U.S. Department of the Interior
Notes to Principal Financial Statements
For the fiscal years ended September 30, 2005 and 2004

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, the 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), Custodial Funds, and the Aquatic Resources Trust Fund. 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 cover. 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 22. 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 the Interior.

B. Organization and Structure of Interior

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

- National Park Service (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- Fish and Wildlife Service (includes the Aquatic Resources Trust Fund)
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service (includes the Environmental Improvement and Restoration Fund)
- U.S. Geological Survey
- Bureau of Indian Affairs
- Departmental Offices

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

The U.S. Bureau of Mines (USBM) was closed in 1996. Although it no longer exists, certain transactions and data related to USBM programs and activities are reflected in the Interior's FY 2005 and FY 2004 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, budgetary resources, and reconciliation of net cost to budgetary obligations of the 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 the Interior in accordance with generally accepted accounting principles (GAAP), OMB Circular A-136, "Financial Reporting Requirements." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), 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 2005 financial statements for the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, Consolidated Statement of Financing, and the Consolidated Statement of Custodial Activity.

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 Department of the Treasury (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.

Cash consists primarily of Federal funds held by private banks and investing firms for the Office of Trust Funds Management.

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 non-marketable par value or non-marketable 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. Mortgage instruments are with the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation, the Private Export Funding Corporation, the Federal Farm Credit Banks Consolidated System, the Federal Agricultural Mortgage Corporation, and the Government National Real Estate Mortgage Investment Conduit. Bonds and bank notes are with the Federal Home Loan Bank and the Federal Judiciary.

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 as the sales price of the security multiplied by the bid price at year end.

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. The Reclamation Fund 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 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 Reclamation'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 deposits amounts recovered into the Reclamation Fund.

The Bonneville Power Administration (BPA), also a component of DOE, is responsible for the transmission and marketing of hydropower generated at BOR 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 after the effective date of the Credit Reform Act, October 1, 1990, 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 on September 30.

For loans obligated prior to October 1, 1990, 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.

H. Inventory and Related Property, Net

Interior's inventory and related property is primarily composed of published maps, gas and storage rights, airplane parts and fuel, operating supplies for the Working Capital Fund, and recoverable below-ground crude helium. These inventories were categorized based on Interior's major activities and 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. This inventory is valued at historical cost using a weighted average cost variation method, less an allowance, which is 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 to be consumed or sold in future operations 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.

The 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 the Interior's standard forms functions.

I. General Property, Plant, and Equipment, Net

General Purpose Property, Plant, and Equipment. General purpose property, plant, and equipment 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 property, plant, and equipment 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 of from 10 to 75 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. For equipment, vehicles and aircraft, and capital leases, Interior has established a capitalization threshold of $15,000. There are no restrictions on the use or convertibility of the Interior's general purpose property, plant, and equipment.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard (SFFAS) No. 6, Interior recorded certain general property, plant, and equipment 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 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.

Construction in Progress also includes projects in abeyance. In past years, the Interior began construction on 10 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 software (COTS), 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 5 years for calculating amortization of software using the straight-line method.

Stewardship Assets. Stewardship assets consists 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, archeological sites, and library and museum collections.

The stewardship land and heritage assets managed by Interior are considered priceless and irreplaceable. Because of this, Interior assigns no financial value to them and the property, plant, and equipment capitalized and reported on the Balance Sheet excludes these assets. This is in accordance with Federal accounting standards.

The Required Supplementary Stewardship Information (RSSI) section of this report provides additional information concerning 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, and the payment of all liabilities other than for contracts can be abrogated by Interior. 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 legally 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 all 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 greater majority of operating funds for Interior are available for either multiple years or until expended. Appropriations are reflected as a financing source entitled "Appropriations Used" on the Consolidated Statement of Changes in Net Position once goods and services have been received. The Combined 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 both the government and the other party receive value, including park entrance fees; map 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 Consolidated Statement of Net Cost and serve to off-set 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 the Interior's operations and are reported on the Consolidated Statement of Changes in Net Position. The portion of Offsetting Receipts that is related to non-exchange revenue is disclosed as a reconciling item on the Statement of Financing as an item not part of the net cost of operations.

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 earmarked 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 Consolidated 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 No. 7, Interior reports these State amounts as "Royalties Retained," an other budgetary financing source on the Consolidated Statement of Changes in Net Position rather than on the Consolidated 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, and distributes the proceeds to the Treasury, other Federal agencies, and States, in accordance with legislated allocation formulas. MMS is authorized to retain a portion of the rental income collected as part of the custodial activity provided 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 represents royalties on September oil and gas lease activity that Interior receives 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 (OCSLA) of 1953, may take part or all of its oil and gas royalties in-kind (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 royalty-in-kind as mineral lease revenue on the Consolidated Statement of Custodial Activity.

Interior assists the Administration's initiative to fill the Strategic Petroleum Reserve. Interior transfers 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 and transfers to the DOE on the Consolidated Statement of Custodial Activity.

Aquatic Resources Trust Fund. Interior presents the Aquatic Resources Trust Fund (ARTF) in its financial statements in accordance with the requirements of Statement of Federal Financial Concepts No.2, "Entity and Display." The source of funding for the ARTF includes excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are used to make grants available to States for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefit from sport fish resources. The ARTF also provides funding for boating safety programs conducted by the U.S. Coast Guard and coastal wetlands initiatives conducted by the U.S. Army Corps of Engineers. The Appropriations Act of 1951 authorized amounts equal to revenues credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended.

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 (OPM), 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 power customers who benefit from current and future power deliveries. The repayments are recognized as revenue incrementally as power benefits are provided.

Advances and deferred revenue received from Federal agencies represents cash advances to the Interior Franchise Fund (IFF) and the National Business Center (NBC). IFF and NBC provide shared administrative services and commonly provide products to Federal agencies.

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

Federal Employees Workers' Compensation Program. The Federal Employees Compensation Act (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. 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 also 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 (FEGLI) Program. 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 pre-retirement portion of coverage, Interior has recognized the entire service cost of the post-retirement 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. Most 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 FERS employees, Interior contributes an amount equal to 1% of the employee’s basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4% of pay. During FY 2005, FERS employees could contribute as much as 15% of their gross earnings to the plan. CSRS employees were limited to a contribution of 10% of their gross earnings and receive no matching contribution from Interior.

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 employees. 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% of their gross earnings. The normal retirement benefit is 2.5% for each year of service up to 20 with an additional 3% for each year beyond 20, but no more than an aggregate of 80%. 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 SFFAS Interpretation No. 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 the Interior's entities have been eliminated from the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, and the Consolidated Statement of Changes in Net Position. As provided for by OMB Circular A-136, the Combined Statement of Budgetary Resources is presented on a combined basis, therefore, intra-departmental transactions and balances have not been eliminated from this statement. In accordance with OMB Circular A-136, intra-departmental transactions and balances have been eliminated from all the amounts on the Consolidated Statement of Financing, except for obligations incurred and spending authority from offsetting collections and adjustments, which are presented on a combined basis. Intra-departmental transactions have been eliminated within the Consolidated Statement of Custodial Activity. In order to present all custodial activity, the distributions to the Department's entities have not been eliminated on the Consolidated Statement of Custodial Activity and the Statement of Changes in Net Position. The distributions, however, are reported separately on the Consolidated Statement of Custodial Activity.

O. Possessory Interest and Leasehold Surrender Interest

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 (PI/LSI) 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.

NPS 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, NPS 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, NPS does record a liability at the time that the NPS decides to discontinue a concession operation or take possession of the assets.

NPS 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 NPS, and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the consolidated financial statements.

NPS adopted accounting guidance for concession assets effective October 1, 2004. As a result of adopting this guidance, NPS wrote off the concession assets previously accounted for as general property, plant, and equipment. The effect of this accounting change was not material to the FY 2005 financial statements.

P. 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.

Q. Estimates

Interior has made certain estimates and assumptions relating 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.

R. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

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, 2005 and 2004 consists of the following:

(dollars in thousands)	FY 2005	FY 2004
General Funds	$ 5,070,334	$ 5,033,062
Special Funds	23,879,261	22,541,062
Revolving Funds	2,676,266	2,686,055
Trust Funds	214,102	199,996
Other Fund Types	191,169	405,969
Total Fund Balance with Treasury by Fund Type	$ 32,031,132	$ 30,866,144

Interior's fund types and purpose are described below:

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, 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 operations of the helium operations, Interior franchise 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 the bureau.

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, the Alaska Townsite Trustee fund, and the Aquatic Resources Trust 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.

Status of Fund Balance with Treasury as of September 30, 2005 and 2004 consists of the following:

(dollars in thousands)	FY 2005	FY 2004
Unobligated		
Available	$ 3,883,467	$ 3,887,867
Unavailable	207,134	210,974
Obligated Not Yet Disbursed	6,025,979	5,935,003
Subtotal	10,116,580	10,033,844
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	21,735,627	20,435,653
Deposit Funds, Clearing, and Suspense Accounts	178,925	396,647
Subtotal	21,914,552	20,832,300
Total Status of Fund Balance with Treasury	$ 32,031,132	$ 30,866,144

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 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. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not 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.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported on the Combined Statement of Budgetary Resources because the budgetary balances include amounts supported by other than fund balance with Treasury, such as investments in Treasury Securities and allocation transfers (transferring agency). Allocation transfers result in differences for both the transferring and receiving agency because the budgetary amounts are reported by the agency transferring the funds, but the proprietary amounts are reported by the receiving agency.

NOTE 3. CASH

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

Cash as of September 30, 2005 and 2004 consists of the following:

(dollars in thousands)	FY 2005	FY 2004
Cash Not Yet Deposited to Treasury	$ 622	$ 417
Impress Fund	648	664
Total Cash	$ 1,270	$ 1,081

NOTE 4. INVESTMENTS, NET

A. Investments in Treasury Securities

The BIA, BLM, Departmental Offices, MMS, NPS, OSM, and FWS invest funds in securities on behalf of various Interior programs.

Bureau of Indian Affairs (BIA). The BIA 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. BIA's investments in public securities are discussed more fully below.

Bureau of Land Management (BLM). The BLM is authorized to invest in special non-marketable 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. The BLM invests in these securities of the Treasury pursuant to authorizing legislation for three accounts: (1) the proceeds of certain land sales authorized by the Southern Nevada Public Land Management Act enacted in October 1998; (2) the proceeds of certain land sales authorized by the Lincoln County Land Act enacted in October 2000; and (3) 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, as amended July 17, 2000.

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

Departmental Offices invest a portion of Tribal Trust and Special Funds in marketable and non-marketable 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 (MMS). Investments consist of non-marketable, market-based Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. The 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 by the law. This investment was initially funded 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 Outer Continental Shelf (OCS) bid amounts from the apparent high bidders for all OCS lease sales. Should any of the apparent 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.

National Park Service (NPS). In 1996 Congress approved, and President Clinton signed into law the "United States Commemorative Coin Act of 1996", mandating the minting and sale of several commemorative coins, including a National Law Enforcement Officers Memorial Silver Dollar. During FY 2005 the monies generated from the sale of the National Law Enforcement Officers Memorial Silver Dollars have been invested in a non-marketable, market-based, interest bearing security. During FY 2005, NPS redeemed a $65 thousand non-marketable, market-based, interest bearing security for the benefit of the Abraham Lincoln Boyhood Home.

Investments as of September 30, 2005, consist of the following:

FY 2005

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	$ 66,541	$ -	$ 66,541	$ 66,541
Bureau of Land Management	Non-Marketable, par value	1,734,975	10,790	1,745,765	1,739,828
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	157,931	(2,248)	155,683	155,165
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable, market-based	179,107	(1,225)	177,882	160,500
Tribal Trust and Special Funds	Non-Marketable, market-based	26,333	-	26,333	26,336
	Marketable	55,487	(215)	55,272	55,076
Minerals Management Service - Restricted	Non-Marketable, market-based	1,032,450	(6,803)	1,025,647	1,014,909
Minerals Management Service - Custodial	Non-Marketable, market-based	57,214	106	57,320	57,261
National Park Service	Non-Marketable, market-based	1,370	-	1,370	1,370
Office of Surface Mining	Non-Marketable, market-based	2,132,891	376	2,133,267	2,122,530
U.S. Fish and Wildlife Service	Non-Marketable, market-based	450,309	1,337	451,646	446,705
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,543,745	983	1,544,728	1,473,847
Total U.S. Treasury Securities		7,438,353	3,101	7,441,454	7,320,068
Accrued Interest		22,215	-	22,215	-
Total Non-Public Investments		7,460,568	3,101	7,463,669	7,320,068
Public Securities					
Bureau of Indian Affairs	Marketable	1,065	-	1,065	1,066
Departmental Offices - Tribal Trust and Special Funds	Marketable	196,166	431	196,597	193,790
Total Public Securities		197,231	431	197,662	194,856
Accrued Interest		1,463	-	1,463	-
Total Public Investments		198,694	431	199,125	194,856
Total Investments		$ 7,659,262	$ 3,532	$ 7,662,794	$ 7,514,924

Office of Surface Mining (OSM). Effective October 1, 1991, the OSM was authorized to invest available Abandoned Mine Land (AML) funds in non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt in the Treasury. The OSM has authority to invest AML trust funds in Treasury bills, notes, bonds, and one-day certificates. A portion of the AML investment interest earned is transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and dependents.

