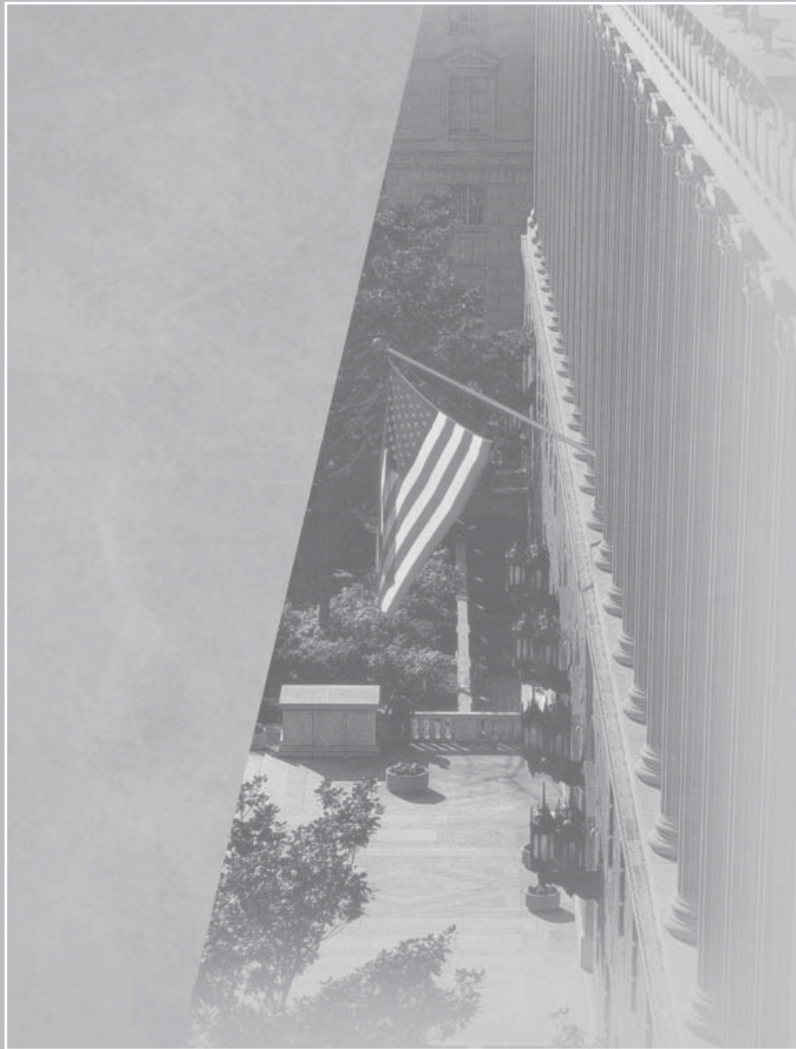


PRINCIPAL FINANCIAL STATEMENTS



**United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2005 and 2004 (In Thousands)**

	FY 2005	FY 2004
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 7,041,269	\$ 6,652,727
Accounts Receivable (Note 3)	58,794	84,028
Other - Advances and Prepayments	11,691	15,180
Total Intragovernmental	7,111,754	6,751,935
Cash (Note 4)	9,640	13,694
Accounts Receivable, Net (Note 3)	67,960	59,901
Loans Receivable and Related Foreclosed Property, Net (Note 5)	417,509	317,138
Inventory, Materials, and Supplies, Net (Note 6)	96,645	99,515
General Property, Plant, and Equipment, Net (Note 7)	4,927,707	4,652,882
Other (Note 8)	98,961	41,242
TOTAL ASSETS	\$ 12,730,176	\$ 11,936,307
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 68,850	\$ 65,493
Debt to Treasury (Note 10)	357,581	274,426
Other		
Resources Payable to Treasury	43,864	63,931
Unearned Revenue	429,932	347,651
Other (Note 11)	165,757	55,695
Total Intragovernmental	1,065,984	807,196
Accounts Payable	331,107	259,631
Loan Guarantee Liabilities	81,812	73,645
Federal Employee Benefits (Note 12)	569,114	557,679
Environmental and Disposal Liabilities (Note 13)	73,311	78,687
Other		
Accrued Payroll and Annual Leave	351,698	321,114
Accrued Grants	388,679	350,452
Capital Lease Liabilities (Note 14)	18,563	18,331
Unearned Revenue	857,817	740,491
Other (Note 11)	23,904	42,973
TOTAL LIABILITIES	\$ 3,761,989	\$ 3,250,199
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations	\$ 4,238,321	\$ 4,209,311
Cumulative Results of Operations	4,729,866	4,476,797
TOTAL NET POSITION	\$ 8,968,187	\$ 8,686,108
TOTAL LIABILITIES AND NET POSITION	\$ 12,730,176	\$ 11,936,307

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2005 and 2004 (Note 17) (In Thousands)**

	FY 2005	FY 2004
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers		
Intragovernmental Gross Costs	\$ 450,377	\$ 411,683
Gross Costs With the Public	1,526,841	1,518,510
Total Gross Costs	1,977,218	1,930,193
Intragovernmental Earned Revenue	(269,720)	(275,502)
Earned Revenue From the Public	(34,993)	(28,022)
Total Earned Revenue	(304,713)	(303,524)
Net Program Costs	1,672,505	1,626,669
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science		
Intragovernmental Gross Costs	429,770	358,966
Gross Costs With the Public	2,082,229	1,959,060
Total Gross Costs	2,511,999	2,318,026
Intragovernmental Earned Revenue	(154,878)	(152,217)
Earned Revenue From the Public	(1,425,614)	(1,290,748)
Total Earned Revenue	(1,580,492)	(1,442,965)
Net Program Costs	931,507	875,061
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship		
Intragovernmental Gross Costs	728,940	596,810
Gross Costs With the Public	3,220,149	3,247,671
Total Gross Costs	3,949,089	3,844,481
Intragovernmental Earned Revenue	(184,440)	(169,557)
Earned Revenue From the Public	(56,533)	(57,682)
Total Earned Revenue	(240,973)	(227,239)
Net Program Costs	3,708,116	3,617,242
NET COST OF OPERATIONS	\$ 6,312,128	\$ 6,118,972

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2005 and 2004 (In Thousands)**

	FY 2005		FY 2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$ 4,476,797	\$ 4,209,311	\$ 4,389,948	\$ 4,181,364
Budgetary Financing Sources:				
Appropriations Received (Note 18)	-	6,484,353	-	6,124,921
Appropriations Transfers In/(Out), Net	-	22,625	-	8,379
Other Adjustments (Note 18)	-	(99,261)	-	(295,014)
Appropriations Used	6,378,707	(6,378,707)	5,810,339	(5,810,339)
Non-exchange Revenue	5,000	-	10,120	-
Donations	12,127	-	1,298	-
Transfers In/(Out) Without Reimbursement, Net	88,745	-	86,441	-
Other Budgetary Financing Sources/(Uses), Net (Note 18)	626	-	74,707	-
Other Financing Sources:				
Transfers In/(Out) Without Reimbursement, Net	976	-	17,939	-
Imputed Financing Sources From Costs Absorbed by Others	199,423	-	219,375	-
Downward Subsidy Reestimates Payable to Treasury	(107,587)	-	(3,228)	-
Other Financing Sources/(Uses), Net	(12,820)	-	(11,170)	-
Total Financing Sources	6,565,197	29,010	6,205,821	27,947
Net Cost of Operations	(6,312,128)	-	(6,118,972)	-
Net Change	253,069	29,010	86,849	27,947
ENDING BALANCES	\$ 4,729,866	\$ 4,238,321	\$ 4,476,797	\$ 4,209,311

The accompanying notes are an integral part of these statements.

PRINCIPAL FINANCIAL STATEMENTS

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2005 and 2004 (Note 18) (In Thousands)

	FY 2005		FY 2004	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Budget Authority				
Appropriations Received	\$ 6,496,389	\$ -	\$ 6,134,774	\$ -
Borrowing Authority	-	105,592	-	169,997
Net Transfers	105,271	-	88,106	-
Unobligated Balance				
Beginning of Period	730,102	188,495	1,000,131	60,212
Adjustments to Unobligated Balance, Beginning of Period	(1,223)	-	31,315	-
Net Transfers	(10,032)	-	4,277	-
Spending Authority From Offsetting Collections				
Earned				
Collected	2,723,025	167,047	2,578,665	84,313
Receivables	(34,695)	-	(59,937)	(1)
Change in Unfilled Customer Orders				
Advances Received	217,431	-	84,185	-
Without Advances	20,887	(6,568)	24,787	6,128
Previously Unavailable	1,362	-	-	-
Total Spending Authority From Offsetting Collections	2,928,010	160,479	2,627,700	90,440
Recoveries of Prior-years Obligations (Unpaid)	101,506	11,118	85,920	26,512
Temporarily Not Available Pursuant to Public Law	(32,055)	-	(176,759)	-
Permanently Not Available				
Cancellations of Expired and No-year Accounts	(4,993)	-	(119,076)	-
Enacted Reductions	(90,278)	-	(204,494)	-
Enacted Reductions - Reversals	-	-	75,584	-
Capital Transfers and Redemption of Debt	(7,415)	(73,093)	(2,400)	(43,662)
Other Authority Withdrawn	(1,174)	(109,156)	-	(25,852)
TOTAL BUDGETARY RESOURCES	\$ 10,214,108	\$ 283,435	\$ 9,545,078	\$ 277,647
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	\$ 6,764,628	\$ 123,944	\$ 6,443,981	\$ 85,753
Reimbursable	2,709,854	6,383	2,370,995	3,399
Total Obligations Incurred	9,474,482	130,327	8,814,976	89,152
Unobligated Balance				
Apportioned	400,058	518	415,704	99,013
Exempt From Apportionment	274,378	-	221,548	-
Unobligated Balance Not Available	65,190	152,590	92,850	89,482
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 10,214,108	\$ 283,435	\$ 9,545,078	\$ 277,647
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:				
Obligated Balance, Net, Beginning of Period (Unpaid)	\$ 4,989,717	\$ 230,847	\$ 4,745,233	\$ 299,141
Adjustments to Obligated Balance, Beginning of Period (Unpaid)	1,172	-	4,765	-
Obligated Balance, Net, Beginning of Period, as Adjusted (Unpaid)	\$ 4,990,889	\$ 230,847	\$ 4,749,998	\$ 299,141
Obligated Balance, Net, End of Period (Unpaid)				
Accounts Receivable	\$ (120,055)	\$ -	\$ (154,749)	\$ -
Unfilled Customer Orders Without Advances	(131,876)	(392)	(110,989)	(6,961)
Undelivered Orders (Unpaid)	4,523,173	185,600	4,414,985	235,814
Accounts Payable	979,591	65	840,470	1,994
Total Obligated Balance, Net, End of Period (Unpaid)	\$ 5,250,833	\$ 185,273	\$ 4,989,717	\$ 230,847
Outlays				
Disbursements	\$ 9,126,840	\$ 171,351	\$ 8,524,487	\$ 124,807
Collections	(2,940,456)	(167,047)	(2,662,850)	(84,313)
Total Outlays	6,186,384	4,304	5,861,637	40,494
Less: Distributed Offsetting Receipts	(17,660)	-	(14,515)	-
NET OUTLAYS	\$ 6,168,724	\$ 4,304	\$ 5,847,122	\$ 40,494

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Financing
For the Years Ended September 30, 2005 and 2004 (In Thousands)**

	FY 2005	FY 2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,604,809	\$ 8,904,128
Less: Spending Authority From Offsetting Collections and Recoveries	(3,201,113)	(2,830,572)
Obligations Net of Offsetting Collections and Recoveries	6,403,696	6,073,556
Less: Distributed Offsetting Receipts	(17,660)	(14,515)
Net Obligations	6,386,036	6,059,041
Other Resources		
Transfers In/(Out) Without Reimbursement, Net	976	17,939
Imputed Financing Sources From Costs Absorbed by Others	199,423	219,375
Downward Subsidy Reestimates Payable to Treasury	(107,587)	(3,228)
Other Financing Sources/(Uses), Net	(12,820)	(11,170)
Net Other Resources Used to Finance Activities	79,992	222,916
Total Resources Used to Finance Activities	6,466,028	6,281,957
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(117,718)	(253,152)
Resources that Fund Expenses Recognized in Prior Periods	(48,314)	(65,471)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	154,759	68,139
Budgetary Financing Sources (Uses), Net	3,805	27,038
Resources that Finance the Acquisition of Assets	(1,053,321)	(745,915)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	231,750	115,100
Transfers In/(Out) Without Reimbursement, Net	(976)	(17,939)
Downward Subsidy Reestimates Payable to Treasury	107,587	3,228
Other Financing Sources/(Uses), Net	12,820	11,170
Other	(986)	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(710,594)	(857,802)
Total Resources Used to Finance Net Cost of Operations	5,755,434	5,424,155
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods (Note 19)		
Increase in Accrued Annual Leave Liability	8,365	7,029
Increases in NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability	17,200	9,823
Reestimates of Credit Subsidy Expense	(110,845)	(7,144)
Other	(2,868)	(2,398)
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	(88,148)	7,310
Components Not Requiring or Generating Resources		
Depreciation and Amortization	514,592	512,021
Expenses Related to Resources Recognized in Prior Periods	59,065	11,200
Satellite Damage Costs (Note 17)	-	131,400
NOAA Issuances of Materials and Supplies	61,761	19,340
Revaluation of Assets or Liabilities	2,690	6,855
Other	6,734	6,691
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	644,842	687,507
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	556,694	694,817
NET COST OF OPERATIONS	\$ 6,312,128	\$ 6,118,972

The accompanying notes are an integral part of these statements.



PRINCIPAL FINANCIAL STATEMENTS

Notes to the Financial Statements

(All Tables are Presented in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 13 bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, the National Intellectual Property Law Enforcement Coordination Council, and Departmental Management.

For the *Consolidating Statements of Net Cost* (see Note 17), some of the Department's entities have been grouped together, based on their organizational structures, as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA)
 - Bureau of Economic Analysis (BEA)
 - Census Bureau
- Technology Administration (TA)
 - National Institute of Standards and Technology (NIST)
 - National Technical Information Service (NTIS)
- Others
 - Bureau of Industry and Security (BIS)
 - Economic Development Administration (EDA)
 - International Trade Administration (ITA)
 - Minority Business Development Agency (MBDA)
 - National Intellectual Property Law Enforcement Coordination Council (NIPC)
 - National Telecommunications and Information Administration (NTIA)
 - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)

- Departmental Management (DM)
 - Franchise Fund
 - Gifts and Bequests (G&B)
 - Office of Inspector General (OIG)
 - Salaries and Expenses (S&E)
 - Working Capital Fund (WCF)

B *Basis of Accounting and Presentation*

The Department's fiscal year ends September 30. These financial statements 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 the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which, in many cases, is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

These financial statements have been prepared from the accounting records of the Department in conformance with generally accepted accounting principles (GAAP) in the U.S. and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular No. A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Throughout these financial statements, intragovernmental assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities.

