

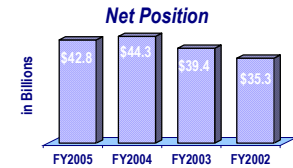
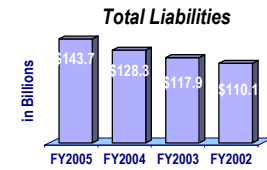
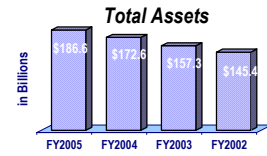
Financial Details

U.S. Department of Education FY 2005 Performance and Accountability Report

Financial Summary

(Dollars in Millions)

At End of Year	% Change 2005 / 2004	FY2005	FY2004	FY2003	FY2002
Condensed Balance Sheet Data					
Fund Balance with Treasury	+ 17%	\$ 77,569	\$ 66,371	\$ 57,908	\$ 52,116
Credit Program Receivables	+ 3%	107,937	104,966	97,965	91,706
Accounts Receivable	- 9%	141	155	183	265
Other	- 18%	920	1,117	1,202	1,280
Total Assets	+ 8%	\$ 186,567	\$ 172,609	\$ 157,258	\$ 145,367
Treasury Debt for Loan Program	+ 8%	\$ 104,597	\$ 96,649	\$ 92,018	\$ 89,782
Other Intragovernmental Liabilities	+ 2%	6,146	6,051	8,250	6,089
Liabilities for Loan Guarantees	+ 31%	30,611	23,329	15,432	11,679
Other Liabilities	+ 6%	2,371	2,246	2,124	2,534
Total Liabilities	+ 12%	143,725	128,275	117,824	110,084
Unexpended Appropriations	+ 0%	47,288	47,285	43,931	39,121
Cumulative Results of Operations	+ 51%	(4,446)	(2,951)	(4,497)	(3,838)
Total Net Position	- 3%	42,842	44,334	39,434	35,283
Total Liabilities and Net Position	+ 8%	\$ 186,567	\$ 172,609	\$ 157,258	\$ 145,367



For the Year	% Change 2005 / 2004	FY2005	FY2004	FY2003	FY2002 ¹
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Statement of Net Cost					
Total Cost	+ 17%	\$ 82,204	\$ 70,187	\$ 65,327	\$ 55,923
Earned Revenue	+ 6%	(6,965)	(6,564)	(6,523)	(6,157)
Total Net Cost of Operations	+ 18%	\$ 75,239	\$ 63,623	\$ 58,804	\$ 49,766
Net Cost by Strategic Goal²					
Goal 2 Improve Student Achievement	+ 11%	\$ 36,415	\$ 32,687	\$ 29,679	N/A
Goal 3 Develop Safe Schools and Strong Character	+ 16%	877	756	776	N/A
Goal 4 Transform Education into Evidenced-Based Field	- 5%	442	467	490	N/A
Goal 5 Enhance Quality of and Access to Postsecondary and Adult Education	+ 24%	36,940	29,713	27,859	N/A
Goal 6 Management Excellence	+ 18%	565	-	-	N/A
		\$ 75,239	\$ 63,623	\$ 58,804	\$ -

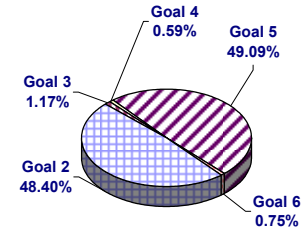
Net Cost Percentages by Strategic Goal					
Goal 2 Improve Student Achievement	- 6%	48.40%	51.38%	50.47%	
Goal 3 Develop Safe Schools and Strong Character	- 2%	1.17%	1.19%	1.32%	
Goal 4 Transform Education into Evidenced-Based Field	- 19%	0.59%	0.73%	0.83%	
Goal 5 Enhance Quality of and Access to Postsecondary and Adult Education	+ 5%	49.09%	46.70%	47.38%	
Goal 6 Management Excellence		0.75%	N/A	N/A	

¹ The Department's Strategic Goals were developed in fiscal year 2002. Net costs by Strategic Goal were not readily available at that time

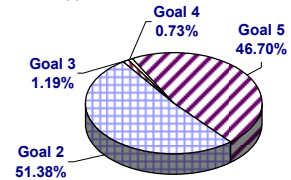
² In fiscal year 2004 Goal 6 was not included in this summary

Net Cost by Strategic Goal

FY 2005



FY 2004



Limitations of Financial Statements

Management has prepared the accompanying financial statements to report the financial position and operational results for the U.S. Department of Education for fiscal years 2005 and 2004 pursuant to the requirements of Title 31 of the United States Code, section 3515(b).