U.S. Fish and Wildlife Service (FWS). The FWS has investments in non-marketable 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, the Aquatic Resources Trust Fund, and the Multi-National Species Conservation Fund.

The Treasury collects, invests, and maintains on behalf of the FWS, the Aquatic Resources Trust Fund (ARTF), which includes FWS's Sport Fish Restoration Account. Although the FWS has advisory authority for ARTF investment decisions, the Treasury has legal responsibility for investing ARTF funds.

Investments as of September 30, 2004, consist of the following:

FY 2004

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	$ 68,565	$ -	$ 68,565	$ 68,565
Bureau of Land Management	Non-Marketable, par value	826,076	2,620	828,696	828,465
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	152,427	(8,658)	143,769	143,551
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable, market-based	170,592	(1,414)	169,178	168,962
Tribal Trust and Special Funds	Non-Marketable, market-based	27,755	-	27,755	27,753
	Marketable	49,860	(49)	49,811	49,792
Minerals Management Service - Restricted	Non-Marketable, market-based	1,003,203	(6,911)	996,292	1,007,471
Minerals Management Service - Custodial	Non-Marketable, market-based	27,758	8	27,766	27,769
National Park Service	Non-Marketable, market-based	64	1	65	65
Office of Surface Mining	Non-Marketable, market-based	2,042,801	168	2,042,969	2,051,753
U.S. Fish and Wildlife Service	Non-Marketable, market-based	363,832	(1,073)	362,759	363,614
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,455,389	(4,045)	1,451,344	1,446,897
Total U.S. Treasury Securities		6,188,322	(19,353)	6,168,969	6,184,657
Accrued Interest		18,360	-	18,360	-
Total Non-Public Investments		6,206,682	(19,353)	6,187,329	6,184,657
Public Securities					
Bureau of Indian Affairs	Marketable	1,077	-	1,077	1,078
Departmental Offices - Tribal Trust and Special Funds	Marketable	188,966	476	189,442	189,679
Total Public Securities		190,043	476	190,519	190,757
Accrued Interest		1,325	-	1,325	-
Total Public Investments		191,368	476	191,844	190,757
Total Investments		$ 6,398,050	$ (18,877)	$ 6,379,173	$ 6,375,414

Consistent with authorizing legislation and Treasury fiscal investment policies, the Secretary of the Treasury invests such portions of the ARTF balance deemed by the program agencies not necessary to meet current withdrawals to cover program and related costs as defined by law. Such investments are in non-marketable par value or non-marketable market-based securities as authorized by legislation and are issued and redeemed by the Federal Investment Branch of the Bureau of the Public Debt, in the Treasury. These securities are held in the name of the Secretary of the Treasury for the ARTF.

B. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in marketable Treasury and public securities. Investments in public securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes, and bonds. Mortgage instruments are issued by the Federal National Mortgage Association (Fannie Mae) and similar government-sponsored enterprises and government corporations. Bonds and bank notes are issued by Federal Home Loan Bank, the Federal Judiciary, and the Federal Farm Credit Bank. Investments in public securities reflect investments held by BIA's Power and Irrigation program and are recorded at cost.

Departmental Offices invest 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 and hydroelectric power by BOR, and water testing and other scientific studies conducted for State and local governments by the USGS. 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.

Accounts and Interest Receivable from the Public consists of the following:

(dollars in thousands)	FY 2005	FY 2004
Accounts and Interest Receivable from the Public		
Current	$ 131,278	$ 114,635
1 - 180 Days Past Due	129,914	25,607
181 - 365 Days Past Due	12,306	49,434
1 to 2 Years Past Due	26,885	77,534
Over 2 Years Past Due	98,954	223,444
Total Billed Accounts and Interest Receivable - Public	399,337	490,654
Unbilled Accounts and Interest Receivable	2,454,061	1,172,570
Total Accounts and Interest Receivable - Public	2,853,398	1,663,224
Allowance for Doubtful Accounts - Public	(192,832)	(315,583)
Total Accounts and Interest Receivable - Public Net of Allowance	$ 2,660,566	$ 1,347,641
Change in Allowance for Doubtful Accounts - Public		
Allowance for Doubtful Accounts, beginning	315,583	346,710
Additions	37,727	9,728
Deletions	(160,478)	(40,855)
Allowance for Doubtful Accounts, ending	$ 192,832	$ 315,583

Recovery of Reimbursable Capital Costs. The BOR enters into long-term repayment contracts and water service contacts 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 facilities. Also, power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on BOR's 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 Consolidated 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, 2005 and 2004, amounts not yet earned under unmatured repayment contracts were $2.5 billion and $2.7 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:

(dollars in thousands)	FY 2005	FY 2004
Accounts and Interest Receivable from Federal Agencies		
Current	$ 18,562	$ 40,963
1 - 180 Days Past Due	2,079	519
181 - 365 Days Past Due	93	399
1 to 2 Years Past Due	65	235
Over 2 Years Past Due	260	72
Total Billed Accounts and Interest Receivable - Federal	21,059	42,188
Unbilled Accounts and Interest Receivable	487,618	305,846
Total Accounts and Interest Receivable - Federal	508,677	348,034
Allowance for Doubtful Accounts - Federal	-	-
Total Accounts and Interest Receivable - Federal, Net of Allowance	$ 508,677	$ 348,034

NOTE 6. INTRAGOVERNMENT LOANS AND INTEREST RECEIVABLE, NET

Intragovernment Loans and Interest Receivable, as of September 30, 2005 and 2004, are summarized as follows:

(dollars in thousands)	FY 2005	FY 2004
Principal	$ 7,771,518	$ -
Interest	1,928,373	-
Cumulative Repayments	(7,220,114)	-
Allowance for Non-Reimbursable Costs	(21,702)	-
Intragovernmental Loans and Interest Receivable, Net	$ 2,458,075	$ -

Interest rates vary by project and pertinent legislation, and range from 1.25% to 12.4% for the year ended September 30, 2005. Repayment terms are generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. There is no Intragovernmental Loans and Interest Receivable balance in FY 2004 because Interior changed its accounting method for its receivables with Western and BPA in FY 2005. Refer to Note 24 for more detail.

NOTE 7. LOANS AND INTEREST RECEIVABLE, NET

Direct loans and loan guarantees made prior to FY 1992 were funded by congressional appropriation from the general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans.

Direct loans and loan guarantees made after FY 1991 are accounted for in accordance with the requirements of the Credit Reform Act 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. 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. 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. In FY 2005, there were 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.

BIA and BOR administer loan programs while the Departmental Offices 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.

Bureau of Indian Affairs. The BIA provides guaranteed loans to Indian Tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The BIA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the Credit Reform Act, 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 pre-credit 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 pre-credit 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. The 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. The loan programs are classified into two categories, credit reform loans and other loans made prior to the Credit Reform Act.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to Reclamation, 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 2005 includes interest and technical reestimates. These reestimates resulted in a net increase to the subsidy cost allowance of $20.6 million for the period ended September 30,

2005. The technical reestimate adjusted for differences between the projected cash flows that were expected versus actual cash flows. The interest reestimate adjusted the subsidy allowance to provide for the prevailing interest rate at the time the loans were disbursed versus the interest rates assumed in the budget preparation process.

Departmental Offices. Departmental Offices have two loans, one pre-credit reform loan to the U.S. Virgin Islands and one post-credit reform loan to the American Samoa Government (ASG).

In 1977, a loan was extended to the Virgin Islands. The loan receivable from the Virgin Islands has an offsetting liability to the Federal Financing Bank. It has a final payment due date of January 2, 2007. Principal and interest are due in January and July of each year. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. The interest is accrued at year end based upon the period of July - September.

In 2001, a loan was extended to the American Samoa Government. 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 wrote off the entire loan based on a reassessment of the loan's collectibility.

National Park Service. The NPS has a single non-interest 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, except for the first three annual payments of $215,000 per year. 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 2005 and 2004, 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 the Interior in consultation with the Wolf Trap Foundation for the maintenance of structures, facilities, and equipment of the park.

Credit Reform balances, as of September 30, 2005 and 2004, are summarized as follows:

(dollars in thousands)

A. Direct Loan and Loan Guarantee Program Names:		FY 2005		FY 2004
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$	18,378	$	22,826
Bureau of Indian Affairs - Direct Loans (Credit Reform)		8,890		9,920
Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)		317		558
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)		546		254
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)		53,598		56,753
Bureau of Reclamation - Direct Loans (Credit Reform)		92,870		110,147
Departmental Offices - Virgin Island (Pre-Credit Reform)		5,658		7,824
Departmental Offices - American Samoa Government (Credit Reform)		-		15,274
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)		3,598		3,958
Total Loans and Interest Receivable, Net	$	183,855	$	227,514

(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
	Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 17,154	$ 4,812	$ (3,588)	$ -	$ 18,378
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	60,775	78	(7,255)	-	53,598
	Departmental Offices - Virgin Island (Pre-Credit Reform)	5,523	135	-	-	5,658
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,598	-	-	-	3,598
FY 2005	Total	$ 87,050	$ 5,025	$ (10,843)	$ -	$ 81,232
	Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 21,529	$ 7,281	$ (5,984)	$ -	$ 22,826
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	63,929	79	(7,255)	-	56,753
	Departmental Offices - Virgin Island (Pre-Credit Reform)	7,640	184	-	-	7,824
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,958	-	-	-	3,958
FY 2004	Total	$ 97,056	$ 7,544	$ (13,239)	$ -	$ 91,361

(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
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 7,773	$ 461	$ -	$ 656	$ 8,890
	Bureau of Reclamation - Direct Loans (Credit Reform)	117,881	-	-	(25,011)	92,870
	Departmental Offices - American Samoa Government (Credit Reform)	17,324	626		(17,950)	-
FY 2005	Total	$ 142,978	$ 1,087	$ -	$ (42,305)	$ 101,760
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 9,528	$ 685	$ -	$ (293)	$ 9,920
	Bureau of Reclamation - Direct Loans (Credit Reform)	119,624	-	-	(9,477)	110,147
	Departmental Offices - American Samoa Government (Credit Reform)	17,142	695	-	(2,563)	15,274
FY 2004	Total	$ 146,294	$ 1,380	$ -	$ (12,333)	$ 135,341

(dollars in thousands)

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

Direct Loan Programs	FY 2005	FY 2004
Bureau of Reclamation - Direct Loans (Credit Reform)	$ 10	$ 4,111
Total	$ 10	$ 4,111

(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)	$ -	$ -	$ -	$ -	$ -
FY 2005	Total	$ -	$ -	$ -	$ -	$ -

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	$ 2	$ -	$ -	$ -	$ 2
FY 2004	Total	$ 2	$ -	$ -	$ -	$ 2

Modifications and Reestimates

	Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ -	$ 51	$ 3	$ 54
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	3,120	17,224	20,344
	Departmental Offices - American Samoa Government (Credit Reform)	15,387	-	-	15,387
FY 2005	Total	$ 15,387	$ 3,171	$ 17,227	$ 35,785
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ -	$ -	$ 267	$ 267
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	-	-	-
	Departmental Offices - American Samoa Government (Credit Reform)	-	(1,297)	962	(335)
FY 2004	Total	$ -	$ (1,297)	$ 1,229	$ (68)

Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY 2005	FY 2004
Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 54	$ 267
Bureau of Reclamation - Direct Loans (Credit Reform)	20,344	2
Departmental Offices - American Samoa Government (Credit Reform)	-	(335)
Total	$ 20,398	$ (66)

(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 2005	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 2004	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 2005	**FY 2004**
Beginning balance of the subsidy cost allowance	$ 12,333	$ 32,385
Add: Subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	-	2
Total of the above subsidy expense components	-	2
Adjustments:		
(a) Loans written off	14,540	(15,410)
(b) Subsidy allowance amortization	(4,852)	(4,406)
(c) Other	(113)	(170)
Ending balance of the subsidy cost allowance before reestimates	21,908	12,401
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	3,171	(1,297)
(b) Technical/default reestimate	17,227	1,229
Total of the above reestimate components	20,398	(68)
Ending balance of the subsidy cost allowance	$ 42,306	$ 12,333

The allowance for Subsidy Account reflects the unamortized credit reform subsidy for direct loans.

