

PRINCIPAL FINANCIAL STATEMENTS

The principal financial statements included in Interior's FY 2006 Annual Report on Performance and Accountability have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's (OMB) Circular No. A-136, "Financial Reporting Requirements." These statements include the following:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position;
- Statement of Budgetary Resources;
- Statement of Financing; and
- Statement of Custodial Activity.

The responsibility for the integrity of the financial information included in these statements rests with management of the Department of the Interior. The audit of Interior's principal financial statements was performed by an independent certified public accounting firm, selected by the Department's Office of Inspector General. The auditors' report issued by the independent certified public accounting firm is included in Part 3 of this report.

Balance Sheet
as of September 30, 2006
(dollars in thousands)

ASSETS	
Intragovernmental Assets:	
Fund Balance with Treasury (Note 2)	\$ 33,409,382
Investments, Net (Note 4)	8,094,833
Accounts and Interest Receivable (Note 5)	440,510
Loans and Interest Receivable, Net (Note 6)	2,631,887
Other (Note 11)	529
Total Intragovernmental Assets	44,577,141
Cash (Note 3)	825
Investments, Net (Note 4)	188,100
Accounts and Interest Receivable, Net (Note 5)	2,478,037
Loans and Interest Receivable, Net (Note 7)	181,137
Inventory and Related Property, Net (Note 8)	280,859
General Property, Plant, and Equipment, Net (Note 9)	17,491,901
Other (Note 11)	234,987
Stewardship Assets (Note 10)	
TOTAL ASSETS (Note 11)	\$ 65,432,987
LIABILITIES	
Intragovernmental Liabilities:	
Accounts Payable	\$ 44,946
Debt (Note 12)	1,056,572
Other	
Resources Payable to Treasury	2,094,244
Advances and Deferred Revenue	1,309,798
Custodial Liability	1,061,879
Other Liabilities	501,075
Total Intragovernmental Liabilities	6,068,514
Accounts Payable	1,109,655
Loan Guarantee Liability (Note 7)	92,380
Federal Employee and Veteran Benefits (Note 13)	1,387,423
Environmental and Disposal Liabilities (Note 14)	153,466
Other	
Contingent Liabilities (Note 14)	614,468
Advances and Deferred Revenue	747,359
Payments Due to States	812,588
Other Liabilities	952,122
TOTAL LIABILITIES (Note 15)	11,937,975
Commitments and Contingencies (Notes 14 and 17)	
Net Position	
Unexpended Appropriations - Earmarked Funds (Note 24)	336,691
Unexpended Appropriations - Other Funds	3,890,857
Cumulative Results of Operations - Earmarked Funds (Note 24)	47,234,344
Cumulative Results of Operations - Other Funds	2,033,120
Total Net Position	53,495,012
TOTAL LIABILITIES AND NET POSITION	\$ 65,432,987

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

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

ASSETS	
Intragovernmental Assets:	
Fund Balance with Treasury (Note 2)	\$ 32,031,132
Investments, Net (Note 4)	7,463,669
Accounts and Interest Receivable (Note 5)	508,677
Loans and Interest Receivable, Net (Note 6)	2,458,075
Other (Note 11)	1,405
Total Intragovernmental Assets	42,462,958
Cash (Note 3)	1,270
Investments, Net (Note 4)	199,125
Accounts and Interest Receivable, Net (Note 5)	2,660,566
Loans and Interest Receivable, Net (Note 7)	183,855
Inventory and Related Property, Net (Note 8)	305,695
General Property, Plant, and Equipment, Net (Note 9)	17,323,778
Other (Note 11)	296,653
Stewardship Assets (Note 10)	
TOTAL ASSETS (Note 11)	\$ 63,433,900
LIABILITIES	
Intragovernmental Liabilities:	
Accounts Payable	\$ 519,799
Debt (Note 12)	1,220,525
Other	
Resources Payable to Treasury	2,016,834
Advances and Deferred Revenue	1,626,524
Custodial Liability	996,371
Other Liabilities	497,410
Total Intragovernmental Liabilities	6,877,463
Accounts Payable	1,082,888
Loan Guarantee Liability (Note 7)	81,670
Federal Employee and Veteran Benefits (Note 13)	1,367,705
Environmental and Disposal Liabilities (Note 14)	120,808
Other	
Contingent Liabilities (Note 14)	631,174
Advances and Deferred Revenue	665,949
Payments Due to States	1,009,418
Other Liabilities	859,903
TOTAL LIABILITIES (Note 15)	12,696,978
Commitments and Contingencies (Notes 14 and 17)	
Net Position	
Unexpended Appropriations	4,179,242
Cumulative Results of Operations	46,557,680
Total Net Position	50,736,922
TOTAL LIABILITIES AND NET POSITION	\$ 63,433,900

