533	$ 2,353,551	$ 2,168,925	$ 1,097,830	$ 4,118,330	$ 49,483,603

NOTE 25. DEDICATED COLLECTIONS

Dedicated Collections as of and for the year ended September 30, 2008 and 2007, consist of the following:

(dollars in thousands)		FY 2008		FY 2007
ASSETS				
Fund Balance with Treasury	$	(34)	$	(34)
Investments, Net		305,025		293,551
TOTAL ASSETS	$	304,991	$	293,517
TOTAL LIABILITIES		-		-
NET POSITION		304,991		293,517
TOTAL LIABILITIES AND NET POSITION	$	304,991	$	293,517
CHANGE IN NET POSITION				
Net Position, Beginning Balance	$	293,517	$	287,621
Cumulative Results of Operations:				
Non-exchange Revenue		16,977		16,327
Transfers In/(Out) without Reimbursement		7,500		7,500
Exchange Revenue		165		(2)
Program Costs		(13,168)		(17,929)
NET POSITION, ENDING BALANCE	$	304,991	$	293,517

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 OST for American Indians was created to improve the accountability and management of Indian funds held in trust by the Federal Government. 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 awards, settlement of claims, land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, and investment income.

NOTE 26. ROYALTY CREDITS REDEEMED

Section 383 of the Energy Policy Act of 2005 grants lessees royalty relief until a Congressionally designated amount, plus interest, is recovered from Federal offshore royalty payments. This relief was granted to compensate for the competitive oil and gas drainage of the West Delta field in Louisiana that occurred in the late 1980's. The royalty credits redeemed in FY 2008 and FY 2007 were $16,464 thousand and $14,390 thousand, respectively.

Redeemed amounts are treated as paid for purposes of satisfying the royalty obligations of the lessee. The repayment obligation is recorded as an unfunded liabililty in Interior's financial records. Credits redeemed under this provision are recorded as a cost to the Federal Government, for which a custodial distribution of cash to the U.S. Treasury does not occur.

On December 20, 2006, the President signed legislation that included the Gulf of Mexico Energy Security Act (GOMESA). One portion of the GOMESA provides for the exchange of existing leases in a moratorium area for bonus or royalty credits that may only be used in the Gulf of Mexico. The credits are limited to amounts previously paid for bonus and rent on the leases to be relinquished, estimated at 72 leases totaling approximately $51.4 million.

Because lessees may choose not to relinquish their leases under this credit provision, the probability of redemption is uncertain. When MRM receives the request and determines that all documentation is complete, the credit will be approved and available for redemption, and the liability will be confirmed. Accordingly, the liability for the GOMESA credit obligation will be recorded for the amount approved and unpaid as of the reporting date, based upon the status of each credit request. The liability will be adjusted as new credits are approved and existing credits are redeemed.

For FY 2008, no credits have been requested. The redemption of the credits and liquidation of the liability will not affect the financial position or net cost of operations of MMS.

NOTE 27. LIABILITY FOR CAPITAL TRANSFER TO THE GENERAL FUND OF THE TREASURY

Bureau of Reclamation. Reclamation records an intragovernmental liability for appropriations determined to be recoverable from project beneficiaries and decreases the liability when payments are received from these beneficiaries and, subsequently, transferred to Treasury's General Fund. Interest is accumulated on this liability pursuant to authorizing project legislation or administrative policy. Interest rates used during FY 2008 and 2007 ranged from 2.63 to 9.84, respectively. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Repayment to Treasury's General Fund is dependent upon actual water and power (through Western Area Power Administration) delivered to customers; as such, there is no structured repayment schedule.

Historically, Reclamation received appropriations for the disbursement of loans prior to the enactment of Credit Reform. This legislation requires collections of balances for loans obligated prior to FY 1992 be transferred to Treasury's General Fund on an annual basis. Reclamation has recorded an intragovernmental liability for the net pre-Credit Reform loans receivable balance and total current year collections in the direct loan liquidating account. This liability is reduced when the collections for a given fiscal year are transferred to Treasury's General Fund.

Departmental Offices. The DO receive appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components for which the DO are required to recover the capital investment and operation and maintenance costs through user fees, namely the sale of water and power. These recoveries are deposited in Treasury's General Fund.

This liability is increased when funds are received and meet the requirement for repayment. It is decreased when reimbursements are received from customers and such funds are transferred to Treasury's General Fund. Interest is accumulated on this liability pursuant to authorizing project legislation or administrative policy. Interest rates used during FY 2008 ranged from 3.2 percent to 8.5 percent. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service.

Indian Affairs. For IA, resources payable to Treasury represents IA's liquidating fund assets (cash and loans receivable, net of an allowance) less any liabilities that may be held as working capital. Loans made in 1991 and before (pre- credit reform direct loans and assigned loan guarantees) are accounted for in liquidating funds. These funds collect loan payments and pay any related expenses or default claims. At the end of each year, any unobligated cash on hand is transferred to Treasury.

(In Thousands)	FY 2008	FY 2007
Beginning Balance	$ 2,017,581	$ 2,094,147
Costs Incurred and Adjustments	9,303	(79,222)
Collections	37,865	17,180
Repayments to Treasury	(14,283)	(14,524)
Ending Balance	$ 2,050,466	$ 2,017,581