(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
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 6,804	$ 3,757	$ -	$ (10,244)	$ 317
FY 2005	Total	$ 6,804	$ 3,757	$ -	$ (10,244)	$ 317
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 11,087	$ 7,503	$ -	$ (18,032)	$ 558
FY 2004	Total	$ 11,087	$ 7,503	$ -	$ (18,032)	$ 558

(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)	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 4,930	$ 1,052	$ -	$ (5,436)	$ 546
FY 2005	Total	$ 4,930	$ 1,052	$ -	$ (5,436)	$ 546
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,148	$ 779	$ -	$ (2,673)	$ 254
FY 2004	Total	$ 2,148	$ 779	$ -	$ (2,673)	$ 254

(dollars in thousands)
Loan Guarantees

J. Guaranteed Loans Outstanding as of September 30, 2005:

Guaranteed Loans Outstanding

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Pre-1992	$ 5,301	$ 4,753
FY 1992	705	625
FY 1993	1,417	1,227
FY 1994	10,859	9,761
FY 1995	2,396	1,946
FY 1996	6,594	5,934
FY 1997	6,335	5,587
FY 1998	4,687	4,199
FY 1999	26,936	24,007
FY 2000	41,953	37,724
FY 2001	24,116	21,303
FY 2002	29,665	26,088
FY 2003	46,623	41,793
FY 2004	71,912	64,265
FY 2005	28,697	25,815
Total	$ 308,196	$ 275,027

New Guaranteed Loans Disbursed (Current reporting year):

	Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
	Amount Paid in FY 2005 for Prior Years	$ 24,305	$ 21,874
	Amount Paid in FY 2005 for 2005 Guarantees	28,725	25,852
FY 2005	Total	$ 53,030	$ 47,726
	Amount Paid in FY 2004 for Prior Years	$ 32,315	$ 29,083
	Amount Paid in FY 2004 for 2004 Guarantees	55,855	49,850
FY 2004	Total	$ 88,170	$ 78,933

(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
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 81,670	$ 81,670
FY 2005	Total	$ -	$ 81,670	$ 81,670
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 60,081	$ 60,081
FY 2004	Total	$ -	$ 60,081	$ 60,081

(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
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,414	$ 2,011	$ (954)	$ -	$ 3,471
FY 2005	Total	$ 2,414	$ 2,011	$ (954)	$ -	$ 3,471
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 3,976	$ 3,220	$ (1,592)	$ -	$ 5,604
FY 2004	Total	$ 3,976	$ 3,220	$ (1,592)	$ -	$ 5,604

Modifications and Reestimates:

	Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ 3,760	$ 14,955	$ 18,715
FY 2005	Total	$ -	$ 3,760	$ 14,955	$ 18,715
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ -	$ 451	$ 451
FY 2004	Total	$ -	$ -	$ 451	$ 451

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Programs	**FY 2005**	**FY 2004**
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 22,186	$ 6,055
Total	$ 22,186	$ 6,055

(dollars in thousands)

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

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	4.5%	4.1%	-1.8%	0.0%	6.8%
FY 2005	Total	4.5%	4.1%	-1.8%	0.0%	6.8%
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	4.7%	3.3%	-1.8%	0.0%	6.2%
FY 2004	Total	4.7%	3.3%	-1.8%	0.0%	6.2%

(dollars in thousands)

N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY 2005	**FY 2004**
Beginning balance of the loan guarantee liability	$ 60,081	$ 52,185
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	2,415	3,976
(b) Default costs (net of recoveries)	2,011	3,220
(c) Fees and other collections	(954)	(1,592)
Total of the above subsidy expense components	3,472	5,604
Adjustments:		
(a) Fees received	951	1,422
(b) Interest supplements paid	(1,657)	(1,564)
(c) Claim payments to lenders	(2,848)	(1,281)
(d) Interest accumulation on the liability balance	2,956	3,264
Ending balance of the loan guarantee liability before reestimates	62,955	59,630
Add or subtract subsidy reestimates by component:		
(a) Interest rate re-estimate	3,760	-
(b) Technical/default reestimate	14,955	451
Total of the above reestimate components	18,715	451
Ending balance of the loan guarantee liability	$ 81,670	$ 60,081

(dollars in thousands)
O. Administrative Expense:

	Direct Loan Programs			Loan Guarantee Programs		
	Bureau of Reclamation - Direct Loans (Credit Reform)	$	78	Bureau of Indian Affairs - Guaranteed Loan Programs	$	1,151
	Departmental Offices - American Samoa Government (Credit Reform)		-			-
FY 2005	Total	$	78		$	1,151
	Bureau of Reclamation - Direct Loans (Credit Reform)	$	113	Bureau of Indian Affairs - Guraranteed Loan Programs	$	4,405
	Departmental Offices - American Samoa Government (Credit Reform)		836			-
FY 2004	Total	$	949		$	4,405

NOTE 8. INVENTORY AND RELATED PROPERTY, NET

Inventory and Related Property as of September 30, 2005 and 2004 consists of the following:

(dollars in thousands)	FY 2005	FY 2004
Inventory		
Published Maps Held for Current/Future Sale	$ 9,675	$ 10,070
Raw Materials Held for Use	-	1,252
Gas and Storage Rights held for Current / Future Sales	1,055	1,055
Airplane Parts Held for Use	429	19
Aviation Fuel Held for Use	100	548
Operating Materials		
Working Capital Fund: Inventory, Held for Use	306	444
Stockpile Materials		
Recoverable Below-Ground Crude Helium, Held in Reserve	303,018	319,821
Total Inventory and Related Property	314,583	333,209
Allowance for Obsolescence	(8,888)	(8,890)
Net Inventory and Related Property	$ 305,695	$ 324,319

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

General Property, Plant, and Equipment, consists of that property which is used in operations and, with some exceptions, consumed over time. Property, Plant, and Equipment categories, with corresponding accumulated depreciation, as of September 30, 2005 and 2004, are shown in the following tables.

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	**FY 2005** Net Book Value
Land and Land Improvements	$ 2,044,787	$ 62,707	$ 1,982,080
Buildings	2,804,111	1,161,271	1,642,840
Structures and Facilities	19,746,770	8,967,840	10,778,930
Leasehold Improvements	37,015	7,587	29,428
Construction in Progress			
Construction in Progress - General	1,519,655	-	1,519,655
Construction in Progress in Abeyance	558,739	-	558,739
Equipment, Vehicles, and Aircraft	1,847,963	1,167,222	680,741
Assets Under Capital Lease	28,179	3,614	24,565
Internal Use Software:			
In Use	123,583	63,295	60,288
In Development	46,512	-	46,512
Total Property, Plant, and Equipment	$ 28,757,314	$ 11,433,536	$ 17,323,778

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	**FY 2004** Net Book Value
Land and Land Improvements	$ 2,035,912	$ 58,184	$ 1,977,728
Buildings	2,685,764	1,107,695	1,578,069
Structures and Facilities	19,595,462	8,729,097	10,866,365
Leasehold Improvements	34,104	3,449	30,655
Construction in Progress			
Construction in Progress - General	1,332,970	-	1,332,970
Construction in Progress in Abeyance	557,054	-	557,054
Equipment, Vehicles, and Aircraft	1,780,236	1,095,542	684,694
Assets Under Capital Lease	28,185	2,185	26,000
Internal Use Software:			
In Use	121,564	50,924	70,640
In Development	30,036	-	30,036
Total Property, Plant, and Equipment	$ 28,201,287	$ 11,047,076	$ 17,154,211

NOTE 10. ASSETS ANALYSIS

Assets of Interior include entity assets (unrestricted and restricted) and non-entity 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. Non-entity 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 portion of the Aquatic Resources Trust Fund not designated for other Federal agencies, the Environmental Improvement and Restoration Fund, the Reclamation Fund, and other unavailable receipt funds. See Note 23, Dedicated Collections, for additional information on some of these funds.

Non-entity assets, restricted by nature, consist of MMS's custodial royalty activity, a portion of the Aquatic Resources Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

The Interior's assets as of September 30, 2005 are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	**FY 2005**
Intragovernmental Assets:				
Fund Balance with Treasury	$ 10,291,182	$ 21,500,893	$ 239,057	$ 32,031,132
Investments, Net	5,092,465	1,713,703	657,501	7,463,669
Accounts and Interest Receivable	151,958	12,614	344,105	508,677
Loans and Interest Receivable, Net	-	2,458,075	-	2,458,075
Other				
Advances and Prepayments	1,405	-	-	1,405
Total Intragovernmental Assets	15,537,010	25,685,285	1,240,663	42,462,958
Cash	1,270	-	-	1,270
Investments, Net	199,125	-	-	199,125
Accounts and Interest Receivable, Net	213,750	4,860	2,441,956	2,660,566
Loans and Interest Receivable, Net	130,256	33,901	19,698	183,855
Inventory and Related Property, Net	305,695	-	-	305,695
General Property, Plant, and Equipment, Net	17,323,778	-	-	17,323,778
Other				
Advances and Prepayments	136,074	-	-	136,074
Net Power Rights	160,579	-	-	160,579
Subtotal	296,653	-	-	296,653
Stewardship Assets				
TOTAL ASSETS	$ 34,007,537	$ 25,724,046	$ 3,702,317	$ 63,433,900

The Interior's assets as of September 30, 2004, are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	**FY 2004**
Intragovernmental Assets:				
Fund Balance with Treasury	$ 10,170,437	$ 20,251,642	$ 444,065	$ 30,866,144
Investments, Net	3,937,294	1,642,228	607,807	6,187,329
Accounts and Interest Receivable	120,358	9,827	217,849	348,034
Other				
Advances and Prepayments	1,211	-	-	1,211
Total Intragovernmental Assets	14,229,300	21,903,697	1,269,721	37,402,718
Cash	1,081	-	-	1,081
Investments, Net	191,844	-	-	191,844
Accounts and Interest Receivable, Net	157,582	3,780	1,186,279	1,347,641
Loans and Interest Receivable, Net	170,761	35,804	20,949	227,514
Inventory and Related Property, Net	324,319	-	-	324,319
General Property, Plant, and Equipment, Net	17,154,211	-	-	17,154,211
Other				
Advances and Prepayments	126,579	-	-	126,579
Net Power Rights	170,371	-	-	170,371
Subtotal	296,950	-	-	296,950
Stewardship Assets				
TOTAL ASSETS	$ 32,526,048	$ 21,943,281	$ 2,476,949	$ 56,946,278

NOTE 11. INTRAGOVERNMENTAL DEBT

Interior's debt to Treasury consists of: (1) the helium production fund; (2) borrowings to finance the credit reform loan programs; and (3) borrowings to finance loans under the Federal Financing Bank.

Intragovernmental debt to Treasury activity as of September 30, 2005 and 2004, is summarized as follows:

(dollars in thousands)	FY 2004 Beginning Balance	Borrowing / (Repayments), Net	FY 2004 Ending Balance	Borrowing / (Repayments), Net	**FY 2005** Ending Balance
Helium Fund	$ 1,199,204	$ (60,000)	$ 1,139,204	$ (65,000)	$ 1,074,204
Credit Reform Borrowings	155,643	2,391	158,034	(17,236)	140,798
Federal Financing Bank	9,605	(1,964)	7,641	(2,118)	5,523
Total Debt Due to Treasury	$ 1,364,452	$ (59,573)	$ 1,304,879	$ (84,354)	$ 1,220,525

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 intragovernmental 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 is planning to repay at least $50 million each year, with exact 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, 2005 and 2004, is summarized as follows:

(dollars in thousands)	FY 2005	FY 2004
Principal	$ 251,651	$ 251,651
Interest		
Balance, Beginning of Year	887,553	947,553
Repayments	(65,000)	(60,000)
Balance, End of Year	822,553	887,553
Total Debt Due to Treasury	$ 1,074,204	$ 1,139,204

B. Intragovernmental Debt to Treasury under Credit Reform

BIA, BOR, and Departmental Offices (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.

Bureau of Indian Affairs. The Credit Reform Act authorizes the BIA 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 4.87 percent to 11.12 percent. These loans have various maturity dates from 2006 to 2028.

Bureau of Reclamation. As discussed in Note 7, Reclamation makes 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 6.01 percent to 6.82 percent.

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 5.4 percent. The loan has a final payment date of 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 for the purpose of operating a direct loan and loan guarantee program. 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. The interest rate charged on each loan ranges from 7.85 percent to 12.7 percent. The loan has a final payment due date of January 2, 2007.