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

Statement of Net Cost
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	FY 2006	FY 2005
Resource Protection		
Costs	\$ 3,946,834	\$ 3,727,461
Less: Earned Revenue	1,136,759	1,428,697
Net Cost	2,810,075	2,298,764
Resource Use		
Costs	3,942,639	4,120,619
Less: Earned Revenue	1,327,167	1,217,758
Net Cost	2,615,472	2,902,861
Recreation		
Costs	1,780,694	1,847,534
Less: Earned Revenue	370,645	340,109
Net Cost	1,410,049	1,507,425
Serving Communities		
Costs	6,518,561	6,859,829
Less: Earned Revenue	904,395	1,026,009
Net Cost	5,614,166	5,833,820
Reimbursable Activity and Other		
Costs	3,295,714	3,195,202
Less: Earned Revenue	2,340,934	2,325,046
Net Cost	954,780	870,156
Total		
Costs	19,484,442	19,750,645
Less: Earned Revenue	6,079,900	6,337,619
Net Cost of Operations (Note 18)	\$ 13,404,542	\$ 13,413,026

Statement of Changes in Net Position
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	Earmarked	All Other	FY 2006 Consolidated	FY 2005 Consolidated
	(Note 24)			
UNEXPENDED APPROPRIATIONS				
Beginning Balance	\$ 396,643	\$ 3,782,599	\$ 4,179,242	\$ 4,080,359
Budgetary Financing Sources				
Appropriations Received, General Funds	378,871	10,243,663	10,622,534	10,197,599
Appropriations Transferred In/(Out)	(6,043)	121,430	115,387	93,641
Appropriations-Used	(430,348)	(10,101,021)	(10,531,369)	(10,039,735)
Other Adjustments	(2,432)	(155,814)	(158,246)	(152,622)
Net Change	(59,952)	108,258	48,306	98,883
Ending Balance - Unexpended Appropriations	\$ 336,691	\$ 3,890,857	\$ 4,227,548	\$ 4,179,242
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance	\$ 44,704,003	\$ 1,853,677	\$ 46,557,680	\$ 43,051,348
Adjustments				
Change in Accounting Principle (Note 26)	(282,732)	-	(282,732)	-
Beginning Balance, as adjusted	44,421,271	1,853,677	46,274,948	43,051,348
Budgetary Financing Sources				
Appropriations-Used	430,348	10,101,021	10,531,369	10,039,735
Royalties Retained (Note 16)	4,386,601	3,212	4,389,813	5,130,136
Non-Exchange Revenue	1,233,054	17,092	1,250,146	1,276,801
Transfers In/(Out) without Reimbursement	(43,666)	(150,619)	(194,285)	(58,601)
Donations and Forfeitures of Cash and Cash Equivalents	32,702	-	32,702	33,159
Other Budgetary Financing Sources	(223)	7,764	7,541	51,040
Other Adjustments	(393)	364	(29)	-
Other Financing Sources				
Donations and Forfeitures of Property	505	6,040	6,545	26,596
Transfers In/(Out) without Reimbursement	(132,964)	33,373	(99,591)	(31,041)
Imputed Financing from Costs Absorbed by Others (Note 19)	120,079	352,768	472,847	451,533
Total Financing Sources	6,026,043	10,371,015	16,397,058	16,919,358
Net Cost of Operations	(3,212,970)	(10,191,572)	(13,404,542)	(13,413,026)
Net Change	2,813,073	179,443	2,992,516	3,506,332
Ending Balance - Cumulative Results of Operations	\$ 47,234,344	\$ 2,033,120	\$ 49,267,464	\$ 46,557,680