C *Elimination of Intra-entity and Intra-Departmental Transactions and Balances*

Transactions and balances within a reporting entity (intra-entity transactions) have been eliminated from the financial statements, except as noted below. Transactions and balances among the Department's entities (intra-Departmental transactions) have been eliminated from the *Consolidated Balance Sheets* and the *Consolidated Statements of Net Cost*. There are no intra-Departmental eliminations for the *Consolidated Statements of Changes in Net Position* and the *Consolidated Statements of Financing*. The *Statements of Budgetary Resources* are presented on a combined basis; therefore, intra-Departmental and intra-entity transactions and balances have not been eliminated from these statements.

D *Fund Balance with Treasury*

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds primarily represent the amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

E *Accounts Receivable, Net*

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

F *Advances and Prepayments*

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (monthly or quarterly) report the amount of costs incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent. Advances and Prepayments are included in Other Assets.

G *Loans Receivable and Related Foreclosed Property, Net*

A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-federal borrowers to non-federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.

Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition.

Direct Loans and Loan Guarantees Obligated before October 1, 1991 (pre-FY 1992): Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

The Economic Development Revolving Fund is required to make annual interest payments to Treasury after each fiscal year-end, based on its outstanding receivables at September 30.

Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For a direct or guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost.

A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amount of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year.

H *Inventory, Materials, and Supplies, Net*

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the weighted-average and first-in, first-out methods, and are adjusted for the results of physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

I *General Property, Plant, and Equipment, Net*

General Property, Plant, and Equipment, Net (General PP&E) is composed of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. General PP&E also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception.

Capitalization Thresholds: The Department's general policy is to capitalize General PP&E if the initial acquisition price is \$25 thousand or more and the useful life is two years or more. NOAA is an exception to this policy, having a capitalization threshold of \$200 thousand. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

Depreciation: Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land and Construction-in-progress are not depreciated.

Real Property: The U.S. General Services Administration (GSA) provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates. Accordingly, GSA-owned properties are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA. Land Improvements consist of a retaining wall to protect against shoreline erosion.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. Upon completion of the work, the costs are transferred to the appropriate General PP&E account for capitalization.

J *Notes Receivable*

Notes Receivable, included in Other Assets, arise through the NOAA sale of foreclosed property to non-federal parties. The property is used as collateral, and an Allowance for Uncollectible Amounts is established if the net realizable value of the collateral is less than the outstanding balance of the Notes Receivable. An analysis of the collectibility of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

K *Non-entity Assets*

Non-entity assets are assets held by the Department that are not available for use in its operations. The non-entity Fund Balance with Treasury primarily represents customer deposits held by the Department until customer orders are received. Non-entity Loans Receivable and Related Foreclosed Property, Net represents EDA's Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

L *Liabilities*

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

Debt to Treasury: The Department has borrowed funds from Treasury for its Fisheries Finance Traditional, Tuna Fleet, and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, and Pacific Groundfish Buyback Loans. To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense.

Resources Payable to Treasury: Resources Payable to Treasury includes liquidating fund assets in excess of liabilities that are being held as working capital for the Economic Development Revolving Fund loan programs and the FVOG loan guarantee program. EDA's Drought Loan Portfolio is a non-entity asset; therefore, the amount of the Portfolio is also recorded as a liability to Treasury. The Portfolio collections are returned to Treasury monthly, and the liability is reduced accordingly.

Unearned Revenue: Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue primarily relates to monies collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

Accrued FECA Liability: 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 U.S. Department of Labor (DOL), which pays valid claims against the Department and subsequently seeks reimbursement from the Department for these paid claims. Accrued FECA Liability, included in Intragovernmental Other Liabilities, represents amounts due to DOL for claims paid on behalf of the Department.

Loan Guarantee Liabilities: Post-FY 1991 obligated loan guarantees are governed by the Federal Credit Reform Act of 1990. For a guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

For a non-acquired guaranteed loan outstanding, the present value of the estimated cash inflows less cash outflows of the loan guarantee is recognized as a Loan Guarantee Liability. The Loan Guarantee Liability is normally reestimated annually each year, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense).

Federal Employee Benefits:

Actuarial FECA Liability: Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

The model's resulting projections are analyzed by DOL to ensure that the amounts are reliable. The analysis is based on two tests: 1) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual payments; and 2) a comparison of the ratio of the estimated liability to the actual payment of the beginning year calculated for the current projection to the liability-payment ratio calculated for the prior projection.

NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on federal securities, annual basic pay increases, and annual inflation. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.P, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be \$65.6 million. This estimated cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the clean-up of the Pribilof Island in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than \$25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

The Department may have liabilities associated with asbestos-containing materials (ACM) and lead-based paints (LBP) at certain NOAA facilities. The Department has scheduled surveys to assess the potential for liabilities for ACM and LBP contamination. All known issues, however, are contained, and NOAA facilities meet current environmental standards. No cost estimates are presently available for facilities that have not yet been assessed for ACM or LBP issues.

Accrued Payroll and Annual Leave: These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30. Annually, as of September 30, the balances of Accrued Annual Leave are adjusted to reflect current pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Accrued Grants: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by grantees. These drawdown requests may be received and fulfilled before grantees make the program expenditures. When the Department has disbursed funds but the grant recipient has not yet reported expenditures, these disbursements are recorded as advances. If a recipient, however, reports program expenditures that have not been advanced by the Department by September 30, such amounts are recorded as grant expenses and grants payable as of September 30.

Capital Lease Liabilities: Capital leases are leases for property, plant, and equipment that transfer substantially all the benefits and risks of ownership to the Department.

ITA Foreign Service Nationals' Voluntary Separation Pay: This liability, included in Other Liabilities, is based on the salaries and benefit statuses of employees in countries where governing laws require a provision for separation pay.

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely



NOTES TO THE FINANCIAL STATEMENTS

to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the Notes to the Financial Statements when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

Liabilities Not Covered by Budgetary Resources: These are liabilities for which congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 15.

Under accrual accounting, the expense for annual leave is recognized when the leave is earned. However, for most of the Department's fund accounts, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of Accrued Annual Leave.

The Department generally receives budgetary resources for Federal Employee Benefits when they are needed for disbursements.

M *Commitments*

Commitments are preliminary actions that will ultimately result in an obligation to the U.S. government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 16.

N *Net Position*

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended Appropriations are reduced for Appropriations Used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

O *Revenues and Other Financing Sources*

Appropriations Used: Most of the Department's operating funds are provided by congressional appropriations of budget authority. The Department receives appropriations on annual, multiple-year, and no-year bases. Upon expiration of an annual or multiple-year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balances can be used to make legitimate obligation adjustments, but are otherwise not available for expenditures. Annual and multiple-year appropriations are canceled at the end of the fifth year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when costs are incurred, for example, when goods and services are received or benefits and grants are provided.

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, and other sales of goods and services. This revenue is presented on the Department's *Consolidated Statements of Net Cost*, and serves to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenue is derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. This revenue is not considered to reduce the cost of the Department's operations, and, is, therefore, reported on the *Consolidated Statements of Changes in Net Position*.

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing Sources From Costs Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for by funds appropriated to other federal entities. For example, pension benefits for most Department employees are paid for by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. OMB limits Imputed Costs to be recognized by federal entities to the following: 1) employees' pension benefits; 2) health insurance, life insurance, and other benefits for retired employees; 3) other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under FECA; and 4) losses in litigation proceedings. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source From Costs Absorbed by Others is recognized on the *Consolidated Statements of Changes in Net Position*.

Transfers In/(Out): Intragovernmental transfers of budget authority (i.e., appropriated funds) or of assets without reimbursement are recorded at book value.

P Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to seven percent of an employee's basic pay. Employees contributed seven percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.



NOTES TO THE FINANCIAL STATEMENTS

For FERS-covered regular employees, the Department was required to make contributions of 11.2 percent (FY 2005) or 10.7 percent (FY 2004) of basic pay. Employees contributed 0.8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration. For the year ended September 30, 2004, this plan was not fully funded by the Department and its employees. The Department therefore recognized in FY 2004 an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2005, included 279 active duty officers, 311 nondisability retiree annuitants, 20 disability retiree annuitants, and 47 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. FERS-covered employees are entitled, effective January 2005, to contribute up to 15 percent of basic pay to their TSP account, subject to the Internal Revenue Service (IRS) dollar amount limits, with the Department making matching contributions up to five percent of basic pay. Employees covered by CSRS are entitled, effective January 2005, to contribute up to 10 percent of basic pay to their TSP account, subject to the IRS dollar amount limits. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar amount limits.

Federal Employees Health Benefit (FEHB) Program: Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement benefits for covered employees as an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others.

NOAA Corps Post-retirement Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department 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 basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others.

Q Use of Estimates

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

R Tax Status

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, by type, is as follows:

	<u>FY 2005</u>	<u>FY 2004</u>
General Funds	\$ 5,926,327	\$ 5,696,123
Revolving Funds	735,344	582,275
Special Fund (Patent and Trademark Surcharge Fund)	233,529	233,529
Other Special Funds	43,223	45,443
Deposit Funds	88,856	87,589
Trust Funds	1,303	1,267
Other Fund Types	12,687	6,501
Total	<u>\$ 7,041,269</u>	<u>\$ 6,652,727</u>

Status of Fund Balance with Treasury is as follows:

	<u>FY 2005</u>	<u>FY 2004</u>
Temporarily Not Available Pursuant to Public Law	\$ 547,232	\$ 516,499
Unobligated Balance		
Available	674,954	635,948
Unavailable	216,611	182,935
Obligated Balance Not Yet Disbursed	5,265,046	4,989,078
Non-budgetary	337,426	328,267
Total	<u>\$ 7,041,269</u>	<u>\$ 6,652,727</u>

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2005 and FY 2004.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY2005			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 58,794	\$ -	\$ 58,794
With the Public	\$ 82,726	\$ (14,766)	\$ 67,960
FY2004			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 84,028	\$ -	\$ 84,028
With the Public	\$ 73,445	\$ (13,544)	\$ 59,901

NOTE 4. CASH

	FY 2005	FY 2004
Cash Not Yet Deposited with Treasury	\$ 8,998	\$ 12,547
Imprest Funds	340	383
Other Cash	302	764
Total	\$ 9,640	\$ 13,694

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities, and for environments that do not permit the use of electronic payments. Other Cash represents monies held in a trust account obtained through the foreclosure of a NOAA direct loan.

NOTE 5. LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET

The Department operates the following direct loan and loan guarantee programs:

Direct Loan Programs:

EDA	Drought Loan Portfolio
EDA	Economic Development Revolving Fund
NOAA	Alaska Purse Seine Fishery Buyback Loans ¹
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans ¹
NOAA	Bering Sea Pollock Fishery Buyback
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Crab Buyback Loans
NOAA	Federal Gulf of Mexico Reef Fish Buyback Loans ¹
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Finance Tuna Fleet Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans ¹
NOAA	New England Lobster Buyback Loans ¹
NOAA	Pacific Groundfish Buyback Loans

¹ No loans have been issued under these programs as of September 30, 2005

Loan Guarantee Programs:

EDA	Economic Development Revolving Fund
ELGP-Oil/Gas	Emergency Oil and Gas Loan Guarantee Program
ELGP-Steel	Emergency Steel Loan Guarantee Program
NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)

The net assets for the Department's loan programs consist of:

	<u>FY 2005</u>	<u>FY 2004</u>
Direct Loans Obligated Prior to FY 1992	\$ 44,619	\$ 52,913
Direct Loans Obligated After FY 1991	345,218	227,758
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	23	3,295
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	27,649	33,172
Total	<u>\$ 417,509</u>	<u>\$ 317,138</u>

NOTES TO THE FINANCIAL STATEMENTS

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2005				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 22,145	\$ 7,686	\$ (24,093)	\$ 5,738
Drought Loan Portfolio	26,504	453	(270)	26,687
Economic Development Revolving Fund	12,204	113	(123)	12,194
Fisheries Loan Fund	912	91	(1,003)	-
Total	\$ 61,765	\$ 8,343	\$ (25,489)	\$ 44,619

FY 2004				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 22,392	\$ 7,748	\$ (20,268)	\$ 9,872
Drought Loan Portfolio	28,655	463	(291)	28,827
Economic Development Revolving Fund	14,305	153	(244)	14,214
Fisheries Loan Fund	1,881	138	(2,019)	-
Total	\$ 67,233	\$ 8,502	\$ (22,822)	\$ 52,913

Direct Loans Obligated After FY 1991 consist of:

FY 2005				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea Pollock Fishery Buyback	\$ 61,980	\$ 48	\$ 6,336	\$ 68,364
Crab Buyback Loans	97,399	3,578	18,064	119,041
Fisheries Finance IFQ Loans	15,891	172	2,577	18,640
Fisheries Finance Traditional Loans	76,928	737	9,056	86,721
Fisheries Finance Tuna Fleet Loans	13,889	118	1,617	15,624
Pacific Groundfish Buyback Loans	35,663	1,226	(61)	36,828
Total	\$ 301,750	\$ 5,879	\$ 37,589	\$ 345,218

FY 2004				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea Pollock Fishery Buyback	\$ 66,137	\$ 56	\$ 7,915	\$ 74,108
Fisheries Finance IFQ Loans	15,679	155	2,420	18,254
Fisheries Finance Traditional Loans	64,535	589	8,288	73,412
Fisheries Finance Tuna Fleet Loans	23,833	191	3,507	27,531
Pacific Groundfish Buyback Loans	35,663	1,252	(2,462)	34,453
Total	\$ 205,847	\$ 2,243	\$ 19,668	\$ 227,758

New Disbursements of Direct Loans (Post-FY 1991):

Direct Loan Program	FY 2005	FY 2004
Crab Buyback Loans	\$ 97,399	\$ -
Fisheries Finance IFQ Loans	3,058	3,290
Fisheries Finance Traditional Loans	31,176	21,150
Fisheries Finance Tuna Fleet Loans	-	38,301
Pacific Groundfish Buyback Loans	-	35,663
Total	\$ 131,633	\$ 98,404

NOTES TO THE FINANCIAL STATEMENTS

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2005					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Crab Buyback Loans	\$ (22,665)	\$ 18,185	\$ -	\$ -	\$ (4,480)
Fisheries Finance IFQ Loans	(696)	54	(21)	157	(506)
Fisheries Finance Traditional Loans	(4,605)	384	(216)	1,974	(2,463)
Total	\$ (27,966)	\$ 18,623	\$ (237)	\$ 2,131	\$ (7,449)

FY 2004					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (588)	\$ 92	\$ (31)	\$ 110	\$ (417)
Fisheries Finance Traditional Loans	(3,115)	309	(71)	581	(2,296)
Fisheries Finance Tuna Fleet Loans	(5,266)	202	(27)	537	(4,554)
Pacific Groundfish Buyback Loans	(11,373)	11,758	-	-	385
Total	\$ (20,342)	\$ 12,361	\$ (129)	\$ 1,228	\$ (6,882)