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

Federal Employee and Veteran Benefits Payable, as of September 30, 2005 and 2004, consisted of the following:

(dollars in thousands)	FY 2005	FY 2004
Federal Employee and Veteran Benefits Payable		
U.S. Park Police Pension Actuarial Liability	$ 678,400	$ 639,500
Federal Employees Compensation Actuarial Liability	689,305	664,855
Total Federal Employee and Veteran Benefits Payable	$ 1,367,705	$ 1,304,355

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

In FY 2004, NPS used OPM's assumptions for interest, inflation, and salary increases to calculate the actuarial USPP Pension Plan Liability and associated expense. However, OPM subsequently adjusted their assumptions which caused NPS's assumptions to differ slightly. The impact on the actuarial USPP Pension Plan liability and associated expense, because of the difference, is not significant.

Economic Assumptions Used	FY 2005	FY 2004
Interest Rate	6.25	6.75
Inflationary Rate	3.25	3.75
Projected Salary Increase	4.00	4.25

(dollars in thousands) UPP Pension Plan Expense	FY 2005	FY 2004
Normal Costs	$ 1,700	$ 1,600
Interest	42,300	41,500
Assumption Changes at Beginning of Year	24,549	(25,305)
Total Pension Expenses	$ 68,549	$ 17,795

(dollars in thousands) USPP Pension Plan Liability	FY 2005	FY 2004
Beginning Balance	$ 639,500	$ 649,300
Total Pension Expense	68,549	17,795
Less Benefit Payments	(29,649)	(27,595)
Ending Balance	$ 678,400	$ 639,500

NOTE 13. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

Interior has responsibility to remediate 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 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 and the likelihood of unfavorable outcome is more than remote.

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2005 and 2004, are summarized in the categories below:

FY 2005		Estimated Range of Loss	
(dollars in thousands)	Accrued Liabilities	Lower End of	Upper End of
Contingent Liabilities			
Probable	$ 631,174	$ 631,174	$ 1,627,889
Reasonably Possible		325,728	1,588,978
Environmental and Disposal Liabilities			
Probable	120,808	120,808	171,077
Reasonably Possible		60,427	239,978
Total Contingent Liabilities and Environmental and Disposal Liabilities	$ 751,982	$ 1,138,137	$ 3,627,922

FY 2004		Estimated Range of Loss	
(dollars in thousands)	Accrued Liabilities	Lower End of	Upper End of
Contingent Liabilities			
Probable	$ 760,482	$ 760,482	$ 1,472,173
Reasonably Possible		393,058	1,744,240
Environmental and Disposal Liabilities			
Probable	101,808	101,808	132,463
Reasonably Possible		71,286	357,131
Total Contingent Liabilities and Environmental and Disposal Liabilities	$ 862,290	$ 1,326,634	$ 3,706,007

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 (CERCLA), the Resource Conservation and Recovery Act (RCRA), Oil Pollution Act (OPA), Clean Water Act (CWA), Clean Air Act (CAA), Safe Drinking Water Act (SDWA), and Asbestos Hazard Emergency Response Act (AHERA). Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances at or 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., non-friable asbestos), are not subject to cleanup under applicable law. Only if they become friable or otherwise released to the environment would they be considered contaminants requiring cleanup or abatement. Under normal circumstances, remediation or abatement is limited to situations such as the remodeling or demolition of a building containing these materials where the materials could be released and cause contamination of the environment. Unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials in an undisturbed or encapsulated state are not to be accrued as environmental cleanup. Any cost for remediation or abatement would only accrue if the material becomes friable or is otherwise released into the environment. Such costs would then be reported in the same manner as any other environmental liability.

Indian Trust Funds. The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the Federal Government for Indian Tribes and individuals. There have been long-standing, complicated issues with Indian trust fund accounting and management. Currently, there is litigation pending related to trust management for both Indian tribes and individuals.

Twenty-five Tribal trust cases currently are pending in various Federal district courts and the U.S. Court of Federal Claims. These cases, which were brought by 19 different Tribes, involve claims for trust fund and asset mismanagement, accounting, and other declaratory relief. A substantial number of the cases are stayed pending settlement negotiations.

In addition, a class action lawsuit has been brought on behalf of individual Indian beneficiaries of the Individual Indian Money (IIM) trust accounts. The lawsuit alleges that Interior and Treasury have breached their trust obligations with respect to the management of funds in the IIM accounts. The plaintiffs claim that they are seeking only an “accounting” of the IIM trust funds and no damages.

Notwithstanding the damages or other claims described above, 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. Accounting efforts to date have not revealed evidence of material systemic errors.

Other Contingent Liabilities. Other Contingent Liabilities consist of numerous lawsuits and claims filed against Interior which are awaiting adjudication. They typically relate to Federal Tort Claims Act administrative claims, 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, the 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, including: (1) alleged failure to protect a Tribe's treaty rights; (2) a Tribe's allegation of title to lands as it seeks an injunction to prevent transfer of the lands; (3) claims of a municipal water conservation district regarding repayment obligation for costs of the Central Arizona Project and issues related to project operation; and (4) claims for wrongful death and injuries in a fatal shooting by BIA officers responding on a reservation to a domestic dispute call. 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.

NOTE 14. 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.

Change in Unfunded Liabilities. The Consolidated Statement of Financing 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 this footnote. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities which are reported on the Consolidating Statement of Financing. 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 the Consolidated Statement of Financing.

The Interior's liabilities covered and not covered by budgetary resources as of September 30, 2005, 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 2005**
Intragovernmental Liabilities:					
Accounts Payable	$ 79,881	$ -	$ -	$ -	$ 79,881
Debt	50,000	1,164,867	717	4,941	1,220,525
Other					
Resources Payable to Treasury	-	-	49,974	1,966,860	2,016,834
Advances and Deferred Revenue	1,624,228	-	1,146	1,150	1,626,524
Custodial Liability	-	-	996,371	-	996,371
Other Liabilities					
Accrued Employee Benefits	38,220	-	18,869	32,890	89,979
Aquatic Resources Due to Others	-	-	-	439,929	439,929
Judgment Fund	-	-	-	180,510	180,510
Unfunded FECA Liability	-	-	34,886	56,458	91,344
Other Miscellaneous Liabilities	2	-	88,555	47,009	135,566
Total Other Liabilities	38,222	-	142,310	756,796	937,328
Total Other Intragovernmental Liabilities	1,662,450	-	1,189,801	2,724,806	5,577,057
Total Intragovernmental Liabilities	1,792,331	1,164,867	1,190,518	2,729,747	6,877,463
Public Liabilities:					
Accounts Payable	1,010,546	77,172	-	-	1,087,718
Loan Guarantee Liability	-	81,670	-	-	81,670
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	678,400	678,400
FECA Actuarial Liability	-	-	-	689,305	689,305
Total Federal Employee Veterans' Benefits	-	-	-	1,367,705	1,367,705
Environmental and Disposal Liabilities	-	1,540	-	119,268	120,808
Other					
Contingent Liabilities	-	-	3,190	627,984	631,174
Advances and Deferred Revenue	142,379	-	42,411	304,676	489,466
Payments Due to States	-	-	1,009,418	-	1,009,418
Other Liabilities					
Accrued Payroll and Benefits	195,305	-	-	-	195,305
Unfunded Annual Leave	-	-	2,986	345,466	348,452
Deposit Funds	5,286	-	162,213	8,984	176,483
Capital Leases	-	-	51	26,252	26,303
Custodial Liability	-	-	23,303	-	23,303
Secure Rural Schools Act Payable	-	-	106,810	-	106,810
Storm Damage	4,646	-	26,206	64,488	95,340
Other Miscellaneous Liabilities	24,940	-	612	34,008	59,560
Total Other Liabilities	230,177	-	322,181	479,198	1,031,556
Total Other Public Liabilities	372,556	-	1,377,200	1,411,858	3,161,614
Total Public Liabilities	1,383,102	160,382	1,377,200	2,898,831	5,819,515
Total Liabilities	$ 3,175,433	$ 1,325,249	$ 2,567,718	$ 5,628,578	$ 12,696,978

The Interior's liabilities covered and not covered by budgetary resources as of September 30, 2004, 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 2004
Intragovernmental Liabilities:					
Accounts Payable	$ 76,826	$ -	$ -	$ -	$ 76,826
Debt	51,065	1,245,989	1,501	6,324	1,304,879
Other					
Resources Payable to Treasury	-	-	231	25,994	26,225
Advances and Deferred Revenue	1,754,257	-	1,630	1,114	1,757,001
Custodial Liability	-	-	671,478	-	671,478
Other Liabilities					
Accrued Employee Benefits	32,953	-	27,179	49,547	109,679
Aquatic Resources Due to Others	-	-	-	420,896	420,896
Judgment Fund	-	-	-	178,879	178,879
Unfunded FECA Liability	-	-	23,383	38,030	61,413
Other Miscellaneous Liabilities	-	-	77,410	54,253	131,663
Total Other Liabilities	32,953	-	127,972	741,605	902,530
Total Other Intragovernmental Liabilities	1,787,210	-	801,311	768,713	3,357,234
Total Intragovernmental Liabilities	1,915,101	1,245,989	802,812	775,037	4,738,939
Public Liabilities:					
Accounts Payable	1,024,845	-	-	-	1,024,845
Loan Guarantee Liability	-	60,081	-	-	60,081
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	639,500	639,500
FECA Actuarial Liability	-	-	-	664,855	664,855
Total Federal Employee Veterans' Benefits	-	-	-	1,304,355	1,304,355
Environmental and Disposal Liabilities	-	6,006	-	95,802	101,808
Other					
Contingent Liabilities	-	-	762	759,720	760,482
Advances and Deferred Revenue	268,277	-	25,816	152,276	446,369
Payments Due to States	-	-	412,880	-	412,880
Other Liabilities					
Accrued Payroll and Benefits	158,619	-	-	2,468	161,087
Unfunded Annual Leave	-	-	2,883	336,447	339,330
Deposit Funds	-	-	358,419	11,022	369,441
Capital Leases	-	-	2,072	24,931	27,003
Custodial Liability	-	-	24,681	-	24,681
Secure Rural Schools Act Payable	-	-	102,387	-	102,387
Storm Damage	-	-	21,188	26,812	48,000
Other Miscellaneous Liabilities	-	-	58	49,975	50,033
Total Other Liabilities	158,619	-	511,688	451,655	1,121,962
Total Other Public Liabilities	426,896	-	951,146	1,363,651	2,741,693
Total Public Liabilities	1,451,741	66,087	951,146	2,763,808	5,232,782
Total Liabilities	$ 3,366,842	$ 1,312,076	$ 1,753,958	$ 3,538,845	$ 9,971,721

NOTE 15. ROYALTIES RETAINED

Royalties Retained include mineral receipts transferred to the Interior totaling $5,130 and $3,491 million for the fiscal years ended September 30, 2005 and 2004, respectively. These amounts include transfers to the Land and Water Conservation Fund, to MMS for distribution to States, and to offset costs incurred by MMS related to royalty collections and the Reclamation Fund. These amounts are presented on the Consolidated Statement of Changes in Net Position in accordance with Federal accounting standards and are considered other sources of budgetary financing.

MMS received $2,229 million and $1,347 million of revenues in FY 2005 and 2004 that they subsequently provided to the states.

NOTE 16. LEASES

Capital Leases

Capital leases as of September 30, 2005 and 2004 consist of the following:

(dollars in thousands)	FY 2005	FY 2004
Real Property	$ 28,000	$ 28,000
Personal Property	179	185
Accumulated Amortization	(3,614)	(2,185)

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:

(dollars in thousands)

Fiscal Year	Real Property	Personal Property	Total
2006	$ 1,997	$ 27	$ 2,024
2007	1,997	22	2,019
2008	2,085	19	2,104
2009	2,172	-	2,172
2010	2,172	-	2,172
Thereafter	29,627	-	29,627
Total Future Capital Lease Payments	40,050	68	40,118
Less: Imputed Interest	13,799	16	13,815
Less: Executory Costs	-	-	-
FY 2005 Net Capital Lease Liability	$ 26,251	$ 52	$ 26,303
FY 2004 Net Capital Lease Liability	$ 26,929	$ 74	$ 27,003

Operating Leases

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

(dollars in thousands)	Real Property		Personal Property		
Fiscal Year	Federal	Public	Federal	Public	Total
2006	$ 264,896	$ 46,280	$ 49,852	$ 4,297	$ 365,325
2007	252,269	42,953	51,048	3,696	349,966
2008	246,483	40,721	52,269	3,666	343,139
2009	227,333	39,899	53,524	3,490	324,246
2010	221,114	38,081	54,809	3,336	317,340
Thereafter	339,785	320,927	13,878	-	674,590
Total Future Operating Lease Payments	$ 1,551,880	$ 528,861	$ 275,380	$ 18,485	$ 2,374,606

Most of Interior's facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. The terms of Interior's rental 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 does not execute an agreement with GSA or enters into cancelable agreements, some of which do not have a formal lease 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 leases frequently exceed one year, although a definite lease period is not always specified.