While these statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB, these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity. One implication of this is that the liabilities presented herein cannot be liquidated without the enactment of appropriations, and ongoing operations are subject to the enactment of future appropriations.

Message from the Chief Financial Officer



The Department of Education continued its high standard of financial management and reporting during fiscal year (FY) 2005. In this part of the *Performance and Accountability Report*, I have the pleasure of presenting to the President and the American people the financial details on the Department's stewardship and management of the public funds to which we have been entrusted.

The Department's impressive record of excellence in financial management has been a joint effort of our managers, employees, and business partners who make it a priority to ensure that the highest quality financial data is reported. Highlights of these successful efforts over the last year are as follows:

- Earned an unqualified opinion on the principal financial statements for the fourth year in a row, demonstrating a clear pattern of financial accountability.
- Provided unqualified assurance for the requirements of the *Federal Manager's Financial Integrity Act*.
- Awarded Presidential Award for Management Excellence in December 2004 for recognition of improved financial performance.
- Maintained a "green" status in Financial Management on the President's Management Scorecard for the second year in a row.
- Awarded the prestigious Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the second year in a row.
- Continued to have no material weaknesses identified as part of our Report on Internal Control for the third year in a row.

The Department furthered its efforts to correct its two reportable conditions identified by the auditors in the Report on Internal Controls. To address the reportable condition regarding the credit reform estimation and financial reporting processes, the Department further refined the credit reform estimation processes. The Department also continued to address the other reportable condition regarding controls surrounding information systems. Specifically, the Department has ensured all systems and applications have undergone a thorough and rigorous certification and accreditation process. Furthermore, the Department established a team of technology and security experts to conduct independent verification and validation on all information systems findings in prior audits. We look forward to an even greater reliance upon our controls as a result of implementing these initiatives.

In looking forward to FY 2006, the Department established a Senior Assessment Team and specifically tasked working groups to address the expanded requirements of OMB Circular A-123, *Management's Responsibility for Internal Control*. The opportunities that this examination will present for us to further review and improve upon our internal controls will continue to ensure the greatest integrity in our financial management and reporting.

Jack Martin
Chief Financial Officer
November 15, 2005

A handwritten signature in black ink that reads "Jack Martin". The signature is written in a cursive, flowing style.

Principal Financial Statements

[Consolidated Balance Sheet](#) (See p. 207.)

[Consolidated Statement of Net Cost](#) (See p. 208.)

[Consolidated Statement of Changes in Net Position](#) (See p. 209.)

[Combined Statement of Budgetary Resources](#) (See p. 210.)

[Consolidated Statement of Financing](#) (See p. 211.)

[Notes to the Principal Financial Statements](#) (See p. 212.)

**United States Department of Education
Consolidated Balance Sheet
As of September 30, 2005 and 2004**

(Dollars in Millions)

	Fiscal Year 2005	Fiscal Year 2004
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 77,569	\$ 66,371
Accounts Receivable (Note 5)		3
Other Intragovernmental Assets	12	17
Total Intragovernmental	77,581	66,391
Cash and Other Monetary Assets (Note 3)	888	1,040
Accounts Receivable, Net (Note 5)	141	152
Credit Program Receivables, Net (Note 4)	107,937	104,966
General Property, Plant and Equipment, Net (Note 6)	19	21
Other Assets	1	39
Total Assets	\$ 186,567	\$ 172,609
Liabilities:		
Intragovernmental:		
Accounts Payable	\$ 12	\$ 14
Treasury Debt (Note 7)	104,597	96,649
Guaranty Agency Federal and Restricted Funds Due to Treasury (Note 3)	888	1,040
Payable to Treasury (Note 8)	5,166	4,993
Other Intragovernmental Liabilities (Note 9)	80	4
Total Intragovernmental	110,743	102,700
Accounts Payable	684	485
Accrued Grant Liability (Note 11)	1,328	1,361
Liabilities for Loan Guarantees (Note 4)	30,611	23,329
Federal Employee and Veterans' Benefits (Note 10)	17	19
Other Liabilities (Note 9)	342	381
Total Liabilities (Note 10)	\$ 143,725	\$ 128,275
Commitments and Contingencies (Note 18)		
Net Position:		
Unexpended Appropriations (Note 12)	\$ 47,288	\$ 47,285
Cumulative Results of Operations (Note 12)	(4,446)	(2,951)
Total Net Position	\$ 42,842	\$ 44,334
Total Liabilities and Net Position	\$ 186,567	\$ 172,609

The accompanying notes are an integral part of these statements.