Modifications and Reestimates:

FY 2005				
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyback	\$ -	\$ -	\$ 1,396	\$ 1,396
Fisheries Finance IFQ Loans	-	(144)	333	189
Fisheries Finance Traditional Loans	-	(24)	252	228
Fisheries Finance Tuna Fleet Loans	-	-	1,677	1,677
Pacific Groundfish Buyback Loans	-	-	(616)	(616)
Crab Buyback Loans	-	(7,110)	(7,275)	(14,385)
Total	\$ -	\$ (7,278)	\$ (4,233)	\$ (11,511)

FY 2004				
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyback	\$ -	\$ -	\$ 954	\$ 954
Fisheries Finance IFQ Loans	-	(93)	267	174
Fisheries Finance Traditional Loans	-	(984)	(682)	(1,666)
Fisheries Finance Tuna Fleet Loans	-	(2,386)	2,172	(214)
Pacific Groundfish Buyback Loans	-	(2,578)	4,395	1,817
Total	\$ -	\$ (6,041)	\$ 7,106	\$ 1,065

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2005	FY 2004
Bering Sea Pollock Fishery Buyback	\$ 1,396	\$ 954
Crab Buyback Loans	(18,865)	-
Fisheries Finance IFQ Loans	(317)	(243)
Fisheries Finance Traditional Loans	(2,235)	(3,962)
Fisheries Finance Tuna Fleet Loans	1,677	(4,768)
Pacific Groundfish Buyback Loans	(616)	2,202
Total	\$ (18,960)	\$ (5,817)

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:

FY 2005					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(24.91) %	0.48 %	(0.73) %	6.71 %	(18.45) %
Fisheries Finance Traditional Loans	(15.26) %	0.30 %	(0.65) %	1.90 %	(13.71) %
Federal Gulf of Mexico Reef Fish Buyback Loans	(29.89) %	31.17 %	- %	- %	1.28 %

FY 2004					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(20.10) %	1.52 %	(0.67) %	3.31 %	(15.94) %
Fisheries Finance Traditional Loans	(14.57) %	1.62 %	(0.71) %	8.17 %	(5.49) %

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of direct loans during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of direct loans for the reporting period could result from disbursements of loans from both the reporting period's cohorts and prior fiscal-year(s) cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

NOTES TO THE FINANCIAL STATEMENTS

Schedule for Reconciling Allowance for Subsidy Cost (Post-FY 1991 Direct Loans):

	<u>FY 2005</u>	<u>FY 2004</u>
Beginning Balance of the Allowance for Subsidy Cost	\$ 19,668	\$ 20,110
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	27,966	20,342
Default Costs (Net of Recoveries)	(18,623)	(12,361)
Fees and Other Collections	237	129
Other Subsidy Costs	(2,131)	(1,228)
Total of the above Subsidy Expense Components	<u>7,449</u>	<u>6,882</u>
Adjustments:		
Fees Received	(256)	(330)
Subsidy Allowance Amortization	(783)	(3,750)
Other	-	(2,179)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	<u>26,078</u>	<u>20,733</u>
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	7,278	6,041
Technical/Default Reestimates	4,233	(7,106)
Total of the above Reestimate Components	<u>11,511</u>	<u>(1,065)</u>
Ending Balance of the Allowance for Subsidy Cost	<u><u>\$ 37,589</u></u>	<u><u>\$ 19,668</u></u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2005					
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	<u>\$ 17,211</u>	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ (17,216)</u>	<u>\$ 23</u>
FY 2004					
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	<u>\$ 19,650</u>	<u>\$ -</u>	<u>\$ 376</u>	<u>\$ (16,731)</u>	<u>\$ 3,295</u>

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2005

Loan Guarantee Program	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
Emergency Steel Loan Guarantee Program	\$ 18,896	\$ 547	\$ -	\$ 1,339	\$ 20,782
FVOG Program	11,599	1,254	2,970	(8,956)	6,867
Total	\$ 30,495	\$ 1,801	\$ 2,970	\$ (7,617)	\$ 27,649

FY 2004

Loan Guarantee Program	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
Emergency Steel Loan Guarantee Program	\$ 92,097	\$ -	\$ -	\$ (67,017)	\$ 25,080
FVOG Program	12,608	1,262	2,949	(8,727)	8,092
Total	\$ 104,705	\$ 1,262	\$ 2,949	\$ (75,744)	\$ 33,172

The Emergency Steel Loan Guarantee Program amounts reported above for both FY 2005 and FY 2004 represent one defaulted guaranteed loan receivable. In June 2005, the borrower repaid \$73.2 million of principal against this loan receivable, and the borrower also paid \$17.9 million of accrued interest. These collections were made possible by a liquidation, under bankruptcy, of the borrower's assets. These actual collections exceeded the cash flow expectations reflected in the Allowance for Subsidy Cost of \$(67.0) million as of September 30, 2004. The Department furthermore anticipates that the government will fully collect in FY 2006 the remaining principal balance of \$18.9 million, plus accrued interest. This should be made possible by the expected further liquidation of assets by the borrower. The better-than-expected actual and anticipated cash flows discussed above contributed to the downward subsidy reestimate of \$(85.3) million, as of September 30, 2005, for this defaulted guaranteed loan receivable.

NOTES TO THE FINANCIAL STATEMENTS

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed disbursed loans as of September 30, 2005 and 2004, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	FY 2005		FY 2004	
	Outstanding Principal of Guaranteed Loans Disbursed, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans Disbursed, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ 1,248	\$ 1,061
Emergency Steel Loan Guarantee Program	242,435	212,817	246,074	215,927
FVOG Program	32,366	32,366	45,202	45,202
Total	\$ 274,801	\$ 245,183	\$ 292,524	\$ 262,190

New Disbursements of Loan Guarantees, by year:

Loan Guarantee Program	FY 2005		FY 2004	
	Outstanding Principal of Guaranteed Loans Disbursed, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans Disbursed, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	\$ 24,536	\$ 21,591	\$ 80,964	\$ 71,248

Loan Guarantee Liabilities:

Loan Guarantee Program	FY 2005	FY 2004
	Loan Guarantee Liabilities for Post-FY 1991 Guarantees Disbursed, Present Value	Loan Guarantee Liabilities for Post-FY 1991 Guarantees Disbursed, Present Value
Emergency Oil and Gas Loan Guarantee Program	\$ 294	\$ 605
Emergency Steel Loan Guarantee Program	78,347	70,069
FVOG Program	3,171	2,971
Total	\$ 81,812	\$ 73,645

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Disbursements of Loan Guarantees:

FY 2005				
Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Steel Loan Guarantee Program	\$ -	\$ 7,368	\$ (123)	\$ 7,245

FY 2004				
Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Steel Loan Guarantee Program	\$ -	\$ 22,824	\$ (405)	\$ 22,419

Modifications and Reestimates:

FY 2005				
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ (814)	\$ (814)
Emergency Steel Loan Guarantee Program	1,348	-	(87,264)	(87,264)
FVOG Program	-	-	523	523
Total	\$ 1,348	\$ -	\$ (87,555) ¹	\$ (87,555)

¹ Of this amount, \$(84.8) million represents downward subsidy reestimates for defaulted guaranteed loan receivables, and \$(2.8) million is the total downward subsidy reestimates for loan guarantee liabilities.

FY 2004				
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ (724)	\$ (724)
Emergency Steel Loan Guarantee Program	-	676	1,069	1,745
Total	\$ -	\$ 676	\$ 345	\$ 1,021

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2005	FY 2004
Emergency Oil and Gas Loan Guarantee Program	\$ (814)	\$ (724)
Emergency Steel Loan Guarantee Program	(78,671)	24,164
FVOG Program	523	-
Total	\$ (78,962)	\$ 23,440

Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Fiscal-year's Cohorts:

There were no new cohorts of guaranteed loans during FY 2005 and FY 2004.

Schedule for Reconciling Loan Guarantee Liabilities (Post-FY 1991 Loan Guarantees):

	FY 2005	FY 2004
Beginning Balance of Loan Guarantee Liabilities	\$ 73,645	\$ 51,068
Add Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:		
Default Costs (Net of Recoveries)	7,368	22,824
Fees and Other Collections	(123)	(405)
Total of the above Subsidy Expense Components	7,245	22,419
Adjustments:		
Loan Guarantee Modifications	1,348	-
Fees Received	198	220
Interest Accumulation on the Liabilities Balance	1,004	(28)
Other	1,127	(1,055)
Ending Balance of Loan Guarantee Liabilities Before Reestimates	84,567	72,624
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	-	676
Technical/Default Reestimates	(2,755)	345
Total of the above Reestimate Components	(2,755)	1,021
Ending Balance of Loan Guarantee Liabilities	\$ 81,812	\$ 73,645

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

Direct Loan Program	FY 2005	FY 2004
Drought Loan Portfolio and Economic Development Revolving Fund	\$ 892	\$ 1,708
NOAA Direct Loan Programs	2,863	3,251
Total	\$ 3,755	\$ 4,959

Loan Guarantee Program	FY 2005	FY 2004
Emergency Oil and Gas Loan Guarantee Program	\$ 23	\$ 15
Emergency Steel Loan Guarantee Program	253	598
FVOG Program	318	462
Total	\$ 594	\$ 1,075

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2005	FY 2004
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	\$ 22,853	\$ 23,028
Other	Various	1,060	1,740
Allowance for Excess, Obsolete, and Unserviceable Items		(317)	(318)
Total Inventory, Net		23,596	24,450
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	\$ 48,992	\$ 49,894
NOAA's National Reconditioning Center	Weighted-average	39,529	39,804
Other	Various	2,135	2,423
Allowance for Excess, Obsolete, and Unserviceable Items		(17,607)	(17,056)
Total Materials and Supplies, Net		73,049	75,065
Total		\$ 96,645	\$ 99,515

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements, while NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2005				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 15,508	\$ -	\$ 15,508
Land Improvements	30-40	2,996	(826)	2,170
Structures, Facilities, and Leasehold Improvements	2-60	1,041,761	(330,970)	710,791
Satellites/Weather Systems Personal Property	3-20	4,170,070	(3,327,652)	842,418
Other Personal Property	2-30	1,449,996	(934,413)	515,583
Assets Under Capital Lease	3-40	56,258	(42,922)	13,336
Construction-in-progress	N/A	2,827,901	-	2,827,901
Total		\$ 9,564,490	\$ (4,636,783)	\$ 4,927,707

FY 2004				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 13,289	\$ -	\$ 13,289
Land Improvements	30-40	2,996	(735)	2,261
Structures, Facilities, and Leasehold Improvements	2-60	967,491	(294,078)	673,413
Satellites/Weather Systems Personal Property	3-20	3,782,429	(3,018,887)	763,542
Other Personal Property	2-30	1,380,371	(827,425)	552,946
Assets Under Capital Lease	3-40	61,806	(42,651)	19,155
Construction-in-progress	N/A	2,628,276	-	2,628,276
Total		\$ 8,836,658	\$ (4,183,776)	\$ 4,652,882

NOTE 8. OTHER ASSETS

	<u>FY 2005</u>	<u>FY 2004</u>
With the Public		
Advances and Prepayments	\$ 90,297	\$ 31,516
Notes Receivable	3,203	4,237
Bibliographic Database	5,423	5,451
Other	38	38
Total	<u>\$ 98,961</u>	<u>\$ 41,242</u>

As of September 30, 2005 and 2004, there are two and three Notes Receivable, respectively, with maturity dates as of September 30, 2005 ranging from October 2006 to July 2024 and interest rates ranging from 7.0 to 7.25 percent. The balances include accrued interest. These notes are considered fully collectible.

The bibliographic database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of \$48.6 million and \$46.1 million, less accumulated amortization of \$43.2 million and \$40.6 million, for September 30, 2005 and 2004, respectively.

NOTE 9. NON-ENTITY ASSETS

The assets that are not available for use in the Department's operations are summarized below:

	<u>FY 2005</u>	<u>FY 2004</u>
Intragovernmental		
Fund Balance with Treasury	\$ 96,699	\$ 94,457
Total Intragovernmental	<u>96,699</u>	<u>94,457</u>
With the Public		
Cash	787	463
Accounts Receivable, Net	1,751	1,112
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	26,687	28,827
Total	<u>\$ 125,924</u>	<u>\$ 124,859</u>

NOTE 10. DEBT TO TREASURY

Loan Program	FY 2005		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 233,482	\$ 113,093	\$ 346,575
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	29,199	(29,199)	-
FVOG Program	11,745	(739)	11,006
Total	\$ 274,426	\$ 83,155	\$ 357,581

Maturity dates range from September 2010 to September 2034, and interest rates range from 3.65 to 7.26 percent.

Loan Program	FY 2004		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 170,536	\$ 62,946	\$ 233,482
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	29,199	-	29,199
FVOG Program	11,965	(220)	11,745
Total	\$ 211,700	\$ 62,726	\$ 274,426

Maturity dates range from September 2005 to September 2034, and interest rates range from 3.26 to 7.26 percent.

NOTE 11. OTHER LIABILITIES

	FY 2005			FY 2004
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	\$ 21,448	\$ 9,876	\$ 31,324	\$ 31,350
Accrued Benefits	23,428	-	23,428	19,448
Custodial Activity	892	-	892	1,115
Downward Subsidy Reestimates Payable to Treasury	107,587	-	107,587	3,228
Other	160	2,366	2,526	554
Total	\$ 153,515	\$ 12,242	\$ 165,757	\$ 55,695
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 772	\$ 8,681	\$ 9,453	\$ 9,344
Contingent Liabilities	3,383	-	3,383	22,786
Employment-related	2,745	-	2,745	2,115
Other	8,323	-	8,323	8,728
Total	\$ 15,223	\$ 8,681	\$ 23,904	\$ 42,973

The Current Portion represents liabilities expected to be paid by September 30, 2006, while the Non-current Portion represents liabilities expected to be paid after September 30, 2006.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	FY 2005	FY 2004
Actuarial FECA Liability	\$ 173,414	\$ 179,179
NOAA Corps Retirement System Liability	350,300	335,700
NOAA Corps Post-retirement Health Benefits Liability	45,400	42,800
Total	<u>\$ 569,114</u>	<u>\$ 557,679</u>

Actuarial FECA Liability:

Actuarial FECA liability is calculated annually, as of September 30. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	FY 2005	FY 2004
Year 1	4.528%	4.88%
Year 2 and Thereafter	5.020%	5.24%

The wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current year constant dollars, were as follows:

FY 2005		
Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2006	3.33%	4.09%
2007	2.93%	4.01%
2008	2.40%	4.01%
2009 and Thereafter	2.40%	4.01%

FY 2004		
Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2005	2.03%	4.14%
2006	2.73%	3.96%
2007	2.40%	3.98%
2008	2.40%	3.99%
2009 and Thereafter	2.40%	4.02%

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the following U.S. Department of Defense Retirement Board economic assumptions:

	<u>FY 2005</u>	<u>FY 2004</u>
Investment Earnings on Federal Securities	6.25%	6.25%
Annual Basic Pay Increases	3.75%	3.75%
Annual Inflation	3.00%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost* are as follows:

	<u>FY 2005</u>	<u>FY 2004</u>
Normal Cost	\$ 5,600	\$ 4,900
Interest on the Unfunded Liability	20,500	19,900
Actuarial (Gains) Losses, Net	4,900	(100)
Total Pension Costs	<u>\$ 31,000</u>	<u>\$ 24,700</u>

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the same U.S. Department of Defense Retirement Board economic assumptions as used for the NOAA Corps Retirement System actuarial calculations. The claims costs used to derive the post-retirement liabilities were taken from the analysis of the U.S. Military's Projected Retiree Medical Liabilities reports for FY 2005 and FY 2004.