For real and personal property, future operating lease payments are calculated based on the terms of the lease or if the lease is silent, an annual inflationary factor of 1.5 percent for FY 2006 and 2.4 percent for years 2007 and beyond. The inflationary factors are applied against the actual 2005 rental expense. For operating leases that have an indefinite period of performance, future lease payments are only calculated for 5 years.

NOTE 17. 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 sales of goods and services to Federal agencies and the public, and net cost of operations by program and by responsibility segment.

Responsibility Segment Presentation. OMB Circular 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 in FY 2005 and FY 2004 by the Mission Goals in the FY 2004 Strategic Plan. The Mission Goals, which are applicable beginning FY 2004, are: Resource Protection, Resource Use, Recreation, and Serving Communities. In addition, costs are reported for "Reimbursable Activity and Other." These Mission Goals are supported by 17 Department-level end outcome goals identified in the FY 2004 Strategic Plan.

During FY 2005, some Interior components changed their methodology for allocating costs to Interior's Mission Goals in order to more closely match their strategic and performance plans. The Resource Use mission is the only goal that is not affected by this change. This is a prospective change.

Intragovernmental Costs/Revenue. OMB Circular A-136 has changed the disclosure requirements for transactions between Federal entities and with the public. Under the revised guidance, Interior will present costs associated with Federal agencies, as well as costs associated with the public. This presentation is different from how costs were previously reported. Specifically, in prior years, Interior presented the estimated costs associated with earning revenue from Federal or public sources rather than amounts associated with Federal agencies or with the public. Total costs remain unchanged. Due to the change in the presentation of intragovernmental and public costs, Interior's FY 2004 Consolidated Statement of Net Cost has been reclassified to correspond to the new presentation.

NOTE 18. COSTS

By law, the 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 the Interior and are not reflected in the Interior's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to the 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 Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Interior recognizes identified costs paid for the Interior by other agencies as expenses of the Interior. The funding for these costs is reflected as imputed financing sources on the Consolidated Statement of Changes in Net Position. Expenses paid by other agencies on behalf of the Interior were $452 million and $519 million during FY 2005 and FY 2004, respectively. The Interior also receives donated heritage assets such as stewardship land, cultural landscapes, and library and museum objects. These donations are received from the public or from non-profit conservation organizations and have an estimated value of $184 million and $163 million for FY 2005 and FY 2004, respectively.

During FY 2005 and FY 2004, the costs associated with acquiring, constructing, and renovating heritage assets were $175 million and $118 million, respectively. The costs associated with acquiring and improving stewardship lands were $240 million and $200 million during FY 2005 and FY 2004, respectively.

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Resource Protection				
Intragovernmental Costs	$ -	$ 86,741	$ 16,031	$ 12,989
Public Costs	-	277,431	25,459	14,722
Total Costs	-	364,172	41,490	27,711
Intragovernmental Earned Revenue	-	40,518	7,456	3,613
Public Earned Revenue	-	1,186,084	1,035	-
Total Earned Revenue	-	1,226,602	8,491	3,613
Net Costs	-	(862,430)	32,999	24,098
Resource Use				
Intragovernmental Costs	-	83,043	426,180	1,339
Public Costs	-	263,143	896,358	4,489
Total Costs	-	346,186	1,322,538	5,828
Intragovernmental Earned Revenue	-	2,468	262,414	102
Public Earned Revenue	-	217,766	605,780	-
Total Earned Revenue	-	220,234	868,194	102
Net Costs	-	125,952	454,344	5,726
Recreation				
Intragovernmental Costs	-	30,327	8,548	-
Public Costs	-	157,457	19,173	-
Total Costs	-	187,784	27,721	-
Intragovernmental Earned Revenue	-	5,512	1,118	-
Public Earned Revenue	-	15,181	12,537	-
Total Earned Revenue	-	20,693	13,655	-
Net Costs	-	167,091	14,066	-
Serving Communities				
Intragovernmental Costs	377,576	308,550	-	135,938
Public Costs	2,858,199	1,049,182	-	760,161
Total Costs	3,235,775	1,357,732	-	896,099
Intragovernmental Earned Revenue	332,594	102,535	-	16,905
Public Earned Revenue	118,979	227,815	-	15,004
Total Earned Revenue	451,573	330,350	-	31,909
Net Costs	2,784,202	1,027,382	-	864,190
Reimbursable Activity and Other				
Intragovernmental Costs	-	-	198,893	323,142
Public Costs	-	-	298,076	1,225,624
Total Costs	-	-	496,969	1,548,766
Intragovernmental Earned Revenue	-	-	373,164	1,331,112
Public Earned Revenue	-	-	38,969	24,942
Total Earned Revenue	-	-	412,133	1,356,054
Net Costs	-	-	84,836	192,712
Total				
Intragovernmental Costs	377,576	508,661	649,652	473,408
Public Costs	2,858,199	1,747,213	1,239,066	2,004,996
Total Costs	3,235,775	2,255,874	1,888,718	2,478,404
Intragovernmental Earned Revenue	332,594	151,033	644,152	1,351,732
Public Earned Revenue	118,979	1,646,846	658,321	39,946
Total Earned Revenue	451,573	1,797,879	1,302,473	1,391,678
Net Cost of Operations	$ 2,784,202	$ 457,995	$ 586,245	$ 1,086,726

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	**FY 2005**
$ -	$ 357,709	$ 930	$ 246,292	$ 59,798	$ (137,437)	$ 643,053
-	1,173,611	59,182	1,317,434	216,569	-	3,084,408
-	1,531,320	60,112	1,563,726	276,367	(137,437)	3,727,461
-	7,248	-	80,446	61,207	(70,414)	130,074
-	27,979	1	74,560	8,964	-	1,298,623
-	35,227	1	155,006	70,171	(70,414)	1,428,697
-	1,496,093	60,111	1,408,720	206,196	(67,023)	2,298,764
71,533	-	17,250	8,225	26,720	(279,917)	354,373
2,460,628	-	50,398	20,517	70,713	-	3,766,246
2,532,161	-	67,648	28,742	97,433	(279,917)	4,120,619
-	-	1,462	169	5,503	(5,512)	266,606
126,657	-	59	72	818	-	951,152
126,657	-	1,521	241	6,321	(5,512)	1,217,758
2,405,504	-	66,127	28,501	91,112	(274,405)	2,902,861
-	223,560	-	60,182	-	(49,485)	273,132
-	896,208	-	501,564	-	-	1,574,402
-	1,119,768	-	561,746	-	(49,485)	1,847,534
-	44,599	-	10,383	-	(17,171)	44,441
-	258,433	-	9,517	-	-	295,668
-	303,032	-	19,900	-	(17,171)	340,109
-	816,736	-	541,846	-	(32,314)	1,507,425
9,822	88,826	7,755	34,391	292,300	(400,952)	854,206
21,341	260,621	110,989	129,139	815,991	-	6,005,623
31,163	349,447	118,744	163,530	1,108,291	(400,952)	6,859,829
-	1,013	86	5,349	194,064	(182,013)	470,533
9,700	1,304	1	7,878	174,795	-	555,476
9,700	2,317	87	13,227	368,859	(182,013)	1,026,009
21,463	347,130	118,657	150,303	739,432	(218,939)	5,833,820
58,857	4	-	(3,621)	-	(478,268)	99,007
1,507,166	-	61,684	3,645	-	-	3,096,195
1,566,023	4	61,684	24	-	(478,268)	3,195,202
1,577,916	-	-	496	-	(1,022,500)	2,260,188
668	-	-	279	-	-	64,858
1,578,584	-	-	775	-	(1,022,500)	2,325,046
(12,561)	4	61,684	(751)	-	544,232	870,156
140,212	670,099	25,935	345,469	378,818	(1,346,059)	2,223,771
3,989,135	2,330,440	282,253	1,972,299	1,103,273	-	17,526,874
4,129,347	3,000,539	308,188	2,317,768	1,482,091	(1,346,059)	19,750,645
1,577,916	52,860	1,548	96,843	260,774	(1,297,610)	3,171,842
137,025	287,716	61	92,306	184,577	-	3,165,777
1,714,941	340,576	1,609	189,149	445,351	(1,297,610)	6,337,619
$ 2,414,406	$ 2,659,963	$ 306,579	$ 2,128,619	$ 1,036,740	$ (48,449)	$ 13,413,026

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Resource Protection				
Intragovernmental Costs	$ -	$ 89,549	$ 7,093	$ 10,689
Public Costs	-	288,726	20,482	17,867
Total Costs	-	378,275	27,575	28,556
Intragovernmental Earned Revenue	-	13,032	11,122	2,249
Public Earned Revenue	-	402,509	(209)	-
Total Earned Revenue	-	415,541	10,913	2,249
Net Costs	-	(37,266)	16,662	26,307
Resource Use				
Intragovernmental Costs	-	75,138	478,471	1,307
Public Costs	-	243,590	862,793	8,174
Total Costs	-	318,728	1,341,264	9,481
Intragovernmental Earned Revenue	-	1,587	135,055	136
Public Earned Revenue	-	195,271	629,147	78
Total Earned Revenue	-	196,858	764,202	214
Net Costs	-	121,870	577,062	9,267
Recreation				
Intragovernmental Costs	-	34,059	6,158	-
Public Costs	-	97,737	16,383	-
Total Costs	-	131,796	22,541	-
Intragovernmental Earned Revenue	-	1,941	266	-
Public Earned Revenue	-	21,152	24,214	-
Total Earned Revenue	-	23,093	24,480	-
Net Costs	-	108,703	(1,939)	-
Serving Communities				
Intragovernmental Costs	378,927	250,482	-	327,342
Public Costs	2,824,437	1,005,098	-	404,910
Total Costs	3,203,364	1,255,580	-	732,252
Intragovernmental Earned Revenue	221,869	285,828	-	6,896
Public Earned Revenue	118,384	92,918	-	15,622
Total Earned Revenue	340,253	378,746	-	22,518
Net Costs	2,863,111	876,834	-	709,734
Reimbursable Activity and Other				
Intragovernmental Costs	-	(936)	200,336	312,318
Public Costs	-	936	293,547	833,659
Total Costs	-	-	493,883	1,145,977
Intragovernmental Earned Revenue	-	-	373,082	954,056
Public Earned Revenue	-	-	56,128	14,489
Total Earned Revenue	-	-	429,210	968,545
Net Costs	-	-	64,673	177,432
Total				
Intragovernmental Costs	378,927	448,292	692,058	651,656
Public Costs	2,824,437	1,636,087	1,193,205	1,264,610
Total Costs	3,203,364	2,084,379	1,885,263	1,916,266
Intragovernmental Earned Revenue	221,869	302,388	519,525	963,337
Public Earned Revenue	118,384	711,850	709,280	30,189
Total Earned Revenue	340,253	1,014,238	1,228,805	993,526
Net Cost of Operations	$ 2,863,111	$ 1,070,141	$ 656,458	$ 922,740

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	**FY 2004**
$ -	$ 168,925	$ 754	$ 228,302	$ 55,676	$ (95,780)	$ 465,208
-	627,269	71,377	1,330,447	211,260	-	2,567,428
-	796,194	72,131	1,558,749	266,936	(95,780)	3,032,636
-	6,956	-	81,226	61,222	(73,430)	102,377
-	54,661	-	45,714	8,459	-	511,134
-	61,617	-	126,940	69,681	(73,430)	613,511
-	734,577	72,131	1,431,809	197,255	(22,350)	2,419,125
65,376	-	14,449	6,084	29,085	(284,287)	385,623
1,559,264	-	92,588	24,471	65,836	-	2,856,716
1,624,640	-	107,037	30,555	94,921	(284,287)	3,242,339
-	-	1,119	107	5,746	(5,069)	138,681
115,669	-	105	414	641	-	941,325
115,669	-	1,224	521	6,387	(5,069)	1,080,006
1,508,971	-	105,813	30,034	88,534	(279,218)	2,162,333
-	280,978	-	54,320	-	(44,015)	331,500
-	1,256,792	-	423,132	-	-	1,794,044
-	1,537,770	-	477,452	-	(44,015)	2,125,544
-	13,304	-	14,208	-	(9,072)	20,647
-	184,919	-	8,020	-	-	238,305
-	198,223	-	22,228	-	(9,072)	258,952
-	1,339,547	-	455,224	-	(34,943)	1,866,592
6,165	121,362	6,650	27,457	289,666	(508,636)	899,415
25,149	389,020	130,745	108,680	844,334	-	5,732,373
31,314	510,382	137,395	136,137	1,134,000	(508,636)	6,631,788
-	4,477	22	3,072	202,603	(358,499)	366,268
9,632	2,760	4	674	167,610	-	407,604
9,632	7,237	26	3,746	370,213	(358,499)	773,872
21,682	503,145	137,369	132,391	763,787	(150,137)	5,857,916
41,113	8,537	-	-	-	(365,549)	195,819
1,324,031	70,039	42,696	-	-	-	2,564,908
1,365,144	78,576	42,696	-	-	(365,549)	2,760,727
1,383,164	40,222	-	-	-	(852,197)	1,898,327
448	38,252	-	-	-	-	109,317
1,383,612	78,474	-	-	-	(852,197)	2,007,644
(18,468)	102	42,696	-	-	486,648	753,083
112,654	579,802	21,853	316,163	374,427	(1,298,267)	2,277,565
2,908,444	2,343,120	337,406	1,886,730	1,121,430	-	15,515,469
3,021,098	2,922,922	359,259	2,202,893	1,495,857	(1,298,267)	17,793,034
1,383,164	64,959	1,141	98,613	269,571	(1,298,267)	2,526,300
125,749	280,592	109	54,822	176,710	-	2,207,685
1,508,913	345,551	1,250	153,435	446,281	(1,298,267)	4,733,985
$ 1,512,185	$ 2,577,371	$ 358,009	$ 2,049,458	$ 1,049,576	$ -	$ 13,059,049

NOTE 19. STRATEGIC PETROLEUM RESERVE

During FY 2005 and FY 2004, MMS transferred to the Department of Energy (DOE) approximately 25.6 million and 38.4 million barrels of oil, respectively, drawn from Federal leases within the Gulf of Mexico. The Interior transferred this petroleum to the DOE to increase the strategic petroleum reserve. The value of the petroleum transferred in FY 2005 and FY 2004 was $1,195 and $1,191 million, respectively.