**United States Department of Education
Consolidated Statement of Net Cost
For the Years Ended September 30, 2005 and 2004**
(Dollars in Millions)

	Fiscal Year 2005	Fiscal Year 2004
Program Costs		
Program A (Enhancement of Postsecondary and Adult Education)		
Intragovernmental Gross Costs	\$ 7,141	\$ 6,376
Less: Intragovernmental Earned Revenue	2,140	1,627
<i>Intragovernmental Net Costs</i>	5,001	4,749
Gross Costs with the Public	35,210	28,167
Less: Earned Revenues from the Public	4,730	4,812
<i>Net Costs with the Public</i>	30,480	23,355
Program A Total Net Cost	\$ 35,481	\$ 28,104
Program B (Creation of Student Achievement, Culture of Achievement and Safe Schools)		
Intragovernmental Gross Costs	\$ 186	\$ 174
Less: Intragovernmental Earned Revenue	76	103
<i>Intragovernmental Net Costs</i>	110	71
Gross Costs with the Public	24,278	21,933
Less: Earned Revenues from the Public	24,278	21,933
<i>Net Costs with the Public</i>	24,278	21,933
Program B Total Net Cost	\$ 24,388	\$ 22,004
Program C (Transformation of Education)		
Intragovernmental Gross Costs	\$ 82	\$ 77
Less: Intragovernmental Earned Revenue	3	4
<i>Intragovernmental Net Costs</i>	79	73
Gross Costs with the Public	1,138	578
Less: Earned Revenues from the Public	14	14
<i>Net Costs with the Public</i>	1,124	564
Program C Total Net Cost	\$ 1,203	\$ 637
Program D (Special Education and Program Execution)		
Intragovernmental Gross Costs	\$ 94	\$ 34
Less: Intragovernmental Earned Revenue	2	4
<i>Intragovernmental Net Costs</i>	92	30
Gross Costs with the Public	14,075	12,848
Less: Earned Revenues from the Public	14,075	12,848
<i>Net Costs with the Public</i>	14,075	12,848
Program D Total Net Cost	\$ 14,167	\$ 12,878
Total Program Net Costs	\$ 75,239	\$ 63,623
Net Cost of Operations (Note 17)	\$ 75,239	\$ 63,623

The accompanying notes are an integral part of these statements.

**United States Department of Education
Consolidated Statement of Changes in Net Position
For the Years Ended September 30, 2005 and 2004**

(Dollars in Millions)

	Fiscal Year 2005		Fiscal Year 2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balance	\$ (2,951)	\$ 47,285	\$ (4,496)	\$ 43,931
Budgetary Financing Sources				
Appropriations Received		77,033		72,091
Other Adjustments (+/-)	(3)	(1,312)		(981)
Appropriations Used	75,718	(75,718)	67,756	(67,756)
Nonexpenditure Financing Sources - Transfers-Out	(33)		(4)	
Other Financing Sources				
Imputed Financing	31		32	
Adjustments to Financing Sources (+/-)	(1,969)		(2,616)	
Total Financing Sources	\$ 73,744	\$ 3	\$ 65,168	\$ 3,354
Net Cost of Operations (+/-)	\$ (75,239)	\$ -	\$ (63,623)	\$ -
Net Change	(1,495)	3	1,545	3,354
Ending Balances (Note 12)	\$ (4,446)	\$ 47,288	\$ (2,951)	\$ 47,285

The accompanying notes are an integral part of these statements.