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	<u>FY 2005</u>	<u>FY 2004</u>
Normal Cost	\$ 2,900	\$ 3,200
Interest on the Unfunded Liability	2,700	2,500
Actuarial (Gains) Losses, Net	(1,700)	(1,900)
Total Post-retirement Health Benefits Costs	<u>\$ 3,900</u>	<u>\$ 3,800</u>

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	<u>FY 2005</u>	<u>FY 2004</u>
Pribilof Island Cleanup	\$ 26,994	\$ 39,160
Nuclear Reactor	43,359	36,691
Other	2,958	2,836
Total	<u>\$ 73,311</u>	<u>\$ 78,687</u>

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	<u>FY 2005</u>	<u>FY 2004</u>
Structures, Facilities, and Leasehold Improvements	\$ 52,722	\$ 45,665
Equipment	3,536	16,141
Less: Accumulated Depreciation	(42,922)	(42,651)
Net Assets Under Capital Leases	<u>\$ 13,336</u>	<u>\$ 19,155</u>

Capital Lease Liabilities are primarily related to NIST and NOAA. In 1996, NIST entered into a capital lease for an office building in Gaithersburg, Maryland. NOAA has real property capital leases covering both land and buildings. The majority of these leases are for weather forecasting offices, but the leases are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases have an average life of 22 years.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2005			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
2006	\$ 5,026	\$ 2,297	\$ 7,323
2007	4,130	1,859	5,989
2008	3,840	1,888	5,728
2009	3,870	1,903	5,773
2010	3,916	-	3,916
Thereafter	27,145	-	27,145
Total Future Lease Payments	47,927	7,947	55,874
Less: Imputed Interest	(22,064)	(648)	(22,712)
Less: Executory Cost	(7,957)	(6,642)	(14,599)
Net Capital Lease Liabilities	<u>\$ 17,906</u>	<u>\$ 657</u>	<u>\$ 18,563</u>

FY 2004			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
2005	\$ 6,688	\$ 2,278	\$ 8,966
2006	3,848	2,302	6,150
2007	2,940	1,858	4,798
2008	2,640	1,888	4,528
2009	2,661	1,903	4,564
Thereafter	24,182	-	24,182
Total Future Lease Payments	42,959	10,229	53,188
Less: Imputed Interest	(20,137)	(875)	(21,012)
Less: Executory Cost	(5,460)	(8,385)	(13,845)
Net Capital Lease Liabilities	<u>\$ 17,362</u>	<u>\$ 969</u>	<u>\$ 18,331</u>

NOTES TO THE FINANCIAL STATEMENTS

Operating Leases:

Most of the Department's facilities are rented from the U.S. General Services Administration (GSA), which generally charges rent that is intended to approximate commercial rental rates. For federal-owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-federal owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The Department's 1) estimated real property rent payments to GSA for FY 2006 through FY 2010; and 2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

FY 2005			
Fiscal Year	General PP&E Category		
	GSA Real Property	Non-GSA Real Property	Personal Property
2006	\$ 203,929	\$ 19,592	\$ 23,449
2007	236,509	16,628	6,227
2008	233,243	13,741	6,414
2009	230,951	12,598	6,607
2010	167,391	12,070	6,805
Thereafter	¹	34,076	-
Total Future Lease Payments		<u>\$ 108,705</u>	<u>\$ 49,502</u>

¹ Not estimated

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	<u>FY 2005</u>	<u>FY 2004</u>
Intragovernmental		
Accrued FECA Liability	\$ 28,485	\$ 28,272
Other	4,110	594
Total Intragovernmental	32,595	28,866
Accrued Payroll	21,359	20,361
Accrued Annual Leave	194,771	186,406
Federal Employee Benefits	569,114	557,679
Environmental and Disposal Liabilities	73,311	78,687
Contingent Liabilities	3,383	22,786
Capital Lease Liabilities	694	13,398
Unearned Revenue	690,488	570,817
ITA Foreign Service Nationals' Voluntary Separation Pay	9,453	9,344
Other	3,725	1,144
Total	<u>\$ 1,598,893</u>	<u>\$ 1,489,488</u>

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue as of September 30 reported above is the portion of USPTO's Unearned Revenue that is considered not covered by budgetary resources. USPTO's Unearned Revenue is a liability for revenue received before the patent or trademark work has been completed. Budgetary resources derived from the current reporting period's revenue have been partially used to cover the current reporting period's costs associated with unearned revenue from a prior reporting period. In addition, the current patent fee structure sets low initial application fees that are followed by income from maintenance fees as a supplement in later years to cover the full cost of the patent examination and issuance processes. The combination of these funding circumstances requires USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments is shown below.

Major Long-term Commitments:

Description	FY 2005						Total
	FY2006	FY2007	FY 2008	FY 2009	FY 2010	Thereafter	
Geostationary Operational Environmental Satellites	\$ 358,100	\$ 454,000	\$ 532,100	\$ 539,600	\$ 570,500	\$ 3,980,800	\$ 6,435,100
Convergence Satellites	321,000	341,300	343,900	297,200	373,900	1,149,200	2,826,500
Polar Operational Environmental Satellites	102,700	90,800	62,300	41,900	41,700	-	339,400
Other Weather Service	113,345	105,108	103,438	92,376	48,284	327,487	790,038
Total	\$ 895,145	\$ 991,208	\$ 1,041,738	\$ 971,076	\$ 1,034,384	\$ 5,457,487	\$ 10,391,038

Legal Contingencies:

The Department is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the Department.

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately \$3.4 million and \$22.8 million as of September 30, 2005 and 2004, respectively. Accordingly, \$3.4 million and \$22.8 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2005 and 2004, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Costs Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed \$832.9 million as of September 30, 2005. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.



The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed \$31.0 million as of September 30, 2005. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2005 and 2004, with outstanding principal balances totaling \$32.4 million and \$45.2 million, respectively. A loan guarantee liability of \$3.2 million and \$3.0 million is recorded for the outstanding guarantees at September 30, 2005 and 2004, respectively.

Emergency Steel Loan Guarantee Program: This program has two outstanding non-acquired guaranteed loans as of September 30, 2005 and 2004, with the guaranteed portion of outstanding principal balances totaling \$212.8 million and \$215.9 million as of September 30, 2005 and 2004, respectively. The Department's guarantee percentages range from 85 to 88 percent for these loans as of September 30, 2005, and range from 85 to 95 percent as of September 30, 2004. A loan guarantee liability of \$78.3 million and \$70.1 million is recorded for the outstanding guarantees at September 30, 2005 and 2004, respectively.

Related to an outstanding non-acquired guaranteed loan, the Department has additionally guaranteed two Letters of Credit totaling \$10.6 million and \$12.1 million as of September 30, 2005 and 2004, respectively. The Department's guarantee percentages for these Letters of Credit are 90 percent and 95 percent. The guaranteed portion of these Letters of Credit total \$10.0 million and \$11.3 million as of September 30, 2005 and 2004, respectively.

Emergency Oil and Gas Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2005, with a guaranteed portion of outstanding principal balance of zero. There were three outstanding non-acquired guaranteed loans as of September 30, 2004, with the guaranteed portion of outstanding principal balance totaling \$1.1 million. The Department's guarantee percentage is 85 percent for these loans. A loan guarantee liability of \$294 thousand and \$605 thousand is recorded for the outstanding guarantees at September 30, 2005 and 2004, respectively. The loan guarantee liability at September 30, 2005 relates to an outstanding revolving loan for which no draws have been made as of September 30, 2005.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

FY 2005 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
COSTS:									
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 271,559	\$ -	\$ 183,969	\$ 66,318	\$ 521,846	\$ (71,469)	\$ 450,377
Gross Costs With the Public	-	-	800,819	-	680,127	45,895	1,526,841	-	1,526,841
Total Gross Costs	-	-	1,072,378	-	864,096	112,213	2,048,687	(71,469)	1,977,218
Intragovernmental Earned Revenue	-	-	(225,164)	-	(31,029)	(84,996)	(341,189)	71,469	(269,720)
Earned Revenue From the Public	-	-	(26,178)	-	(8,808)	(7)	(34,993)	-	(34,993)
Total Earned Revenue	-	-	(251,342)	-	(39,837)	(85,003)	(376,182)	71,469	(304,713)
Net Program Costs	-	-	821,036	-	824,259	27,210	1,672,505	-	1,672,505
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	298,150	-	126,865	16,492	66,318	507,825	(78,055)	429,770
Gross Costs With the Public	-	1,125,878	-	838,815	71,641	45,895	2,082,229	-	2,082,229
Total Gross Costs	-	1,424,028	-	965,680	88,133	112,213	2,590,054	(78,055)	2,511,999
Intragovernmental Earned Revenue	-	(6,108)	-	(117,400)	(24,429)	(84,996)	(232,933)	78,055	(154,878)
Earned Revenue From the Public	-	(1,366,699)	-	(59,032)	124	(7)	(1,425,614)	-	(1,425,614)
Total Earned Revenue	-	(1,372,807)	-	(176,432)	(24,305)	(85,003)	(1,658,547)	78,055	(1,580,492)
Net Program Costs	-	51,221	-	789,248	63,828	27,210	931,507	-	931,507
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	737,983	-	-	-	-	66,340	804,323	(75,383)	728,940
Gross Costs With the Public	3,174,241	-	-	-	-	45,908	3,220,149	-	3,220,149
Total Gross Costs	3,912,224	-	-	-	-	112,248	4,024,472	(75,383)	3,949,089
Intragovernmental Earned Revenue	(174,801)	-	-	-	-	(85,022)	(259,823)	75,383	(184,440)
Earned Revenue From the Public	(56,526)	-	-	-	-	(7)	(56,533)	-	(56,533)
Total Earned Revenue	(231,327)	-	-	-	-	(85,029)	(316,356)	75,383	(240,973)
Net Program Costs	3,680,897	-	-	-	-	27,219	3,708,116	-	3,708,116
NET COST OF OPERATIONS	\$ 3,680,897	\$ 51,221	\$ 821,036	\$ 789,248	\$ 888,087	\$ 81,639	\$ 6,312,128	\$ -	\$ 6,312,128

FY 2004:

The Department capitalizes the costs of constructing weather satellites as Construction-in-progress, a component of General Property, Plant, and Equipment, Net. In September 2003, a polar-orbiting operational environmental satellite, under construction, was damaged. The incident occurred while a NASA contractor was performing an operation that required rotation of the satellite on its construction platform. At the time of the accident, the satellite's planned launch was in FY 2008. Capitalized costs through the date of the incident were approximately \$232 million. As a result of the reviews of the damaged spacecraft, in FY 2004 it was determined that the satellite will be rebuilt. The rebuild will provide assurance that the satellite will be available for launch in FY 2008. In FY 2004, NOAA calculated the damage to the satellite and the instruments at \$131.4 million. This amount was written off from General Property, Plant, and Equipment, Net on the FY 2004 *Consolidated Balance Sheet*, with the loss included on the FY 2004 *Consolidated Statement of Net Cost*, Strategic Goal 3, Gross Costs With the Public.

FY 2004 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
COSTS:									
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 247,055	\$ -	\$ 170,383	\$ 62,637	\$ 480,075	\$ (68,392)	\$ 411,683
Gross Costs With the Public	-	-	736,507	-	737,070	44,933	1,518,510	-	1,518,510
Total Gross Costs	-	-	983,562	-	907,453	107,570	1,998,585	(68,392)	1,930,193
Intragovernmental Earned Revenue	-	-	(235,151)	-	(28,091)	(80,652)	(343,894)	68,392	(275,502)
Earned Revenue From the Public	-	-	(16,740)	-	(11,282)	-	(28,022)	-	(28,022)
Total Earned Revenue	-	-	(251,891)	-	(39,373)	(80,652)	(371,916)	68,392	(303,524)
Net Program Costs	-	-	731,671	-	868,080	26,918	1,626,669	-	1,626,669
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	246,632	-	110,312	13,501	62,637	433,082	(74,116)	358,966
Gross Costs With the Public	-	1,042,548	-	772,411	98,974	45,127	1,959,060	-	1,959,060
Total Gross Costs	-	1,289,180	-	882,723	112,475	107,764	2,392,142	(74,116)	2,318,026
Intragovernmental Earned Revenue	-	(5,427)	-	(118,183)	(22,071)	(80,652)	(226,333)	74,116	(152,217)
Earned Revenue From the Public	-	(1,233,596)	-	(57,152)	-	-	(1,290,748)	-	(1,290,748)
Total Earned Revenue	-	(1,239,023)	-	(175,335)	(22,071)	(80,652)	(1,517,081)	74,116	(1,442,965)
Net Program Costs	-	50,157	-	707,388	90,404	27,112	875,061	-	875,061
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	599,428	-	-	-	-	62,657	662,085	(65,275)	596,810
Gross Costs With the Public	3,202,726	-	-	-	-	44,945	3,247,671	-	3,247,671
Total Gross Costs	3,802,154	-	-	-	-	107,602	3,909,756	(65,275)	3,844,481
Intragovernmental Earned Revenue	(154,157)	-	-	-	-	(80,675)	(234,832)	65,275	(169,557)
Earned Revenue From the Public	(57,682)	-	-	-	-	-	(57,682)	-	(57,682)
Total Earned Revenue	(211,839)	-	-	-	-	(80,675)	(292,514)	65,275	(227,239)
Net Program Costs	3,590,315	-	-	-	-	26,927	3,617,242	-	3,617,242
NET COST OF OPERATIONS	\$ 3,590,315	\$ 50,157	\$ 731,671	\$ 707,388	\$ 958,484	\$ 80,957	\$ 6,118,972	\$ -	\$ 6,118,972

NOTES TO THE FINANCIAL STATEMENTS

Major Programs: The following tables illustrate major programs of the Department. "Other Programs" refers to the other programs within each strategic goal. The "Others" column refers to the Department's reporting entities that are not listed. The Others column data and the Other Programs data are presented solely to reconcile these tables to the Combining Totals columns on the Consolidating Statements of Net Cost.