NOTE 20. STATEMENT OF BUDGETARY RESOURCES

The Combined 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 generally accepted accounting principles for the Federal Government. The total Budgetary Resources of $26,927 million and $25,109 million as of September 30, 2005 and 2004, 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 balance available at September 30, 2005 and 2004, was $5,685 million and $5,189 million, respectively.

Apportionment Categories of Obligations Incurred. Interior's obligations incurred during FY 2005 and FY 2004 by apportionment category are shown in the following table:

(dollars in thousands)	Apportioned		Not Subject to	
FY 2005	Category A	Category B	Apportionment	Total
Obligations Incurred:				
Direct	$ -	15,878,959	74,480	15,953,439
Reimbursable	-	5,179,194	-	5,179,194
Total Obligations Incurred	$ -	21,058,153	74,480	21,132,633

(dollars in thousands)	Apportioned		Not Subject to	
FY 2004	Category A	Category B	Apportionment	Total
Obligations Incurred:				
Direct	$ -	$ 14,614,681	$ 72,039	$ 14,686,720
Reimbursable	-	5,136,048	-	5,136,048
Total Obligations Incurred	$ -	$ 19,750,729	$ 72,039	$ 19,822,768

Reclamation Trust Funds and Colorado River Dam Fund - Boulder Canyon Project are the only funds classified as not subject to 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, Net for additional information on Credit Reform loans). 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.

BIA receives borrowing authority from Treasury for its loan programs in accordance with the Federal 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. In FY 2005, BIA exercised its statutory authority and borrowed $100,000 from Treasury. No new authority was granted or exercised in FY 2004. The balance in this account as of September 30, 2005 and 2004, was $6.8 million and $6.7 million, respectively.

BIA'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, 2005 and 2004, were $22.9 million.

In 2001, the Bureau of the Public Debt extended a loan to the Departmental Offices for the purpose of operating a direct loan to the American Samoa Government. 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 property, plant, and equipment. 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 the 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 does not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

Legal Arrangements Affecting Use of Unobligated Balances. Interior's unobligated unavailable balances for September 30, 2005 and 2004 are disclosed in the table below:

(dollars in thousands)	FY 2005	FY 2004
Unapportioned amounts unavailable for future apportionments	$ 6,533	$ 6,356
Expired Authority	102,739	90,923
Total Budgetary Accounts	109,272	97,279
Non-Budgetary Credit Program Financing Accounts	-	-
Unobligated Balance Unavailable	$ 109,272	$ 97,279

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 fifth 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 108-7, 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, BIA receives contract authority from DOT's Highway Trust Fund for the maintenance and construction of roads and bridges on BIA 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 (SBR) and the Budget of the United States Government. The Combined 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 2004 amounts was released on February 7, 2005, and the President's Budget with the FY 2005 amounts is estimated to be released in February 2006, and both can be located at the OMB Web site (*http://www.whitehouse.gov/omb*). As such, the actual amounts for FY 2005 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 Combined SBR for the period ended September 30, 2004, differ from the amounts presented as 2004 Actuals in the President's FY 2006 Budget. Differences are presented and labeled on the following table:

(dollars in millions)	FY 2004 Amount per President's Budget *	FY 2004 Amount per Statement of Budgetary Resources	Difference	Explanation
Budgetary Resources:				
Budget Authority:				
Appropriations Received	$ 14,923	$ 14,712	$ 211	C,D,E
Contract Authority	30	-	30	E
Net Transfers, Current Year Authority	(114)	(139)	25	D,E
Unobligated Balance:				
Beginning of Fiscal Year	4,763	4,973	(210)	A, B, C, E, F
Net Transfers, Unobligated Balance, Actual	20	26	(6)	A,C,D,E
Spending Authority From Offsetting Collections	5,677	5,321	356	A,C, D, F
Recoveries of Prior Year Obligations	325	394	(69)	A,C, E, F, H
Temporarily Not Available Pursuant to Public Law	(27)	(2)	(25)	A,D, E, H
Permanently Not Available	(191)	(184)	(7)	E, F
Total Budgetary Resources	24,073	25,109	(1,036)	G, H
Status of Budgetary Resources:				
Obligations Incurred	19,952	19,823	129	A, B, C, E, F, H
Unobligated Balance & Unobligated Balance Not Available	5,292	5,286	6	E, F
Total Status of Budgetary Resouces	24,074	25,109	(1,035)	G, H
Relationship of Obligations to Outlays:				
Obligated Balance, Net, Beginning of Fiscal Year	5,742	5,749	(7)	B
Obligated Balance, Net, End of Fiscal Year:	(6,765)	(6,778)	13	B, F
Outlays:				
Disbursements	18,518	18,376	142	A, B, C, E
Collections	(5,404)	(5,297)	(107)	A

A. Bureau of Indian Affairs. Advances from the Department of Education of $133.2 million are reported as Unobligated Balances at the Beginning of the Fiscal Year on the Combined SBR. This amount is not included on that line in the President's Budget due to differences in the treatment of deposit fund liability.

B. Bureau of Land Management. Published timing differences occurred when an adjustment was made to the Wildland Fire Management appropriation that was included in the President's Budget, but did not appear in the Combined SBR because Interior's PAR was published prior to the adjustment being made.

C. Departmental Offices' Tribal Trust and Special Funds. Differences exist between the Departmental Office SBR and actual amounts in the President's Budget as a result of the treatment of pass through appropriations and payments to Tribal trust fund accounts. The differences impact Appropriation Received, Unobligated Balances at the Beginning of the Fiscal Year, Obligations Incurred, and Disbursement lines on the SBR. In addition, amounts related to the Utah Reclamation Mitigation and Conservation (CUPCA) Commission fund are treated as available in the FY 2004 SBR and unavailable in the President's Budget. This difference impacted Appropriations Received and Unobligated Balances at the Beginning of the Fiscal Year. [Budget Accounts 5265, 8030, 0787, and 5174]

D. Fish and Wildlife Service. Differences relate to (1) Appropriations Received and Net Transfers, Current Year Authority due to a $5 million adjustment made to ARTF, Sport Fish Account beginning balance for the U.S. Coast Guard. This adjustment was reported in FWS's FY 2004 Annual Report, but not included in the President's Budget; (2) Net Transfers, Current Year Authority and Net Transfers, Unobligated Balance due to a $15 million adjustment for a transfer with NPS, changing the reporting line as prescribed by OMB scoring rules. The adjustment did not appear in the Combined SBR because Interior's PAR was published prior to the adjustment; and (3) OMB change in the scoring rules requiring unavailable receipt accounts to be reported as temporary reductions instead of permanent reductions. The adjustment did not appear in the Combined SBR because Interior's PAR was published prior to the timing of the adjustment. [Budget Accounts 1611 and 1851]

E. National Park Service. (1) The Concession Improvement account is reported in the President's Budget and is not reported on the Combined SBR as these are not assets of NPS and may not be used in NPS operations and (2) The Land Acquisition and State Assistance Payments account includes $30 million of Contract Authority and Permanently Not Available. This amount of contract authority is included in the annual Appropriation Act; however, it is always rescinded in the same Act before it is passed. Accordingly, it was not appropriated to NPS or apportioned by NPS. It will, however, show in the President's Budget because it is a part of the appropriation Act itself. [Budget Account 5035]

F. U. S. Geological Survey. Differences relate to amounts included in the Combined SBR that are not reported in the President's Budget. These amounts include expired amounts, cancelled authority, working capital fund obligation balances, and offsetting collections.

G. Minerals Management Service. The President's Budget did not include a "total budgetary resources available for obligation" line for the following funds: Mineral Leasing; National Forest Fund; Leases of Lands Acquired for Flood Control, Navigation, an Allied Purposes; and Oil Spill Research which was included in the Combined SBR.

H. Expired Accounts. Differences relate to expired accounts being included in the Combined SBR, but not in the President's Budget.

NOTE 21. ALLOCATION TRANSFERS RECONCILING ITEMS

Interior provides and receives budget resources from other Federal entities in the form of "allocation transfers." The recipient agency (Child) reports the proprietary activity in their Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidated Statement of Changes in Net Position. However, the budgetary activity for these allocation transfers is reported by the providing agency (Parent) in their Combined Statement of Budgetary Resources. This treatment creates a reconciling difference between the proprietary statements and the Combined Statement of Budgetary Resources, which is shown in the Consolidated Statement of Financing.

The following table summarizes the allocation transfers and related amounts that are reported as reconciling differences in the Consolidated Statement of Financing:

(dollars in thousands)

Trading Partner	Nature and Purpose of Transfer	FY 2005	FY 2004
Interior as the Recipient Agency (Child):			
Department of Transportation - Highway Trust	Maintenance of Highways on Interior Land	$ 295,302	$ 269,237
Department of Labor - Job Corps	Employee and Training services	64,229	69,414
Health and Human Services	Child Development and Employment	44,442	40,173
U. S. Department of Agriculture	Forest Protection and Utilization	3,889	3,552
Evironmental Protection Agency	Hazard Sub Resp Trust Fund	989	929
General Services Administration	Electronic Government	202	533
Department of State	International Commissions	-	58
Other		2,559	9,754
Subtotal		411,612	393,650
Interior as the Providing Agency (Parent):			
Department of Transportation	Highway Construction	792	339
U.S. Corps of Engineers	Land Acquisition and State Assistance	32,721	34,147
Department of Agriculture	To fund Soil Conservation Programs	100	228
Subtotal		33,613	34,714
Net Allocation Transfer Reconciling Items		$ 377,999	$ 358,936

NOTE 22. INDIAN TRUST FUNDS

Interior, through the Office of the Special Trustee for American Indians (OST), maintains approximately 1,450 accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately $2,882 million and $2,975 million as of September 30, 2005 and 2004, 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 non-expendable (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 277,000 open Individual Indian Monies (IIM) accounts with a fund balance of approximately $420 million and $397 million as of September 30, 2005 and 2004, respectively.

The 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, 2005 and 2004. 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 certain of these parties have filed lawsuits against the U.S. Government.

- 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 13, Contingent Liabilities.

Individual Indian Monies 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 September 30, 2005 and 2004, are as follows:

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
As of September 30, 2005 and 2004

(dollars in thousands)	FY 2005	FY 2004
ASSETS		
Cash and cash equivalents	$ 28,333	$ 21,373
Investments	388,586	371,723
Accrued interest receivable	2,950	3,601
TOTAL ASSETS	$ 419,869	$ 396,697
TRUST FUND BALANCES, held for Individual Indians	$ 419,869	$ 396,697

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
For the Years Ended September 30, 2005 and 2004

(dollars in thousands)	FY 2005	FY 2004
Receipts	$ 275,569	$ 183,776
Interest earned on invested funds	18,197	20,216
Gain (Loss) on disposition of investments, Net	7,813	590
Disbursements	(278,407)	(220,953)
Increase (decrease) in trust fund balances, net	23,172	(16,371)
Trust Fund Balances - Beginning of Year	396,697	413,068
Trust Fund Balances - End of Year	$ 419,869	$ 396,697

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 September 30, 2005 and 2004, are as follows:

Tribal and Other Trust Funds
Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2005 and 2004

(dollars in thousands)	FY 2005	FY 2004
ASSETS		
Cash and cash equivalents	$ 501,596	$ 490,380
Due from Other Federal Agencies *	-	7,800
Investments	2,380,222	2,477,052
TOTAL ASSETS	$ 2,881,818	$ 2,975,232
TRUST FUND BALANCES		
Held for Indian tribes	$ 2,604,516	$ 2,708,869
Held by Department of the Interior and considered to be U.S. Government funds	277,302	266,363
TOTAL TRUST FUND BALANCES	$ 2,881,818	$ 2,975,232

* This represents an amount that BIA erroneously transferred from the Trust Funds' account at the U.S. Treasury into the BIA's account at the U.S. Treasury. This amount was transferred on September 30, 2004, and was returned to the proper U.S. Treasury account in October 2004. The erroneous transfer, which was identified through OST's reconciliation and internal control process, did not impact the interest earnings to the Trust Funds.