**United States Department of Education
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2005 and 2004**

(Dollars in Millions)

	Fiscal Year 2005		Fiscal Year 2004	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Budget Authority :				
Appropriations Received	\$ 76,981	\$ 3	\$ 72,090	\$ 1
Borrowing Authority		32,209		22,483
Unobligated Balance:				
Beginning of Period	2,245	15,128	5,329	9,766
Spending Authority From Offsetting Collections:				
Earned				
Collected	3,198	49,536	5,250	37,716
Receivable From Federal Sources	(3)	(2)		4
Change in Unfilled Customer Orders				
Advance received (collected)	64		(34)	
Without advance from Federal sources	(68)	34	(5)	
Subtotal	\$ 3,191	\$ 49,568	\$ 5,211	\$ 37,720
Recoveries of Prior Year Obligations	1,536	1,973	1,587	3,047
Permanently Not Available	(4,047)	(24,692)	(6,575)	(18,893)
Total Budgetary Resources (Note 14)	\$ 79,906	\$ 74,189	\$ 77,642	\$ 54,124
Status of Budgetary Resources:				
Obligations Incurred: (Note 14)				
Direct	\$ 77,677	\$ 51,372	\$ 75,306	\$ 38,996
Reimbursable	92		91	
Subtotal	\$ 77,769	\$ 51,372	\$ 75,397	\$ 38,996
Unobligated Balance:				
Apportioned	526		655	948
Unobligated Balance Not Available	1,611	22,817	1,590	14,180
Total Status of Budgetary Resources	\$ 79,906	\$ 74,189	\$ 77,642	\$ 54,124
Relationship of Obligations to Outlays:				
Obligated Balance, Net, Beginning of Period	\$ 48,147	\$ 7,788	\$ 42,419	\$ 8,399
Obligated Balance, Net, End of Period:				
Accounts Receivable			(3)	(2)
Unfilled customer orders from Federal Sources	(3)	(34)	(71)	
Undelivered Orders	46,493	10,472	46,468	7,666
Accounts Payable	1,720	330	1,753	124
Outlays:				
Disbursements	76,251	46,389	68,087	36,557
Collections	(3,264)	(49,536)	(5,217)	(37,716)
Subtotal	\$ 72,987	\$ (3,147)	\$ 62,870	\$ (1,159)
Less: Offsetting Receipts	32		51	
Net Outlays (Note 14)	\$ 72,955	\$ (3,147)	\$ 62,819	\$ (1,159)

The accompanying notes are an integral part of these statements.

**United States Department of Education
Consolidated Statement of Financing
For the Years Ended September 30, 2005 and 2004**

(Dollars in Millions)

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred (Note 14)	\$ (129,141)	\$ (114,393)
Less: Spending Authority from Offsetting Collections & Recoveries	56,268	47,565
Obligations Net of Offsetting Collections and Recoveries	<u>(72,873)</u>	<u>(66,828)</u>
Less: Offsetting Receipts	(32)	(51)
Net Obligations	\$ (72,905)	\$ (66,879)
Other Resources		
Imputed Financing From Costs Absorbed by Others	<u>(31)</u>	<u>(32)</u>
Net Other Resources Used to Finance Activities	<u>(31)</u>	<u>(32)</u>
Total Resources Used to Finance Activities	\$ (72,936)	\$ (66,911)
Resources Used to Finance Items Not Part of Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided (+/-)	\$ (3,197)	\$ (4,809)
Resources that Fund Expenses Recognized in Prior Period (Note 15)	(1,610)	213
Budgetary offsetting collections and receipts that do not affect net cost of operations	2	
Credit Program Collections Which Increase/Decrease Liabilities for Loan Guarantees, or Credit Program Receivables, Net including Allowances for Subsidy	46,891	35,339
Resources Used to Finance the Acquisition of Fixed Assets, or Increase/Decrease Liabilities for Loan Guarantees or Credit Program Receivables, Net in the Current or Prior Period	<u>(39,977)</u>	<u>(31,145)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 2,109	\$ (402)
Total Resources Used to Finance the Net Cost of Operations	\$ (75,045)	\$ (66,509)
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods (Note 15)		
Increase in Annual Leave Liability	\$ (28)	\$ (30)
Upward/Downward Re-estimates of Credit Subsidy Expense	(2,789)	(1,559)
Increase in Exchange Revenue Receivable from the Public	1,163	1,070
Other (+/-)	<u>15</u>	<u>41</u>
Total Components of the Net Cost of Operations that Will Require or Generate Resources in Future Periods	\$ (1,639)	\$ (478)
Components Not Requiring or Generating Resources		
Depreciation and Amortization	\$ 1,442	\$ 1,797
Other (+/-) (Note 15)	<u>3</u>	<u>1,567</u>
Total Components of the Net Cost of Operations that Will Not Require or Generate Resources	\$ 1,445	\$ 3,364
Total Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	\$ (194)	\$ 2,886
Net Cost of Operations (Note 17)	\$ (75,239)	\$ (63,623)

The accompanying notes are an integral part of these statements.