FY 2005 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Intragovernmental Gross Costs	\$ -	\$ 6,557	\$ -	\$ -	\$ -	\$ 6,557
Gross Costs With the Public	-	64,559	-	-	-	64,559
Total Gross Costs	-	71,116	-	-	-	71,116
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	71,116	-	-	-	71,116
<i>Other Programs</i>						
Intragovernmental Gross Costs	-	236,260	-	-	279,029	515,289
Gross Costs With the Public	-	680,402	-	-	781,880	1,462,282
Total Gross Costs	-	916,662	-	-	1,060,909	1,977,571
Intragovernmental Earned Revenue	-	(222,927)	-	-	(118,262)	(341,189)
Earned Revenue From the Public	-	(24,893)	-	-	(10,100)	(34,993)
Total Earned Revenue	-	(247,820)	-	-	(128,362)	(376,182)
Net Program Costs	-	668,842	-	-	932,547	1,601,389
Net Costs for Strategic Goal 1	-	739,958	-	-	932,547	1,672,505
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Intragovernmental Gross Costs	-	-	75,975	-	-	75,975
Gross Costs With the Public	-	-	531,084	-	-	531,084
Total Gross Costs	-	-	607,059	-	-	607,059
Intragovernmental Earned Revenue	-	-	(67,374)	-	-	(67,374)
Earned Revenue From the Public	-	-	(31,009)	-	-	(31,009)
Total Earned Revenue	-	-	(98,383)	-	-	(98,383)
Net Program Costs	-	-	508,676	-	-	508,676
<i>Patents</i>						
Intragovernmental Gross Costs	-	-	-	262,368	-	262,368
Gross Costs With the Public	-	-	-	990,759	-	990,759
Total Gross Costs	-	-	-	1,253,127	-	1,253,127
Intragovernmental Earned Revenue	-	-	-	(5,869)	-	(5,869)
Earned Revenue From the Public	-	-	-	(1,191,911)	-	(1,191,911)
Total Earned Revenue	-	-	-	(1,197,780)	-	(1,197,780)
Net Program Costs	-	-	-	55,347	-	55,347

(Continued)

FY 2005 Statement of Net Cost by Major Program (Combining Basis) - Continued:

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Trademarks						
Intragovernmental Gross Costs	-	-	-	35,782	-	35,782
Gross Costs With the Public	-	-	-	135,119	-	135,119
Total Gross Costs	-	-	-	170,901	-	170,901
Intragovernmental Earned Revenue	-	-	-	(239)	-	(239)
Earned Revenue From the Public	-	-	-	(174,788)	-	(174,788)
Total Earned Revenue	-	-	-	(175,027)	-	(175,027)
Net Program Costs	-	-	-	(4,126)	-	(4,126)
Other Programs						
Intragovernmental Gross Costs	-	-	40,811	-	92,889	133,700
Gross Costs With the Public	-	-	285,294	-	139,973	425,267
Total Gross Costs	-	-	326,105	-	232,862	558,967
Intragovernmental Earned Revenue	-	-	(36,192)	-	(123,259)	(159,451)
Earned Revenue From the Public	-	-	(16,657)	-	(11,249)	(27,906)
Total Earned Revenue	-	-	(52,849)	-	(134,508)	(187,357)
Net Program Costs	-	-	273,256	-	98,354	371,610
Net Cost for Strategic Goal 2	-	-	781,932	51,221	98,354	931,507
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Ecosystems						
Intragovernmental Gross Costs	85,601	-	-	-	-	85,601
Gross Costs With the Public	1,286,903	-	-	-	-	1,286,903
Total Gross Costs	1,372,504	-	-	-	-	1,372,504
Intragovernmental Earned Revenue	(37,343)	-	-	-	-	(37,343)
Earned Revenue From the Public	(48,177)	-	-	-	-	(48,177)
Total Earned Revenue	(85,520)	-	-	-	-	(85,520)
Net Program Costs	1,286,984	-	-	-	-	1,286,984
Other Programs						
Intragovernmental Gross Costs	652,382	-	-	-	66,340	718,722
Gross Costs With the Public	1,887,338	-	-	-	45,908	1,933,246
Total Gross Costs	2,539,720	-	-	-	112,248	2,651,968
Intragovernmental Earned Revenue	(137,458)	-	-	-	(85,022)	(222,480)
Earned Revenue From the Public	(8,349)	-	-	-	(7)	(8,356)
Total Earned Revenue	(145,807)	-	-	-	(85,029)	(230,836)
Net Program Costs	2,393,913	-	-	-	27,219	2,421,132
Net Cost for Strategic Goal 3	3,680,897	-	-	-	27,219	3,708,116
NET COST OF OPERATIONS	\$ 3,680,897	\$ 739,958	\$ 781,932	\$ 51,221	\$ 1,058,120	\$ 6,312,128

NOTES TO THE FINANCIAL STATEMENTS

FY 2004 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Intragovernmental Gross Costs	\$ -	\$ 16,111	\$ -	\$ -	\$ -	\$ 16,111
Gross Costs With the Public	-	212,181	-	-	-	212,181
Total Gross Costs	-	228,292	-	-	-	228,292
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	228,292	-	-	-	228,292
<i>Other Programs</i>						
Intragovernmental Gross Costs	-	202,508	-	-	261,456	463,964
Gross Costs With the Public	-	471,741	-	-	834,588	1,306,329
Total Gross Costs	-	674,249	-	-	1,096,044	1,770,293
Intragovernmental Earned Revenue	-	(233,447)	-	-	(110,447)	(343,894)
Earned Revenue From the Public	-	(15,034)	-	-	(12,988)	(28,022)
Total Earned Revenue	-	(248,481)	-	-	(123,435)	(371,916)
Net Program Costs	-	425,768	-	-	972,609	1,398,377
Net Costs for Strategic Goal 1	-	654,060	-	-	972,609	1,626,669
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Intragovernmental Gross Costs	-	-	62,959	-	-	62,959
Gross Costs With the Public	-	-	467,876	-	-	467,876
Total Gross Costs	-	-	530,835	-	-	530,835
Intragovernmental Earned Revenue	-	-	(64,598)	-	-	(64,598)
Earned Revenue From the Public	-	-	(28,403)	-	-	(28,403)
Total Earned Revenue	-	-	(93,001)	-	-	(93,001)
Net Program Costs	-	-	437,834	-	-	437,834
<i>Patents</i>						
Intragovernmental Gross Costs	-	-	-	219,171	-	219,171
Gross Costs With the Public	-	-	-	926,706	-	926,706
Total Gross Costs	-	-	-	1,145,877	-	1,145,877
Intragovernmental Earned Revenue	-	-	-	(5,218)	-	(5,218)
Earned Revenue From the Public	-	-	-	(1,064,853)	-	(1,064,853)
Total Earned Revenue	-	-	-	(1,070,071)	-	(1,070,071)
Net Program Costs	-	-	-	75,806	-	75,806
<i>Trademarks</i>						
Intragovernmental Gross Costs	-	-	-	27,461	-	27,461
Gross Costs With the Public	-	-	-	115,842	-	115,842
Total Gross Costs	-	-	-	143,303	-	143,303
Intragovernmental Earned Revenue	-	-	-	(209)	-	(209)
Earned Revenue From the Public	-	-	-	(168,743)	-	(168,743)
Total Earned Revenue	-	-	-	(168,952)	-	(168,952)
Net Program Costs	-	-	-	(25,649)	-	(25,649)

(Continued)

FY 2004 Statement of Net Cost by Major Program (Combining Basis) - Continued:

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Other Programs						
Intragovernmental Gross Costs	-	-	37,541	-	85,950	123,491
Gross Costs With the Public	-	-	278,984	-	169,652	448,636
Total Gross Costs	-	-	316,525	-	255,602	572,127
Intragovernmental Earned Revenue	-	-	(38,519)	-	(117,789)	(156,308)
Earned Revenue From the Public	-	-	(16,937)	-	(11,812)	(28,749)
Total Earned Revenue	-	-	(55,456)	-	(129,601)	(185,057)
Net Program Costs	-	-	261,069	-	126,001	387,070
Net Cost for Strategic Goal 2	-	-	698,903	50,157	126,001	875,061
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Ecosystems						
Intragovernmental Gross Costs	251,283	-	-	-	-	251,283
Gross Costs With the Public	1,479,061	-	-	-	-	1,479,061
Total Gross Costs	1,730,344	-	-	-	-	1,730,344
Intragovernmental Earned Revenue	(66,094)	-	-	-	-	(66,094)
Earned Revenue From the Public	(3,402)	-	-	-	-	(3,402)
Total Earned Revenue	(69,496)	-	-	-	-	(69,496)
Net Program Costs	1,660,848	-	-	-	-	1,660,848
Other Programs						
Intragovernmental Gross Costs	348,145	-	-	-	62,657	410,802
Gross Costs With the Public	1,723,665	-	-	-	44,945	1,768,610
Total Gross Costs	2,071,810	-	-	-	107,602	2,179,412
Intragovernmental Earned Revenue	(88,063)	-	-	-	(80,675)	(168,738)
Earned Revenue From the Public	(54,280)	-	-	-	-	(54,280)
Total Earned Revenue	(142,343)	-	-	-	(80,675)	(223,018)
Net Program Costs	1,929,467	-	-	-	26,927	1,956,394
Net Cost for Strategic Goal 3	3,590,315	-	-	-	26,927	3,617,242
NET COST OF OPERATIONS	\$ 3,590,315	\$ 654,060	\$ 698,903	\$ 50,157	\$ 1,125,537	\$ 6,118,972

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

The amount of Appropriations Received on the *Combined Statements of Budgetary Resources* (SBR) reconciles to the amount reported on the *Consolidated Statements of Changes in Net Position* (SCNP) as follows:

	<u>FY 2005</u>	<u>FY 2004</u>
Appropriations Received per SBR	\$ 6,496,389	\$ 6,134,774
Less:		
Other Special Receipts for NOAA, Classified as Exchange Revenue	(10,717)	(8,554)
Other	(1,319)	(1,299)
Appropriations Received per SCNP	<u>\$ 6,484,353</u>	<u>\$ 6,124,921</u>

Total borrowing authority available for NOAA's loan programs amounted to \$172.4 million and \$331.7 million at September 30, 2005 and 2004, respectively. Borrowing authority of \$100.0 million, carried forward from FY 2004, was cancelled in FY 2005. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the reporting period. See Note 1L, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Seventy-five percent of the Department's reporting entities have one or more permanent no-year appropriations to finance operations.

Reductions to the Department's appropriations under Public Law 108-447 amounted to \$122.3 million for FY 2005, while reductions for FY 2004 under Public Law 108-199 amounted to \$207.2 million. These reductions are included in the SBR Budgetary Resources section as follows: Permanently Not Available subsection, Enacted Reductions (\$90.3 million and \$204.5 million for the years ended September 30, 2005 and 2004, respectively), and Temporarily Not Available Pursuant to Public Law (\$32.0 million and \$2.7 million for the years ended September 30, 2005 and 2004, respectively). These reductions are also part of the amounts reported on the line Other Adjustments in the SCNP.

During FY 1999, 2000, and 2002, a total of \$75,584 thousand in fees were considered permanently rescinded. In FY 2004, OMB addressed the classification of rescissions and clarified that these rescissions should now be considered reductions in budgetary resources and should be classified as either permanently or temporarily available. Due to the clarification regarding rescissions and reductions, fee resources previously rescinded as permanently unavailable were restored to USPTO and recorded as a reduction and classified as temporarily unavailable fee collections in FY 2004.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2005 and FY 2004 include the following:

- The Department's Deposits Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2, *Fund Balance with Treasury*, on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury includes \$516.5 million and \$515.1 of USPTO offsetting collections exceeding current and prior years' appropriations, as of September 30, 2005 and 2004, respectively. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines *General Funds* (breakdown by type), and *Temporarily Not Available Pursuant to Public Law* (breakdown by status).
- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through the end of FY 1998. These revenues were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2005 and 2004, \$ 233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines *Special Fund (Patent and Trademark Surcharge Fund)* (breakdown by type), and *Non-budgetary* (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2005 includes \$30.7 million of funds temporarily not available for the Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines *Revolving Funds* (breakdown by type), and *Temporarily Not Available Pursuant to Public Law* (breakdown by status).
- The Coastal Zone Management Fund has \$23 thousand and \$32.0 million of unapportioned authority that was not provided obligational authority pursuant to 16 United States Code 1456a, as of September 30, 2005 and 2004, respectively. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines *Revolving Funds* (breakdown by type), and *Unobligated Balance, Unavailable* (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

There are no material differences between the amounts reported in the *Combined Statement of Budgetary Resources* for the year ended September 30, 2004 and the actual amounts reported in the Budget of the United States Government.

Apportionment Categories of Obligations Incurred:

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B, and Exempt from Apportionment are as follows:

	FY 2005		
	Direct	Reimbursable	Total
Category A	\$ 2,206,582	\$ 1,895,420	\$ 4,102,002
Category B	4,532,932	87,929	4,620,861
Exempt from Apportionment	149,058	732,888	881,946
Total	\$ 6,888,572	\$ 2,716,237	\$ 9,604,809

	FY 2004		
	Direct	Reimbursable	Total
Category A	\$ 2,052,497	\$ 1,581,570	\$ 3,634,067
Category B	4,308,579	97,413	4,405,992
Exempt from Apportionment	168,658	695,411	864,069
Total	\$ 6,529,734	\$ 2,374,394	\$ 8,904,128

NOTE 19. CONSOLIDATED STATEMENTS OF FINANCING

The Consolidated Statement of Financing reconciles the Department's *Resources Used to Finance Activities* (first section), which consists of the budgetary basis of accounting Net Obligations plus the proprietary basis of accounting Other Resources, to the proprietary basis of accounting Net Cost of Operations. The second section, *Resources Used to Finance Items Not Part of Net Cost of Operations*, reverses out items included in the first section that are not included in Net Cost of Operations. The third section, *Components of Net Cost of Operations that Will Not Require of Generate Resources in the Current Period*, adds items included in Net Cost of Operations that are not included in the first section.

The third section's subsection, Components Requiring or Generating Resources in Future Periods, includes costs that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This subsection does not include costs incurred in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

NOTE 20. CUSTODIAL NONEXCHANGE ACTIVITY

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury. For the year ended September 30, 2005, the Department had custodial nonexchange revenue of \$9.0 million; custodial nonexchange revenue of \$892 thousand was payable to Treasury at September 30, 2005. For the year ended September 30, 2004, the Department had custodial nonexchange revenue of \$8.0 million; custodial nonexchange revenue of \$1.1 million was payable to Treasury at September 30, 2004.