Tribal and Other Trust Funds
Statement of Changes in Trust Fund Balances - Cash Basis
For the Years Ended September 30, 2005 and 2004

(dollars in thousands)	FY 2005	FY 2004
Receipts	$ 352,920	$ 300,960
Interest Received	146,330	106,348
Gain (Loss) on disposition of investments, Net	18,487	6,359
Disbursements	(611,151)	(318,447)
Increase (Decrease) in trust fund balances, net	(93,414)	95,220
Trust Fund Balances - Beginning of Year	2,975,232	2,880,012
Trust Fund Balances - End of Year	$ 2,881,818	$ 2,975,232

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

NOTE 23. DEDICATED COLLECTIONS

Dedicated collections as of September 30, 2005 and 2004 consist of the following:

Conservation Funds. Conservation Funds consist of the Land and Water Conservation Fund and the Historic Preservation Fund.

The Land and Water Conservation Fund (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. The fund is accounted for by the information provided by MMS and is reported as a restricted asset.

Annually, $903 million for the LWCF and $150 million for the Historic Preservation Fund (HPF) under Public Law 89-665 are transferred from MMS to the NPS, the majority of which are from royalties from Outer Continental Shelf oil deposits. Each year, amounts from the LWCF and the HPF are warranted to some of the bureaus within Interior and the rest to the Department of Agriculture's Forest Service.

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.

Abandoned Mine Land Fund. Public Law 95-87 established the OSM, a component of Interior, and authorized the collection of a fee from Coal Mine Operators. Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to fund abandoned mine land reclamation projects. The Surface Mining Law specifies that 50% of the reclamation fees collected in each State with an approved reclamation program, or within Indian lands where the Tribe has an approved reclamation program, are to be allocated to that State or Tribe. This 50% is designated as the State or tribal share of the fund. The remaining 50% (the Federal share) is used by Interior to complete high priority and emergency projects, to fund the Small Operator Assistance Program, to fund additional projects directly through State reclamation programs, and to pay collection, audit, and administration costs.

Expenditures from the AML Fund may only be made as a consequence of appropriations or other laws. AML reclamation is accomplished primarily by States and Tribes and is funded by grants. Grant funding levels are determined by Interior's annual appropriation and consider the individual State or Tribe's needs, the State and Federal shares, as well as emergency and special funding requirements.

Under authority of Public Law 101-509, Interior began investing AML funds in U.S. Treasury Securities. Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486), Interior began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund (UMWA CBF). This transfer is used to defray anticipated health care costs for eligible union coal mine workers who retired on or before July 20, 1992, and their dependents.

Payments to the UMWA CBF are made in advance based on the number of beneficiaries and an estimate of their benefit costs. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid in subsequent years.

AML program expenses approximate the net cost for the Environmental Restoration GPRA program activity with the addition (+/-) of a pro rata share of allocated costs. The Environmental Restoration GPRA is included in Strategic Goal 1: Resource Protection -- Protect the Nation's Natural, Cultural, and Heritage Resources.

Environmental Improvement and Restoration Fund and Oil Spill Research. The Environmental Improvement and Restoration Fund (EIRF) was a distribution of the Alaska Escrow Fund in which half of the principal was invested in Treasury Securities. The purpose of EIRF is to invest the monies and earn interest until there is further congressional action. Congress has permanently appropriated 20% of the prior fiscal year interest earned by the EIRF to the Department of Commerce each year for marine research activities. The remaining 80% remains in the fund to earn interest and may be appropriated by Congress to certain other agencies, as provided by the law. No assets are available to Interior unless appropriated by Congress.

The funding for Oil Spill Research (OSR) is appropriated from the Department of the Treasury managed Oil Spill Liability Trust Fund (OSLTF) each year. The OSLTF is funded from oil taxes, interest on fund principal, cost recovery from responsible parties, and penalties. The Department of the Treasury transferred $7 million for OSR in FY 2005 and FY 2004 to MMS funding oil spill research, oil spill prevention, response planning activities, and regulation of oil spill financial responsibility. The Oil Spill Response Research program supports research to improve detection and response to an oil spill in the marine environment.

Aquatic Resources Trust Fund and Sport Fish Restoration. The Aquatic Resources Trust Fund (ARTF) receives excise tax revenues from the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are subsequently distributed to the FWS Sport Fish Restoration Account (SFRA), the U.S. Coast Guard Boat Safety Program, and the Army Corps of Engineers Coastal Wetlands Program. Although the ARTF is managed and maintained by Treasury (per Title 26 of the U.S. Code, Section 9602), Interior reports the ARTF as they have the preponderance of the fund activity (the SFRA received approximately 79% of the ARTF transfers for both FY 2005 and FY 2004). The SFRA makes grants available to States to restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands, and also to enhance public use and benefits from sport fish resources.

Wildlife Restoration. The Federal Aid in Wildlife Restoration Program is a key component of the Nation's cooperative conservation work for wildlife and their habitats. It implements the Interior's Resource Protection Goal of sustaining biological communities on Interior-managed and influenced lands and waters by providing financial and technical assistance to States to restore, conserve, manage, and enhance wild bird and mammal populations; acquiring and managing their habitats; providing public use and benefit from wildlife resources; educating hunters; and developing shooting ranges.

The Federal Aid in Wildlife Restoration Act of 1937, also called the Pittman-Robertson Wildlife Restoration Act, as amended (16 U.S.C.669-669k) authorizes the Secretary of the Interior to implement a multi-State conservation grant program and a firearm and bow hunter education and safety program that provides grants to States.

The Wildlife Restoration program is funded by an 11% excise tax on sporting firearms and ammunition, a 12.4% tax on archery equipment, and a 10% tax on handguns. These tax receipts are appropriated to FWS through a permanent-indefinite appropriation for use in the fiscal year following collection. The total of receipts apportioned directly contributes to the Interior's Resource Protection Goal of sustaining biological communities on Interior-Managed and Influenced Lands and Waters.

The Wildlife Restoration program operates on a cost reimbursement basis. Each State pays the costs of approved projects up front and applies intermittently for reimbursement of up to 75% of the costs incurred. The State must provide at least 25% of the project costs from a non-Federal source. However, Puerto Rico, the

U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa are not required to provide matching shares. The source of funds for the Federal Aid in Wildlife Restoration program is public, and the source of funds for the Wildlife and Sport Fish Restoration program is government.

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 Office of the Special Trustee for American Indians (OST) was created to improve the accountability and management of Indian funds held in trust by the Federal Government. OST develops and implements the policies and procedures governing the management of Indian trust funds. 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/award monies from Federal sources and other lease and rental income from the public.

Central Utah Project Completion Act. The primary purpose of the Central Utah Project Completion Act (CUPCA) is to provide for the orderly completion of the Central Utah Project by authorizing water conservation and wildlife mitigation projects, and by providing funding for conservation activities. The CUPCA office within Interior is mandated by the Act to, among other responsibilities, transfer funds to the Commission, which has exclusive responsibility for completing the fish, wildlife, and recreation projects in the State of Utah required as part of the Central Utah Project. The Commission also receives transfers of annual appropriations from the Western Area Power Administration of the DOE. The Commission has discretion to either expend such funds, or portions thereof, for mitigation activities or to invest such funds, or portions thereof, in a trust fund established by CUPCA, the interest from which is for the future use of the Commission. Interior accounts for and reports on this fund through the Utah Reclamation Mitigation and Conservation Commission Fund.

Natural Resource Damage Assessment and Restoration Fund. Section 301c of the Comprehensive Environmental Response, Compensation, and Liability Act requires promulgation of regulations for the assessment of damages for injury to, destruction of, or loss of natural resources resulting from a discharge of oil or release of a hazardous substance. The responsibility for this rulemaking was delegated to Interior by the President in Executive Order 12580 (January 23, 1987). Interior accounts for and reports on this fund through the Natural Resource Damage Assessment and Restoration Fund (NRDAR). The primary aim of NRDAR is to restore natural resources injured as the result of oil spills or hazardous substance releases. The program assesses the damages and injuries to natural resources entrusted to Interior and negotiates legal settlements or takes other legal actions against the responsible parties for the spill or release. Funds from these settlements are then used to restore the injured resources at no expense to the taxpayer. Settlements often include the recovery of the costs incurred in assessing the damages. These funds are then used to fund further damage assessments.

Southern Nevada Public Land Management Act. The Southern Nevada Public Land Management Act (SNPLMA), 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 invest 85% of the sales in interest-bearing Treasury securities, while 10% of the proceeds go to the Southern Nevada Water Authority and 5% goes to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable 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.

Other Dedicated Collections. Other dedicated collections consist of the following:

Donations. The purpose of this fund is to record cash donations provided to the NPS. The fund is accounted for and reported as donated revenue financing source. The source of revenue for this fund is from public donations and is considered an inflow of resources to the government. Under 16 U.S.C. 6, NPS has the authority to use funds as collected.

Priority Land Acquisition. Funds under the Priority Land Acquisitions, Land Exchanges and Maintenance account are from the Land and Water Conservation Fund for priority land acquisitions and exchanges. Interior accounts for and reports on these funds through the Title V Priority Land Acquisitions, Land Exchanges, and Maintenance Fund and the Title VI Priority Land Acquisitions and Land Exchanges Fund. These funds are available for the high priority land acquisitions and exchanges and for reducing maintenance backlogs.

Reclamation Trust Funds. The Reclamation Trust Funds receive monies from the State of California per Public Law 102-575, Title XXXIV, Central Valley Project Improvement Act, to accomplish the following purposes: (a) to protect, restore, and enhance fish, wildlife, and associated habitats in the Central Valley and Trinity River basins of California; (b) to address impacts of the Central Valley Project on fish, wildlife, and associated habitats; (c) to improve the operational flexibility of the Central Valley Project; (d) to increase water-related benefits provided by the Central Valley Project to the State of California through expanded use of voluntary water transfers and improved water conservation; (e) to contribute to the State of California's interim and long-term efforts to protect the San Francisco Bay/Sacramento-San Joaquin Delta Estuary; and (f) to achieve a reasonable balance among competing demands for use of the Central Valley Project water, including the requirements of fish and wildlife, agricultural, municipal and industrial, and power contractors.

Reclamation has established unique cost centers within the accounting system for each of the specified activities under the Act. Once the activity is completed, a report is prepared for the State of California showing the monies collected and the costs incurred.

Everglades. Interior also administers a small portion of the funds available for the Everglades restoration effort. Section 390 of the Federal Agriculture Improvement and Reform Act (Farm Bill) of 1996 (Public Law 104-217), authorized the establishment of an "Everglades Restoration Account" consisting of funds deposited to a special Treasury account derived from the sale of surplus Federal property located in the State of Florida. Although the authority to receive these funds was abolished by the Water Resources Development Act (Public Law 106-541) passed on December 11, 2000, funds deposited to the account prior to that date remain available to support the restoration effort. Interior accounts for and reports on this fund through the Everglades Restoration Account Fund. These funds are to be utilized for "the acquisition of real property … within the Everglades ecosystem; and … the funding of resource protection and resource maintenance activities in the Everglades ecosystem." This legislation also provided $200 million in appropriated funds that have been used primarily for land acquisitions and exchanges necessary to further the restoration effort. These funds have been fully obligated.

Construction Trust Fund. The purpose of this fund is to record NPS trust fund construction. The fund is accounted for and reported as contract authority-allocation transfer account where NPS is the "child." The source of financing for this fund is from the Department of Transportation – Federal Highways as a result of intragovernmental flows. Under Public Law 106-113, NPS has the authority to obligate funds in advance of funds transfer.

National Indian Gaming Commission. The National Indian Gaming Commission (NIGC) was created in 1988 when Congress enacted the Indian Gaming Regulatory Act. Interior accounts for and reports on this fund through the National Indian Gaming Commission fund. The primary mission of the NIGC is to regulate gaming activities on Indian lands for the purposes of shielding Indian tribes from organized crime and other corrupting influences; ensuring that Indian tribes are the primary beneficiaries of gaming revenues; and assuring that gaming is conducted fairly and honestly by both operators and players. To effect these goals, NIGC is authorized to conduct investigations; undertake enforcement actions, including the assessment of fines and the issuance of closure orders; conduct background investigations; conduct audits; review and approve tribal gaming ordinances and management contracts; and issue such regulations as necessary to meet its responsibilities. The NIGC is funded by an assessment of less than one-tenth of one percent of the gross revenues of Indian gaming operations.