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

Statement of Budgetary Resources
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	Total Budgetary Accounts		Non-Budgetary Credit Program	
	FY 2006	FY 2005	FY 2006	FY 2005
Budgetary Resources:				
Unobligated balance, beginning of Fiscal Year:	\$ 5,710,929	\$ 5,209,456	\$ 83,309	\$ 76,836
Recoveries of prior year unpaid obligations	484,943	411,226	8	9
Budget Authority				
Appropriation	16,124,453	16,085,947	-	-
Borrowing Authority	-	-	1,584	1,095
Spending authority from offsetting collections				
Earned				
Collected	\$ 5,479,124	\$ 5,194,626	39,702	42,284
Change in receivables from Federal sources	(2,997)	75,028	-	-
Change in unfilled customer orders				
Advance received	(306,820)	51,822	-	-
Without advance from Federal sources	(104,540)	270,854	-	-
Total Budget Authority	21,189,220	21,678,277	41,286	43,379
Nonexpenditure transfers, net, anticipated and actual	438,207	(114,713)	-	-
Temporarily not available pursuant to Public Law	(16,617)	(11,853)	-	-
Permanently not available	(186,788)	(347,464)	(3,255)	(18,282)
Total Budgetary Resources (Note 21)	\$ 27,619,894	\$ 26,824,929	\$ 121,348	\$ 101,942
Status of Budgetary Resources:				
Obligations incurred (Note 21):				
Direct	\$ 16,380,951	\$ 16,019,806	\$ 12,768	\$ 18,633
Reimbursable	5,052,958	5,094,194	-	-
Total Obligations incurred	21,433,909	21,114,000	12,768	18,633
Unobligated balance available (Note 21):				
Apportioned	5,987,182	5,556,737	108,580	83,309
Exempt from apportionment	58,325	44,920	-	-
Total Unobligated balance available	6,045,507	5,601,657	108,580	83,309
Unobligated balance not available (Note 21)	140,478	109,272	-	-
Total Status of Budgetary Resources	\$ 27,619,894	\$ 26,824,929	\$ 121,348	\$ 101,942
Obligated Balance:				
Obligated balance, net				
Unpaid obligations, brought forward, beginning of Fiscal Year	\$ 8,557,216	\$ 7,648,696	\$ 4,005	\$ 7,775
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(1,224,762)	(878,880)	-	-
Total unpaid obligated balances, net, beginning of Fiscal Year	7,332,454	6,769,816	4,005	7,775
Obligations incurred, net	21,433,909	21,114,000	12,768	18,633
Less: Gross outlays	(20,666,259)	(19,794,254)	(12,831)	(22,394)
Less: Recoveries of prior year unpaid obligations, actual	(484,943)	(411,226)	(8)	(9)
Change in uncollected customer payments from Federal sources	107,537	(345,882)	-	-
Total, unpaid obligated balance, net, end of period	\$ 7,722,698	\$ 7,332,454	\$ 3,934	\$ 4,005
Obligated Balance, net, end of period - by component:				
Unpaid obligations	8,839,925	8,557,216	3,934	4,005
Less: Uncollected customer payments from Federal sources	(1,117,227)	(1,224,762)	-	-
Total, unpaid obligated balance, net, end of period	\$ 7,722,698	\$ 7,332,454	\$ 3,934	\$ 4,005
Net Outlays:				
Gross outlays	20,666,259	19,794,254	12,831	22,394
Less: Offsetting collections	(5,172,304)	(5,246,450)	(39,702)	(42,284)
Less: Distributed Offsetting receipts	(6,940,455)	(5,904,495)	-	-
Net Outlays(Receipts)	\$ 8,553,500	\$ 8,643,309	\$ (26,871)	\$ (19,890)

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

Statement of Financing
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	FY 2006	FY 2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 21,446,677	\$ 21,132,633
Less: Spending Authority From Offsetting Collections/Recoveries	(5,589,420)	(6,045,849)
Obligations Net of Offsetting Collections and Recoveries	15,857,257	15,086,784
Less: Offsetting Receipts	(6,940,455)	(5,904,495)
Net Obligations	8,916,802	9,182,289
Other Resources:		
Donations and Forfeitures of Property	6,545	26,596
Transfers In/Out Without Reimbursement	(99,591)	(31,041)
Imputed Financing From Costs Absorbed by Others	472,847	451,533
Net Other Resources Used to Finance Activities	379,801	447,088
Total Resources Used to Finance Activities	9,296,603	9,629,377
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(97,976)	(815,718)
Change in Unfilled Customer Orders	(413,712)	334,416
Resources That Fund Expenses Recognized in Prior Periods	(520,965)	(229,281)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	40,818	41,298
Offsetting Receipts Not Part of the Net Cost of Operations	4,983,557	3,506,569
Resources That Finance the Acquisition of Assets	(706,424)	(920,029)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	86,350	122,673
Allocation Transfers Reconciling Items, Parent (Note 22)	(32,341)	(33,613)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	3,339,307	2,006,315
Total Resources Used to Finance the Net Cost of Operations	12,635,910	11,635,692
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	5,724	10,155
Increase in Environmental and Disposal Liability	34,446	39,971
Upward/Downward Re-estimates in Credit Subsidy Expense	10,918	21,035
(Increase) in Exchange Revenue Receivable From the Public	(767)	(424)
Other	94,662	743,467
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	144,983	814,204
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	476,377	483,122
Revaluation of Assets or Liabilities	16,418	46,173
Allocation Transfers Reconciling Items, Child (Note 22)	124,400	411,612
Other	6,454	22,223
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	623,649	963,130
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	768,632	1,777,334
Net Cost of Operations	\$ 13,404,542	\$ 13,413,026

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

Statement of Custodial Activity
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	FY 2006	FY 2005
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	\$ 10,660,720	\$ 8,972,260
Onshore Lease Sales	275,031	1,658,786
Offshore Lease Sales	949,875	560,622
Strategic Petroleum Reserve (Note 20)	(18,466)	1,194,618
Total Revenue	\$ 11,867,160	\$ 12,386,286
Disposition of Revenue		
Distribution to Department of the Interior		
National Park Service Conservation Funds	898,304	1,048,870
Bureau of Reclamation	1,651,813	1,289,055
Minerals Management Service	2,295,815	1,762,092
Bureau of Land Management	71,821	81,408
Fish and Wildlife Service	1,608	1,036
Distribution to Other Federal Agencies		
Department of the Treasury	6,870,450	5,502,464
Department of Agriculture	73,531	50,860
Department of Commerce	25	1
Department of Energy (Note 20)	(18,466)	1,194,618
Distribution to Indian Tribes and Agencies	158,155	114,025
Distribution to States and Others	84,490	73,706
Change in Untransferred Revenue	(220,386)	1,268,151
Total Disposition of Revenue	\$ 11,867,160	\$ 12,386,286
Net Custodial Activity	\$ -	\$ -