CONSOLIDATING BALANCE SHEET





CONSOLIDATING BALANCE SHEET

United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2005 (In Thousands)

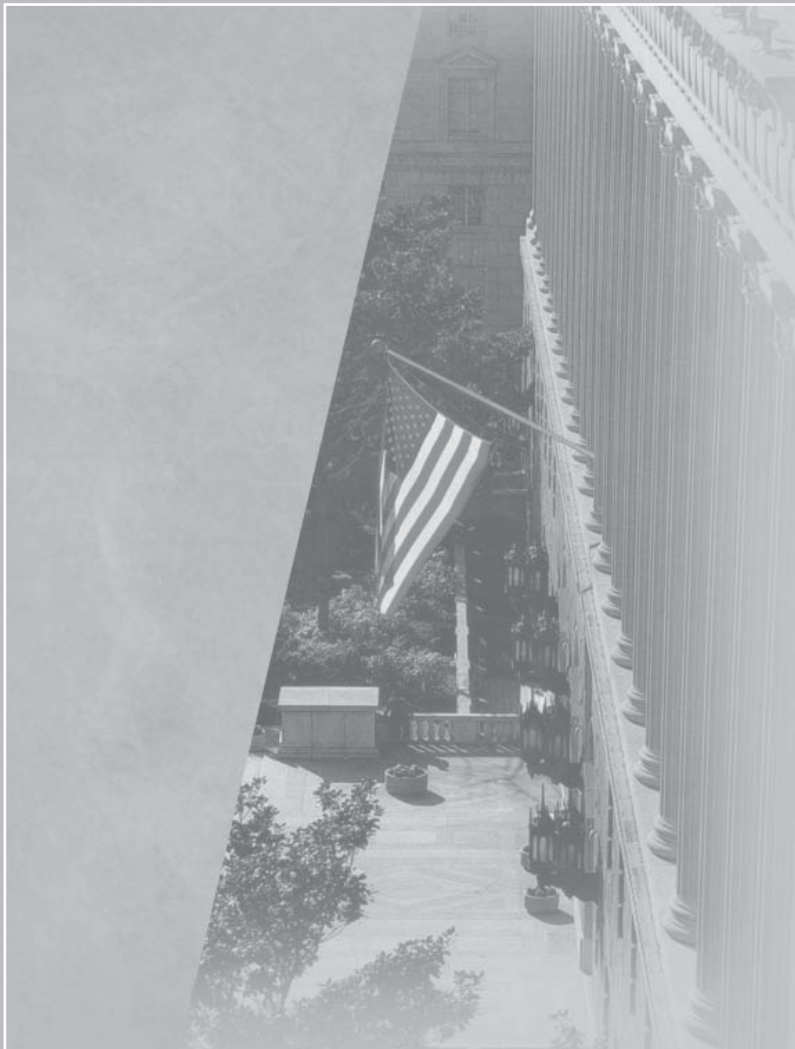
	Intra- Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	ITA	MBDA	NIPC	NIST	NOAA	NTIA	NTIS	OIG	TA	USPTO
ASSETS																				
Intragovernmental:																				
Fund Balance with Treasury	\$ -	\$ 29,135	\$ 392,362	\$ 484	\$ 73,652	\$ 35,032	\$ 828,961	\$ 197,379	\$ 16,914	\$ 2,385	\$ 144,786	\$ 12,529	\$ 1,873	\$ 693,407	\$ 3,229,954	\$ 106,519	\$ 30,819	\$ 2,224	\$ 1,957	\$ 1,240,797
Accounts Receivable	58,794	786	3,397	26	2,605	1,269	1,626	-	3	541	2,076	12	-	1,899	49,263	93	344	-	-	50
Other - Advances and Prepayments	11,691	1,572	11,643	-	2,586	4,281	623	-	2,146	403	6,616	309	-	12,669	41,809	905	259	763	233	2,729
Total Intragovernmental	7,111,754	(83,011)	407,402	510	78,843	40,582	831,210	197,379	19,063	3,329	155,478	12,850	1,973	707,995	3,321,026	107,517	31,422	2,987	2,190	1,243,576
Cash	9,640	-	-	-	-	-	9,640	-	-	-	100	-	-	-	641	-	25	-	-	8,874
Accounts Receivable, Net	67,960	872	2,923	-	21	41	110	-	4	-	280	27	-	8,642	51,718	121	534	1	-	2,666
Loans Receivable and Related Forfeited Property, Net	417,509	-	-	-	-	-	38,883	20,782	-	-	-	-	-	-	357,844	-	-	-	-	-
Inventory, Materials, and Supplies, Net	96,645	-	790	-	-	74	-	-	-	-	-	-	-	24,726	70,914	-	141	-	-	-
General Property, Plant, and Equipment, Net	4,927,707	534	76,230	9,554	1,041	8,882	17	-	354	977	4,036	2	-	542,071	4,133,867	1,694	247	-	-	148,401
Other	98,961	-	-	3	6	5	5,561	-	-	-	2,349	3	-	131	79,603	-	5,668	-	-	5,532
TOTAL ASSETS	\$ 12,730,176	\$ (83,011)	\$ 487,345	\$ 10,067	\$ 79,911	\$ 49,384	\$ 875,781	\$ 218,161	\$ 19,421	\$ 4,306	\$ 160,243	\$ 12,882	\$ 1,973	\$ 1,283,505	\$ 8,015,613	\$ 109,332	\$ 38,037	\$ 2,988	\$ 2,190	\$ 1,409,149
LIABILITIES																				
Intragovernmental:																				
Accounts Payable	\$ 68,850	\$ (5,196)	\$ 3,022	\$ 9,344	\$ -	\$ 411	\$ 630	\$ 40	\$ 153	\$ -	\$ 12,421	\$ 59	\$ -	\$ 1,191	\$ 39,288	\$ 457	\$ 4,141	\$ 4	\$ 88	\$ 2,797
Debt to Treasury	357,581	-	-	-	-	-	-	-	-	-	-	-	-	-	357,581	-	-	-	-	-
Other	43,864	-	-	-	-	-	40,668	-	-	-	-	-	-	-	3,196	-	-	-	-	-
Resources Payable to Treasury	429,932	(77,815)	9,108	85,992	53,350	33,468	80,449	-	58	2,085	317	27	-	138,850	69,664	20,702	9,351	30	66	4,230
Unearned Revenue	165,757	-	1,478	16,208	-	479	984	88,081	388	19	2,983	527	4	4,312	39,329	702	181	483	21	9,142
Total Intragovernmental	1,065,984	(83,011)	13,608	111,544	54,240	35,082	121,593	88,081	599	2,104	15,721	613	4	144,353	509,058	21,861	13,673	517	175	16,169
Accounts Payable	331,107	-	3,805	29,665	11	5,390	539	153	680	198	10,479	1,873	18	17,677	155,948	481	1,391	768	114	96,487
Loan Guarantee Liabilities	81,812	-	-	-	-	-	80,449	-	-	-	-	-	-	-	3,171	-	-	-	-	-
Federal Employee Benefit	569,114	-	1,434	71,170	1,037	2,416	1,815	-	218	89	9,613	2,473	-	10,586	457,411	1,295	561	1,718	-	7,278
Environmental and Disposal Liabilities	73,311	-	-	-	-	-	-	-	-	-	-	-	-	43,359	29,952	-	-	-	-	-
Other	351,698	-	3,919	53,335	-	6,897	2,467	13	5,795	281	24,276	972	17	29,634	128,696	3,309	1,296	1,567	384	85,319
Accrued Payroll and Annual Leave	388,679	-	-	-	-	-	254,386	-	-	-	12,213	1,811	-	32,270	54,655	33,300	-	-	-	44
Capital Lease Liabilities	18,563	-	-	-	-	-	-	-	-	-	-	-	-	694	17,869	-	-	-	-	-
Unearned Revenue	897,817	-	547	9,209	-	-	13	-	274	-	4,786	-	-	10,085	41,082	841	5,023	-	10	785,947
Other	23,904	-	49	1,941	-	2,168	-	1	-	-	9,976	-	-	2,608	6,982	59	-	-	-	120
TOTAL LIABILITIES	\$ 3,761,989	\$ (83,011)	\$ 23,362	\$ 276,864	\$ 11	\$ 64,188	\$ 51,993	\$ 166,889	\$ 7,566	\$ 2,672	\$ 87,064	\$ 7,742	\$ 39	\$ 291,266	\$ 1,404,824	\$ 61,146	\$ 21,944	\$ 4,570	\$ 727	\$ 991,320
NET POSITION																				
Unexpended Appropriations	4,238,321	-	12,592	150,553	-	16,101	498,799	51,272	14,117	-	98,701	8,675	1,934	422,628	2,909,502	50,103	-	1,642	1,675	27
Cumulative Results of Operations	4,729,866	-	(3,055)	59,928	10,056	(378)	(3,831)	-	(2,682)	1,634	(25,522)	(3,535)	-	569,611	3,701,287	(1,917)	16,093	(3,224)	(212)	417,802
TOTAL NET POSITION	\$ 8,968,187	\$ -	\$ 9,537	\$ 210,481	\$ 10,056	\$ (2,609)	\$ 494,968	\$ 51,272	\$ 11,435	\$ 1,634	\$ 73,179	\$ 5,140	\$ 1,934	\$ 992,239	\$ 6,610,789	\$ 48,186	\$ 16,093	\$ (1,582)	\$ 1,463	\$ 417,829
TOTAL LIABILITIES AND NET POSITION	\$ 12,730,176	\$ (83,011)	\$ 487,345	\$ 10,067	\$ 79,911	\$ 49,384	\$ 875,781	\$ 218,161	\$ 19,421	\$ 4,306	\$ 160,243	\$ 12,882	\$ 1,973	\$ 1,283,505	\$ 8,015,613	\$ 109,332	\$ 38,037	\$ 2,988	\$ 2,190	\$ 1,409,149

See accompanying independent auditors' report.



REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)



Required Supplementary Information (unaudited)

(All Tables Are Presented In Thousands)

A Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST (see below for abbreviations). These two entities represent 95 percent of the Department's General PP&E, Net balance as of September 30, 2005.

National Oceanic and Atmospheric Administration (NOAA):

The NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's \$200 thousand capitalization threshold. The CAS method employs a periodic inspection of real property to determine its current condition and to estimate costs to correct any deficiencies.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than \$50 thousand, as of September 30, 2005:

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	3	\$ 8,200 to \$ 10,100
Heritage Assets	4, 3	\$ 11,760 to \$ 14,370
Total		\$ 19,960 to \$ 24,470

NOAA has established a facility condition code to classify the condition of the Buildings and Structures. Each Building and Structure is assessed an individual facility condition code. The average of the individual facility condition codes determines the CAS Asset Condition. The CAS method for Buildings and Structures is based on a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. The amounts reported for heritage assets represent non-critical maintenance to bring the assets to good condition. The CAS method for heritage assets is based on the same five-point scale as the Buildings and Structures. There is an annual call each year to the NOAA components, requesting their submissions of new projects and updates to existing unfunded projects to reflect changes in requirements or costs.

National Institute of Standards and Technology (NIST):

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 - good condition; 3 - acceptable condition; 4 - poor condition; and 5 - very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of September 30, 2005:

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	\$390,100 to \$393,900
Buildings (Internal Structures)	4	\$60,700 to \$74,500
Buildings (External Structures)	4	\$46,900 to \$52,200
Total		\$497,700 to \$520,600

B Segment Information

Departmental Management/Working Capital Fund (DM/WCF):

The DM/WCF's mission is to provide, in the most efficient and economical manner possible, the centralized services required by the operating entities of the Department and other federal entities. The DM/WCF operates on a revolving fund basis, whereby current operating expenses charged to the customer finance the cost of goods and services. The overall financial goal of the fund is to remain at break-even position.

Services: The DM/WCF provides a variety of administrative services to the Department and to other federal entities. These include personnel-related services, financial and budget management, legal services, security, acquisition, telecommunications, and public affairs.

Major Customers: The major customers of DM/WCF are NOAA, ITA, and Census Bureau, accounting for 30 percent, 20 percent, and 18 percent of earned revenue, respectively.

Note: Information about assets, liabilities, and net position as of September 30, 2005 can be found on the Consolidating Balance Sheet, which is included as additional information.

DM/WCF Summary of Costs and Related Exchange Revenue by Line of Business For the Year Ended September 30, 2005					
	Personnel-related Services	Financial Management	Legal Services	Administrative Services	Total
Full Cost of Services Provided	\$ 18,156	\$ 22,876	\$ 31,989	\$ 58,517	\$ 131,538
Less: Exchange Revenue	(17,719)	(22,325)	(31,219)	(57,108)	(128,371)
Excess of Costs over Exchange Revenue	\$ 437	\$ 551	\$ 770	\$ 1,409	\$ 3,167

Franchise Fund:

The Department's Franchise Fund has three major goals:

- To operate along the lines of a commercial business by becoming self-sustaining and capable of achieving full cost recovery and by becoming competitive, without subsidies, in an open-market environment
- To encourage competition and the operation of market forces in the delivery of administrative services to lower costs and to promote better service
- To create a customer-oriented workforce that is capable of providing quality services and products

Services: The Franchise Fund is composed of only one service provider, the Office of Computer Services (OCS). The OCS provides IT services to the Department and to other federal entities, including the U.S. Department of Homeland Security and U.S. Department of Energy.

Major Customers: The major customers of the Franchise Fund are the Department of Homeland Security and DM/WCF, accounting for 63 percent and 17 percent of earned revenue, respectively.