Dedicated collections as of September 30, 2005, are as follows:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Abandoned Mine Land Fund	Oil Spill and Environmental Improvement and Restoration Fund	Southern Nevada Public Land Management Act
ASSETS					
Fund Balance with Treasury	$ 14,303,499	$ 2,531,432	$ 1,336	$ 6,872	$ 1,271
Investments, Net	-	-	2,141,600	1,030,926	1,670,193
Accounts Receivable, Net	-	-	11,401	162	-
General Property, Plant, and Equipment, Net	-	-	-	-	6,571
Other Assets	-	-	20	-	-
TOTAL ASSETS	$ 14,303,499	$ 2,531,432	$ 2,154,357	$ 1,037,960	$ 1,678,035
LIABILITIES					
Aquatic Resource Amounts Due to FWS	$ -	$ -	$ -	$ -	$ -
Aquatic Resource Amounts Due to Coast Guard	-	-	-	-	-
Aquatic Resource Amounts Due to Corps of Engineers	-	-	-	-	-
Accounts Payable	-	-	4,562	1,652	20,362
Other Liabilities	-	-	902	83	135
TOTAL LIABILITIES	-	-	5,464	1,735	20,497
Total Net Position	14,303,499	2,531,432	2,148,893	1,036,225	1,657,538
TOTAL LIABILITIES AND NET POSITION	$ 14,303,499	$ 2,531,432	$ 2,154,357	$ 1,037,960	$ 1,678,035
CHANGE IN NET POSITION					
Net Position, Beginning of Fiscal Year	$ 13,859,218	$ 2,453,491	$ 2,042,550	$ 1,007,579	$ 651,470
Change in Net Position:					
Royalties Retained	903,308	150,174	-	-	-
Non-exchange Revenue					
Taxes	-	-	-	-	-
AML Fee Revenue	-	-	293,365	-	-
Investment Interest and Other	-	-	75,346	29,272	-
Other Non-Exchange Revenue	-	-	99	-	415
Transfers In/Out without Reimbursement	(459,027)	(72,233)	-	7,006	(22,719)
Exchange Revenue - Services Provided and Other	-	-	87	494	1,329,695
Program Expenses	-	-	(196,021)	(8,126)	(301,323)
UMWA-CBF Expenses	-	-	(66,533)	-	-
Net Position, End of Fiscal Year	$ 14,303,499	$ 2,531,432	$ 2,148,893	$ 1,036,225	$ 1,657,538

Birthplace of Abraham Lincoln. The purpose of this fund is to maintain the boyhood home of Abraham Lincoln. The fund is accounted for and reported as interest income. The source of revenue for this fund is from interest income on a U.S. Treasury Security and is a result of intragovernmental flows. Under 16 U.S.C. 212, NPS has the authority to use funds as earned and collected.

Aquatic Resources Trust Fund	Sportfish Restoration	Wildlife Restoration	Office of the Special Trustee for American Indians	Central Utah Project Completion Act	Natural Resource Damage Assessment and Restoration Fund	Other Dedicated Collections	**FY 2005**
$ 7,978	$ 6,330	$ 52,311	$ (34)	$ 37,103	$ 442	$ 125,670	$ 17,074,210
1,544,724	-	454,388	280,034	156,773	178,252	-	7,456,890
9,452	955,724	-	-	-	41,554	10	1,018,303
-	-	-	-	4,124	-	51,750	62,445
-	-	51	-	-	-	1,526	1,597
$ 1,562,154	$ 962,054	$ 506,750	$ 280,000	$ 198,000	$ 220,248	$ 178,956	$ 25,613,445
$ 955,724	$ -	$ -	$ -	$ -	$ -	$ -	$ 955,724
-	71,101	-	-	-	-	-	71,101
-	368,829	-	-	-	-	-	368,829
-	9,681	7,389	-	907	29	1,593	46,175
-	1,097	941	-	235	3	49,526	52,922
955,724	450,708	8,330	-	1,142	32	51,119	1,494,751
606,430	511,346	498,420	280,000	196,858	220,216	127,837	24,118,694
$ 1,562,154	$ 962,054	$ 506,750	$ 280,000	$ 198,000	$ 220,248	$ 178,956	$ 25,613,445
$ 563,419	$ 490,400	$ 469,811	$ 268,447	$ 183,497	$ 175,890	$ 119,669	$ 22,285,441
-	-	-	-	-	-	-	1,053,482
469,584	-	251,124	-	-	-	-	720,708
-	-	-	-	-	-	-	293,365
34,179	-	13,425	8,842	3,935	4,135	-	169,134
-	322	288	3,028	11,490	68,610	24,507	108,759
(460,752)	338,690	(614)	7,889	6,150	(22,258)	16	(677,852)
-	-	49	546	3,613	-	18,100	1,352,584
-	(318,066)	(235,663)	(8,752)	(11,827)	(6,161)	(34,455)	(1,120,394)
-	-	-	-	-	-	-	(66,533)
$ 606,430	$ 511,346	$ 498,420	$ 280,000	$ 196,858	$ 220,216	$ 127,837	$ 24,118,694

Dedicated collections as of September 30, 2004, are as follows:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Abandoned Mine Land Fund	Oil Spill and Environmental Improvement and Restoration Fund	Southern Nevada Public Land Management Act
ASSETS					
Fund Balance with Treasury	$ 13,859,218	$ 2,453,491	$ 583	$ 6,868	$ 841
Investments, Net	-	-	2,051,301	1,001,652	793,693
Accounts Receivable, Net	-	-	6,578	24	-
General Property, Plant, and Equipment, Net	-	-	-	-	675
Other Assets	-	-	21	-	-
TOTAL ASSETS	$ 13,859,218	$ 2,453,491	$ 2,058,483	$ 1,008,544	$ 795,209
LIABILITIES					
Aquatic Resource Amounts Due to FWS	$ -	$ -	$ -	$ -	$ -
Aquatic Resource Amounts Due to Coast Guard	-	-	-	-	-
Aquatic Resource Amounts Due to Corps of Engineers	-	-	-	-	-
Accounts Payable	-	-	15,286	771	7,532
Other Liabilities	-	-	648	194	136,207
TOTAL LIABILITIES	-	-	15,934	965	143,739
Total Net Position	13,859,218	2,453,491	2,042,549	1,007,579	651,470
TOTAL LIABILITIES AND NET POSITION	$ 13,859,218	$ 2,453,491	$ 2,058,483	$ 1,008,544	$ 795,209
CHANGE IN NET POSITION					
Net Position, Beginning of Fiscal Year	$ 13,443,816	$ 2,377,575	$ 1,952,634	$ 982,597	$ 283,190
Change in Net Position:					
Royalties Retained	903,516	150,164	-	-	-
Non-exchange Revenue					
Taxes	-	-	-	-	-
AML Fee Revenue	-	-	286,160	-	-
Investment Interest and Other	-	-	54,625	24,132	-
Other Non-Exchange Revenue	-	-	26	-	395
Transfers In/Out without Reimbursement	(488,114)	(74,248)	-	7,017	(100)
Exchange Revenue - Services Provided and Other	-	-	26	222	447,507
Program Expenses	-	-	(235,955)	(6,389)	(79,522)
UMWA-CBF Expenses	-	-	(14,967)	-	-
Net Position, End of Fiscal Year	$ 13,859,218	$ 2,453,491	$ 2,042,549	$ 1,007,579	$ 651,470

Aquatic Resources Trust Fund	Sportfish Restoration	Wildlife Restoration	Office of the Special Trustee for American Indians	Central Utah Project Completion Act	Natural Resource Damage Assessment and Restoration Fund	Other Dedicated Collections	FY 2004
$ 24,941	$ 14,255	$ 120,209	$ (34)	$ 35,273	$ 617	$ 121,883	$ 16,638,145
1,451,344	-	364,889	268,481	145,066	169,524	65	6,246,015
8,127	921,021	-	-	-	5,754	9	941,513
-	-	-	-	4,147	-	42,919	47,741
-	-	107	-	-	-	1,570	1,698
$ 1,484,412	$ 935,276	$ 485,205	$ 268,447	$ 184,486	$ 175,895	$ 166,446	$ 23,875,112
$ 920,993	$ -	$ -	$ -	$ -	$ -	$ -	$ 920,993
-	68,351	-	-	-	-	-	68,351
-	352,546	-	-	-	-	-	352,546
-	22,991	14,613	-	774	5	2,586	64,558
-	988	781	-	214	-	44,191	183,223
920,993	444,876	15,394	-	988	5	46,777	1,589,671
563,419	490,400	469,811	268,447	183,498	175,890	119,669	22,285,441
$ 1,484,412	$ 935,276	$ 485,205	$ 268,447	$ 184,486	$ 175,895	$ 166,446	$ 23,875,112
$ 554,415	$ 463,439	$ 453,673	$ 257,479	$ 174,006	$ 161,802	$ 121,603	$ 21,226,229
-	-	-	-	-	-	-	1,053,680
455,828	-	238,807	-	-	-	-	694,635
-	-	-	-	-	-	-	286,160
16,551	-	10,255	8,230	10,201	2,024	40	126,058
-	177	198	3,051	(755)	34,088	18,133	55,313
(463,375)	345,405	(173)	8,189	6,163	(19,354)	(2,148)	(680,738)
-	-	-	-	2,250	-	20,886	470,891
-	(318,621)	(232,949)	(8,502)	(8,367)	(2,670)	(38,845)	(931,820)
-	-	-	-	-	-	-	(14,967)
$ 563,419	$ 490,400	$ 469,811	$ 268,447	$ 183,498	$ 175,890	$ 119,669	$ 22,285,441

NOTE 24. CHANGES IN ACCOUNTING PRINCIPLE

In March 2005, OMB issued guidance that instructed BOR to prospectively record a receivable from Western for appropriations that are returned to BOR through collections from power sales. Prior to FY 2005, these appropriations and subsequent recoveries were recorded as transfers in/out without reimbursement on the Consolidated Statement of Changes in Net Position, in accordance with Federal accounting standards using Treasury guidance. The cumulative effect of this change in accounting principle resulted in an increase of $1,724 million to Intragovernmental Loans and Interest Receivable on the Balance Sheet and a corresponding increase to the beginning balance of the Cumulative Results of Operations on the Statement of Changes in Net Position.

The Bonneville Power Administration (BPA), a component of DOE, is responsible for the transmission and marketing of hydropower generated at BOR facilities located in the Pacific Northwest Region. BPA has legislatively assumed the repayment of appropriations used to construct BOR hydropower generation facilities. This legislation requires BPA to recover the appropriations related to BOR's hydropower facilities and to deposit these recoveries, along with interest, into the Reclamation Fund. Although OMB's March 2005 guidance was specific to transactions between WAPA and BOR, the underlying theory is applicable to the transactions between BPA and the Reclamation Fund. Prior to FY 2005, Interior did not recognize an amount due from BPA. The cumulative effect of this change in accounting principle resulted in a $620 million increase to Intragovernmental Loans and Interest Receivable on the Balance Sheet and a corresponding increase to the beginning balance of the Cumulative Results of Operations on the Statement of Changes in Net Position.

BOR and the Office of the Secretary receive appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components for which BOR is required to recover the capital investment and O&M costs through user fees, namely the sale of water and power. These recoveries are deposited in Treasury's General Fund. BOR and OS have applied OMB's guidance to the situations where the appropriations from the General Fund are required to be recovered through the sale of water and power. Prior to FY 2005, Interior did not recognize a liability due to Treasury. The cumulative effect of this change is an increase to intragovernmental liabilities on the Balance Sheet in the amount of $2,187 million and a corresponding decrease to the beginning balance of the Cumulative Results of Operations in the Statement of Changes in Net Position by the same amount. This liability is increased when appropriations are expended on reimbursable components of a project, and 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 2005 ranged from 3.2% to 8.5%. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Actual repayments to Treasury's General Fund in FY 2005 were $176 million, resulting in an ending liability of $1,996 million as of September 30, 2005.

NOTE 25. HURRICANE DAMAGE

During August and September 2005 and 2004, hurricanes caused significant damage to several Interior facilities, parks, and wildlife refuges along the Gulf Coast. The estimated future cost to clean up and repair these sites is approximately $95 million and $48 million, respectively. Most of these costs represent removal of debris, repairs to permanent land improvements and other stewardship assets.

Additionally, a large number of capitalized assets were completely destroyed in FY 2005. Interior adjusted the value of net property, plant, and equipment by $9 million to account for this asset impairment.