Franchise Fund Summary of Costs and Related Exchange Revenue by Line of Business For the Year Ended September 30, 2005	
	Computer Services
Full Cost of Services Provided	\$ 6,619
Less: Exchange Revenue	(6,797)
Excess of Costs over Exchange Revenue	\$ (178)

Note: Information about assets, liabilities, and net position as of September 30, 2005 can be found on the Consolidating Balance Sheet, which is included as additional information.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**United States Department of Commerce Intragovernmental Assets and Liabilities
As of September 30, 2005 (In Thousands)**

Intragovernmental Assets:

Trading Partner		Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Total
Name	Number				
Department of the Treasury	20	\$ 7,041,269	\$ (162)	\$ 4	\$ 7,041,111
Department of Transportation	69	-	14,912	413	15,325
National Aeronautics and Space Administration	80	-	9,356	-	9,356
Department of Homeland Security	70	-	1,586	3,790	5,376
Environmental Protection Agency	68	-	5,151	-	5,151
Department of Energy	89	-	4,795	-	4,795
U.S. Postal Service	18	-	3	3,321	3,324
Department of the Navy	17	-	3,103	-	3,103
U.S. Army Corps of Engineers	96	-	3,024	-	3,024
Department of the Interior	14	-	2,419	10	2,429
Government Printing Office	04	-	-	2,100	2,100
Department of the Air Force	57	-	2,065	-	2,065
Agency for International Development	72	-	1,980	-	1,980
Others	-	-	10,562	2,053	12,615
Total		\$ 7,041,269	\$ 58,794	\$ 11,691	\$ 7,111,754

Intragovernmental Liabilities:

Trading Partner		Accounts Payable	Debt to Treasury	Resources Payable to Treasury	Unearned Revenue	Other	Total
Name	Number						
Department of the Treasury	20	\$ 166	\$ 357,581	\$ -	\$ 2,740	\$ -	\$ 360,487
Treasury General Fund	99	-	-	43,864	-	114,726	158,590
Office of the Secretary of Defense - Defense Agencies	97	8,153	-	-	114,493	-	122,646
Department of Homeland Security	70	680	-	-	66,055	-	66,735
Department of Labor	16	174	-	-	17,096	31,370	48,640
Department of Justice	15	154	-	-	41,357	-	41,511
Department of Health and Human Services	75	4,868	-	-	30,318	-	35,186
General Services Administration	47	19,392	-	-	4,993	2,366	26,751
Department of State	19	8,679	-	-	12,895	18	21,592
Department of the Air Force	57	4,177	-	-	9,679	-	13,856
Department of Education	91	-	-	-	13,027	-	13,027
National Science Foundation	49	2,934	-	-	9,874	-	12,808
Environmental Protection Agency	68	216	-	-	10,587	-	10,803
Unidentified	00	4,397	-	-	6,020	-	10,417
National Aeronautics and Space Administration	80	2,996	-	-	6,850	-	9,846
Others	-	11,864	-	-	83,948	17,277	113,089
Total		\$ 68,850	\$ 357,581	\$ 43,864	\$ 429,932	\$ 165,757	\$ 1,065,984

**United States Department of Commerce Intragovernmental Transfers
For the Year Ended September 30, 2005 (In Thousands)**

Trading Partner		Transfers In	Transfers Out
Name	Number		
Appropriation Transfers:			
Department of the Navy	17	\$ 18,000	\$ -
Agency for International Development	72	6,347	-
Independent Agencies	95	2,778	-
U.S. Army Corps of Engineers	96	1,679	1,679
Department of Interior	14	-	4,500
Total		\$ 28,804	\$ 6,179
Transfers Without Reimbursement:			
Department of Agriculture	12	\$ 77,539	\$ -
Department of Health and Human Services	75	5,332	-
Department of Interior	14	3,507	58
Department of the Treasury	20	2,425	-
General Services Administration	47	62	-
Treasury General Fund	99	-	(914)
Total		\$ 88,865	\$ (856)

**United States Department of Commerce Intragovernmental Earned Revenue and Related Costs
For the Year Ended September 30, 2005 (In Thousands)**

Intragovernmental Earned Revenue:

Trading Partner		
Name	Number	Amount
Department of Labor	16	\$ 80,463
Department of Health and Human Services	75	79,723
Department of Transportation	69	57,220
Office of the Secretary of Defense - Defense Agencies	97	51,476
Department of Homeland Security	70	42,712
Department of Justice	15	37,764
U.S. Army Corps of Engineers	96	28,523
Department of Housing and Urban Development	86	27,551
National Aeronautics and Space Administration	80	21,783
Environmental Protection Agency	68	21,436
Department of Energy	89	19,751
General Services Administration	47	17,010
Department of the Army	21	16,889
Department of State	19	14,713
Department of Education	91	12,924
Department of the Treasury	20	11,919
Departmental of Agriculture	12	11,840
National Science Foundation	49	10,699
Department of the Air Force	57	10,591
Agency for International Development	72	7,686
Department of the Navy	17	6,600
Department of Interior	14	6,484
Department of Veterans Affairs	36	3,148
Central Intelligence Agency	56	2,828
Independent Agencies	95	1,494
Social Security Administration	28	1,211
Unidentified	00	1,101
Small Business Administration	73	842
Independent Agencies	48	492
U.S. Nuclear Regulatory Commission	31	490
U.S. Postal Service	18	375
Export-Import Bank of the United States	83	294
Congressional Budget Office	08	211
Office of Personnel Management	24	178
Tennessee Valley Authority	64	156
Library of Congress	03	129
Government Printing Office	04	118
Executive Office of the President	11	92
Federal Communications Commission	27	82
International Trade Commission	34	11
Consumer Product Safety Commission	61	10
Federal Labor Relations Authority	54	6
Smithsonian Institution	33	5
Overseas Private Investment Corporation	71	3
Architect of the Capital	01	1
Appalachian Regional Commission	46	1
Federal Trade Commission	29	1
Resolution Trust Corporation	22	1
Federal Maritime Commission	65	1
Total		\$ 609,038

Gross Costs that Generated Intragovernmental Earned Revenue:

Budget Functional Classification	Amount
300 Natural Resources and Environment	\$ 156,623
370 Commerce and Housing Credit	436,302
450 Community and Regional Development	16,276
Total	\$ 609,201

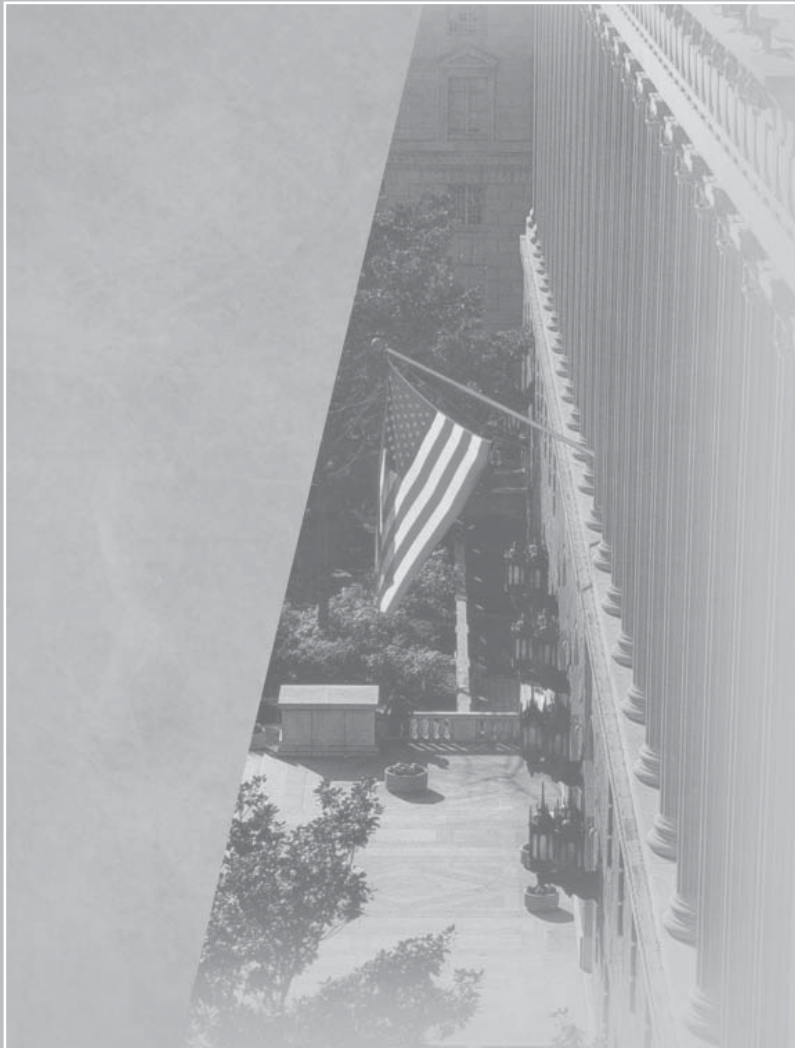
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2005 (In Thousands)

	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NIST Industrial Technology Services	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Other Programs
BUDGETARY RESOURCES:								
Budget Authority								
Appropriations Received	\$ 2,845,609	\$ -	\$ 1,067,406	\$ 251,300	\$ 393,513	\$ 556,116	\$ 257,423	\$ 1,125,022
Borrowing Authority	105,592	-	-	-	-	-	-	105,592
Net Transfers	82,819	-	(1,476)	-	4,107	-	-	19,821
Unobligated Balance	918,597	2,363	130,659	13,804	15,376	4,622	10,058	637,087
Beginning of Period	(1,223)	-	-	-	-	-	-	(1,223)
Adjustments to Unobligated Balance, Beginning of Period	(308)	-	-	-	241	-	(2,687)	(7,278)
Net Transfers	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections								
Earned	2,890,072	1,373,808	146	2,062	11,633	881	15,190	1,267,436
Collected	(34,695)	(52)	-	-	572	800	-	(26,059)
Receivables	22,979	130,458	-	-	(92)	-	8,399	55,687
Change in Unfilled Customer Orders	14,319	5,154	-	-	(431)	-	-	9,596
Advances Received	1,362	-	-	-	-	-	-	1,362
Without Advances	-	-	-	-	-	-	-	-
Previously Unavailable	-	-	-	-	-	-	-	-
Total Spending Authority From Offsetting Collections	3,088,489	1,504,214	146	2,062	11,682	1,681	23,589	1,308,022
Recoveries of Prior-years Obligations (Unpaid)	112,624	7,544	1,769	9,513	13,633	1,458	31,383	27,831
Temporarily Not Available Pursuant to Public Law	(32,055)	-	-	-	-	-	-	(32,055)
Permanently Not Available	(4,993)	3	(14,071)	(7,258)	(802)	-	(800)	(3,394)
Cancellations of Expired and No-year Accounts	(90,278)	(38,362)	-	-	(5,257)	(7,428)	(3,437)	(14,465)
Enacted Reductions	(80,508)	-	-	-	-	-	-	(80,508)
Capital Transfers and Redemption of Debt	(110,530)	-	-	-	-	-	(1,174)	(109,156)
Other Authority Withdrawn	-	-	-	-	-	-	-	-
TOTAL BUDGETARY RESOURCES	\$ 10,497,543	\$ 3,250,975	\$ 1,514,121	\$ 2,69,421	\$ 432,493	\$ 556,449	\$ 314,355	\$ 2,975,296
STATUS OF BUDGETARY RESOURCES:								
Obligations Incurred								
Direct	\$ 6,888,572	\$ 2,889,288	\$ 1,085,396	\$ 238,779	\$ 409,189	\$ 549,706	\$ 281,713	\$ 1,434,501
Reimbursable	2,716,237	242,444	-	-	11,682	-	21,885	931,834
Total Obligations Incurred	9,604,809	3,131,732	1,085,396	238,779	420,871	549,706	303,598	2,366,335
Unobligated Balance	400,576	104,437	98,995	23,775	8,087	5,024	-	157,494
Apportioned	274,378	-	-	-	-	-	-	274,378
Exempt from Apportionment	-	-	42	6,867	3,535	1,719	10,757	177,089
Unobligated Balance Not Available	217,780	14,806	42	6,867	3,535	1,719	10,757	177,089
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 10,497,543	\$ 3,250,975	\$ 1,514,121	\$ 2,69,421	\$ 432,493	\$ 556,449	\$ 314,355	\$ 2,975,296
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:								
Obligated Balance, Net, Beginning of Period (Unpaid)	\$ 5,220,564	\$ 1,497,774	\$ 846,840	\$ 267,243	\$ 113,399	\$ 145,776	\$ 893,588	\$ 1,151,566
Adjustments to Obligated Balance, Beginning of Period (Unpaid)	1,172	-	-	-	-	-	-	1,172
Obligated Balance, Net, Beginning of Period, as Adjusted (Unpaid)	\$ 5,221,736	\$ 1,497,774	\$ 846,840	\$ 267,243	\$ 113,399	\$ 145,776	\$ 893,588	\$ 1,152,738
Obligated Balance, Net, End of Period (Unpaid)	(120,055)	\$ 927	-	-	(2,076)	(800)	-	(22,107)
Accounts Receivable	(132,268)	-	-	-	(1,713)	-	-	(56,752)
Unfilled Customer Orders Without Advances	4,708,773	273,635	790,364	199,627	71,209	135,343	556,751	1,025,380
Undelivered Orders (Unpaid)	979,656	1,656,464	78,031	19,853	46,777	16,055	254,386	205,588
Accounts Payable	-	230,389	128,577	-	-	-	-	-
Total Obligated Balance, Net, End of Period (Unpaid)	\$ 5,436,106	\$ 1,717,051	\$ 868,395	\$ 219,480	\$ 114,197	\$ 150,598	\$ 811,137	\$ 1,152,109
Outlays								
Disbursements	\$ 9,298,191	\$ 2,897,764	\$ 1,062,072	\$ 277,029	\$ 406,299	\$ 542,626	\$ 354,666	\$ 2,355,596
Collections	(3,107,503)	(241,895)	(146)	(2,062)	(11,541)	(881)	(23,589)	(1,323,123)
Total Outlays	6,190,688	2,655,869	1,061,926	274,967	394,758	541,745	331,077	1,032,473
Less: Distributed Offsetting Receipts	(17,660)	-	-	-	-	-	-	(17,660)
NET OUTLAYS	\$ 6,173,028	\$ 2,655,869	\$ 1,061,926	\$ 274,967	\$ 394,758	\$ 541,745	\$ 331,077	\$ 1,014,813

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

(UNAUDITED)



Required Supplementary Stewardship Information (unaudited)

This section provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. These resources and responsibilities are not required to be included in the assets and liabilities reported in the Department's financial statements; they are, however, important to understanding the operations and financial condition of the Department. This section also includes major investments made for the benefit of the nation.

A Stewardship Property, Plant, and Equipment (Stewardship PP&E)

Stewardship PP&E are assets, the physical properties of which resemble those of the General PP&E that is traditionally capitalized in the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful.

Heritage Assets:

Heritage assets are unique for their historical or natural significance, for their cultural, educational, or artistic importance, or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

In cases where a heritage asset also has a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The costs of multi-use heritage assets are capitalized as General PP&E and are depreciated over the useful life of the asset.

National Oceanic and Atmospheric Administration (NOAA):

Collection-type Heritage Assets: The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, and nautical chart plates. The NOAA uses the Condition Assessment Survey (CAS) method to describe the condition of its heritage assets. The CAS method is based on a five-point scale with 1 representing excellent condition; 2 - good condition; 3 - fair condition; 4 - poor condition; and 5 - very poor condition. Assets with the condition assessment level between 1 through 3 are defined as being suitable for public display. The books, publications, and manuscripts which make up the majority of the assets are in 4 - poor condition, and 5 - very poor condition.

Collection-type Heritage Assets					
Entity	Description of Assets	Quantity of Items Held September 30, 2004	FY 2005 Additions	FY 2005 Withdrawals	Quantity of Items Held September 30, 2005
National Environmental Satellite, Data and Information Service Library	Publications, books, manuscripts, photographs, and maps	150,522	56	(5)	150,573
Others	Artifacts, artwork, books, films, instruments, maps, and records	2,674	731	(1)	3,404
Total		153,196	787	(6)	153,977



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

Galveston Laboratory: Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, an Army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. This facility is undergoing a renovation in three phases. Phases I and II are complete, and Phase III commenced in October 2004. A bid solicitation for Phase III-A, renovation of Building 306, was issued, and a contract has been approved. The renovations are 60 percent complete as of September 30, 2005.

National Marine Fisheries Service (NMFS) Aquarium: In Woods Hole, Massachusetts, this aquarium is used to educate the public, raise public awareness of NMFS activities, and accommodate in-house research for the Northeast Fisheries Science Center, part of NOAA's mission. The aquarium houses 16 separate exhibition tanks holding more than 140 species of fish and invertebrates. The tanks range in size from 75 to 2,800 gallons. The general condition of the aquarium is good. The NMFS Aquarium is considered a multi-use heritage asset because it is also used for NOAA's scientific research, which is part of its mission.

Office of Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory (GLERL): The GLERL carries out research and provides scientific products, expertise, and services required for effective management and protection of Great Lakes and coastal ecosystems. Built in 1900 and formerly a Coast Guard base at Muskegon, Michigan, the GLERL includes three buildings and a research vessel dockage. The function of the field station is to provide a base of operations for GLERL's primary research vessel, which is presently the Research Vessel Shenehon, and to provide a focal point for GLERL's research on Lake Michigan.

Stewardship Marine Sanctuaries and Coral Reef Reserve:

NOAA:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of our coastal waters. The Act authorized the Secretary of Commerce to designate discrete areas as National Marine Sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2005, 13 National Marine Sanctuaries, which include near-shore coral reefs and open ocean, have been designated, covering a total area of 19 thousand square miles. The waters and resources of the National Marine Sanctuaries are generally in good condition, though some specific resources (e.g. certain coral reefs, some commercial and recreational fisheries, and some benthic habitats) are threatened. Each individual sanctuary site (Monterey Bay, the Florida Keys, the Olympic Coast, and Channel Island are the largest four) conducts research and monitoring activities to characterize existing resources and document changes.

Northwestern Hawaiian Islands (NWHI) Coral Reef Ecosystem Reserve: Approximately 70 percent of all coral reefs located in U.S. waters surround the NWHI. The NWHI Coral Reef Ecosystem Reserve is the nation's largest marine protected area, and was established by Executive Orders in December 2000 and January 2001 in accordance with the National Marine Sanctuaries Amendments Act of 2000. The NOAA is presently developing an operations plan for the Reserve, which covers 132 thousand square miles, and has also initiated the process to designate the Reserve as a National Marine Sanctuary. The final Reserve Operations Plan (ROP) is now in its formal clearance process. Once completed, the ROP will be released to the public. The ROP serves as a guide for management of the reserve during the sanctuary designation process. The conclusion of the designation process is expected in the spring of 2006.

B *Stewardship Investments*

Stewardship investments are substantial investments made by the federal government for the benefit of the nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the nation.

Investments in Non-federal Physical Property:

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, NOAA and EDA have significant investments in non-federal physical property.

NOAA:

National Estuarine Research Reserves (NERR): The NERR system consists of 26 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for at least two-thirds of the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2005, encompassed approximately 1.1 million acres of estuarine waters, wetlands, and uplands. Most of the reserves are state-operated and managed in cooperation with NOAA. Two additional reserves are in the process of development: St. Lawrence River Reserve in New York, and a proposed NERR in Texas. The NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal Zone Management Fund: The Coastal Zone Management Program (CZMP) is authorized by the Coastal Zone Management Act of 1972 and administered at the federal level by NOAA's Office of Ocean and Coastal Resource Management. The investments in non-federal physical property include incidental expenses of land acquisition, and low-cost construction on behalf of various state and local governments for the purpose of preservation or restoration of coastal resources and habitats. The NOAA's financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The investments in non-federal physical property include incidental expenses of land acquisition, and low-cost construction on behalf of various state and local governments, for the purpose of preservation or restoration of coastal resources and habitats. The state and local governments receive funding for these investments through NOAA grant expenditures, and these grant expenditures also include funding for purposes other than the investments in non-federal physical property. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 101 such projects.

The NOAA's investments in non-federal physical property for FY 2001 through FY 2005 were as follows:

(In Millions)

Program	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
National Estuarine Research Reserves	\$ 31.6	\$ 27.5	\$ 24.0	\$ 0.5	\$ 15.4	\$ 99.0
Coastal and Estuarine Land Conservation Program	N/A ¹	14.0	3.6	21.8	15.5	54.9
Total	\$ 31.6	\$ 41.5	\$ 27.6	\$ 22.3	\$ 30.9	\$ 153.9

¹ Not applicable

Economic Development Administration (EDA):

Public Works: The Public Works program promotes long-range economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water, sewer, fiber optics, access roads, and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

Economic and Defense Adjustments: The Economic and Defense Adjustments program provides flexible investments for communities facing sudden or severe economic distress to diversify and stabilize its economy. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural resource depletion, out-migration, under-employment, and destructive impacts of foreign trade.

Disaster Recovery: The Disaster Recovery program awards grants for the repair of infrastructure and economic development related facilities damaged by floods and other natural disasters. Funding for the Disaster Recovery program is generally through supplemental funding from Congress for recovery efforts to save, sustain, and preserve private enterprise and job creation in economically distressed communities.

EDA's investments in non-federal physical property for FY 2001 through FY 2005 were as follows:

(In Millions)

Program	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
Public Works	\$ 174.9	\$ 182.5	\$ 232.8	\$ 194.8	\$ 220.1	\$ 1,005.1
Economic and Defense Adjustments	131.6	109.0	88.7	75.3	75.4	480.0
Disaster Recovery	28.7	36.7	22.5	18.5	10.1	116.5
Total	\$ 335.2	\$ 328.2	\$ 344.0	\$ 288.6	\$ 305.6	\$ 1,601.6

The above investments require matching funds by state and local governments of 20 to 50 percent.

Investments in Human Capital:

Human capital investments are expenses, included in the Department's Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. Based on a review of the Department's programs, the most significant dollar investments in human capital are by NOAA.

NOAA:

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA of 30 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the nation's education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues, to provide information to improve management decisions in coastal, ocean, and Great Lakes policy, and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on Marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. Participants in this program can receive up to three years of funding.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. In FY 2005, 46 Graduate Research Fellowships have been awarded.

Educational Partnership Program: This program provides formal education and internship training opportunities for students attending minority-serving institutions. These funds also support field research and conference attendance where students present their research findings. The Undergraduate Scholarship Program is designed to increase the number of students who undertake course work and graduate with degrees in the targeted areas integral to NOAA's mission. Appointments are for two years, and are made to students who have recently declared or are about to declare a major in atmospheric, oceanic, or environmental science. The students participate in research, training, and development activities at NOAA offices and facilities during two summer internships. There were 28 students that started the program in FY 2005.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to 1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; 2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; 3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and 4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. There were 110 students starting the program in 2005, and the first scholarship recipients are expected to complete the program in May 2007.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The following table summarizes NOAA's investments in human capital for FY 2001 through FY 2005:

(In Millions)

Program	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
National Sea Grant College Program	\$ 0.6	\$ 0.8	\$ 0.7	\$ 0.6	\$ 0.7	\$ 3.4
National Estuarine Research Reserve Program	0.7	0.8	0.1	0.8	0.9	3.3
Educational Partnership Program	N/A ¹	N/A	N/A	N/A	7.0	7.0
Ernest F. Hollings Undergraduate Scholarship Program	N/A	N/A	N/A	N/A	0.3	0.3
Total	\$ 1.3	\$ 1.6	\$ 0.8	\$ 1.4	\$ 8.9	\$ 14.0

¹ Not applicable

The following table further summarizes NOAA's human capital investments for FY 2004 and FY 2005 by performance goal:

(In Millions)

Performance Goal	FY 2004	FY 2005
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	\$ 1.4	\$ 8.9

Investments in Research and Development (R&D):

Investments in R&D are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: 1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; 2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and 3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic and societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are by NIST and NOAA.

National Institute of Standards and Technology (NIST):

NIST Laboratories Program: The NIST Laboratories have been the stewards of the U.S.'s measurement infrastructure since their inception in 1901 as the National Bureau of Standards. In fulfilling the Constitutional responsibility to fix the standards of weights and measures, these laboratories provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions. The laboratories focus on two strategic goals: 1) provide technical leadership for the nation's measurement and standards infrastructure; and 2) assure the availability and efficient transfer of measurement and standards capabilities essential to established industries.

Advanced Technology Program (ATP): This program is a collaborative effort with industry to identify and promote investment in technologies with significant potential for broad-based economic benefits but inadequate levels of private investment.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

ATP uses joint ventures and informal teaming arrangements to combine private investment and the best available scientific and technological talent in industry, universities, and government. Cost-shared research is funded through an annual competitive awards process. Awards are made only after rigorous examination of the technical and business merits of each proposal and of the potential benefits to the U.S. economy and quality of life. In FY 2005, ATP has not issued any new industrial research projects. The awards target a broad array of technologies, including pharmaceutical design, tissue engineering, industrial catalysts, energy generation and storage, manufacturing technologies, electronics manufacturing, computer software, and electro-optics.

The following table summarizes NIST's R&D investments for FY 2001 through FY 2005 by R&D Category:

(In Millions)

R&D Category	NIST Laboratories					Advanced Technology Program					Total				
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Basic Research	\$ 62.5	\$ 63.5	\$ 74.2	\$ 65.0	\$ 66.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62.5	\$ 63.5	\$ 74.2	\$ 65.0	\$ 66.6
Applied Research	255.6	288.8	307.9	319.7	325.6	85.0	76.6	86.8	96.9	96.1	340.6	365.4	394.7	416.6	421.7
Development	20.8	19.1	19.4	13.7	14.3	85.0	76.6	86.9	96.9	96.0	105.8	95.7	106.3	110.6	110.3
Total	\$ 338.9	\$ 371.4	\$ 401.5	\$ 398.4	\$ 406.5	\$ 170.0	\$ 153.2	\$ 173.7	\$ 193.8	\$ 192.1	\$ 508.9	\$ 524.6	\$ 575.2	\$ 592.2	\$ 598.6

The following tables further summarize NIST's R&D investments for FY 2004 and FY 2005 by performance goal:

(In Millions)

FY 2004				
Performance Goal	Basic Research	Applied Research	Development	Total
Assure the Availability and Efficient Transfer of Measurement and Standards Capabilities Essential to Established Industries	\$ 65.0	\$ 319.7	\$ 13.7	\$ 398.4
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	96.9	96.9	193.8
Total	\$ 65.0	\$ 416.6	\$ 110.6	\$ 592.2

(In Millions)

FY 2005				
Performance Goal	Basic Research	Applied Research	Development	Total
Promote Innovation, Facilitate Trade, Ensure Public Safety and Security, and Help Create Jobs by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 66.6	\$ 325.6	\$ 14.3	\$ 406.5
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	96.1	96.0	192.1
Total	\$ 66.6	\$ 421.7	\$ 110.3	\$ 598.6



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

NOAA:

The NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the U.S.'s understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on time scales ranging from minutes to weeks
- Improving predictions of climate, on time scales ranging from months to centuries
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems

The NOAA also conducts research that is intended to provide a solid scientific basis for environmental policy-making in government. Examples of this research include determining the stratospheric ozone-depleting potential of proposed substitutes for chlorofluorocarbons (CFCs), and identifying the causes of the episodic high rural ozone levels that significantly damage crops and forests.

The NOAA conducts most R&D in-house; however, contractors to NOAA undertake most systems R&D. External R&D work supported by NOAA includes that undertaken through federal-academic partnerships such as the National Sea Grant College Program, the Cooperative Institutes of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

Here is a brief description of the major R&D programs of NOAA:

Environmental and Climate: The Office of Oceanic and Atmospheric Research is NOAA's primary research and development office. This office conducts research in three major areas: climate research, weather and air quality research, and ocean, coastal, and Great Lakes research. The NOAA's research laboratories, Office of Global Programs, and research partners conduct a wide range of research into complex climate systems, including the exploration and investigation of ocean habitats and resources. The NOAA's research organizations conduct applied research on the upper and lower atmosphere as well as the space environment.

Fisheries: The NOAA's NMFS is responsible for the collection and analysis of information on the status of fishery resources and protected species, and for conducting programs that develop fisheries for economic growth. The Magnuson-Stevens Fishery Conservation and Management Act (Act) mandates strong action to conserve and manage fishery resources that contribute to the food supply, economy, and health of the nation. The Act's provisions require NMFS to end over-fishing, rebuild all over-fished stocks, and conserve essential fish habitat through research and consultations on Federal and state actions that may adversely affect habitats. The NMFS's four major research priorities include research to support fishery conservation and management, conservation engineering research, research on the fisheries, and information management research.

Marine Operations and Maintenance and Aircraft Services: These expenditures support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. The NOAA's Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. The NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

Weather Service: The National Weather Service conducts applied research and development, building upon research conducted by NOAA laboratories and the academic community. Applied meteorological and hydrological research is integral to providing more timely and accurate weather, water, and climate services to the public.

Other Programs: As a national lead for coastal stewardship, National Ocean Service promotes a wide range of research activities to create the strong science foundation required to advance the sustainable use of our precious coastal systems. Our understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. National Environmental Satellite Data and Information Service, through its Office of Research and Applications, conducts atmospheric, climatological, and oceanic research into the use of satellite data for monitoring environmental characteristics and their change. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

The NOAA's R&D investments by program for FY 2001 through FY 2005 were as follows:

(In Millions)

Program	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
Environmental and Climate	\$ 266.2	\$ 289.9	\$ 351.4	\$ 317.9	\$ 307.8	\$ 1,533.2
Fisheries	125.8	121.7	156.4	70.6	53.5	528.0
Marine Operations and Maintenance and Aircraft Services	18.0	19.3	90.4	51.7	57.5	236.9
Weather Service	11.1	11.0	20.4	17.6	26.9	87.0
Other	112.9	132.4	83.3	116.5	124.9	570.0
Total	\$ 534.0	\$ 574.3	\$ 701.9	\$ 574.3	\$ 570.6	\$ 2,955.1

The following table summarizes NOAA's R&D investments for FY 2001 through FY 2005 by R&D category:

(In Millions)

R&D Category	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
Applied Research	\$ 511.0	\$ 546.0	\$ 680.8	\$ 546.7	\$ 514.8	\$ 2,799.3
Development	23.0	28.3	21.1	27.6	55.8	155.8
Total	\$ 534.0	\$ 574.3	\$ 701.9	\$ 574.3	\$ 570.6	\$ 2,955.1

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The following tables further summarize NOAA's R&D investments for FY 2004 and FY 2005 by performance goal:

(In Millions)

FY 2004			
Performance Goal	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	\$ 271.6	\$ 10.1	\$ 281.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	163.6	4.3	167.9
Serve Society's Needs for Weather and Water Information	94.9	9.2	104.1
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	16.6	4.0	20.6
Total	\$ 546.7	\$ 27.6	\$ 574.3

(In Millions)

FY 2005			
Performance Goal	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	\$ 242.4	\$ 8.6	\$ 251.0
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	157.8	5.3	163.1
Serve Society's Needs for Weather and Water Information	105.4	41.9	147.3
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	9.2	-	9.2
Total	\$ 514.8	\$ 55.8	\$ 570.6