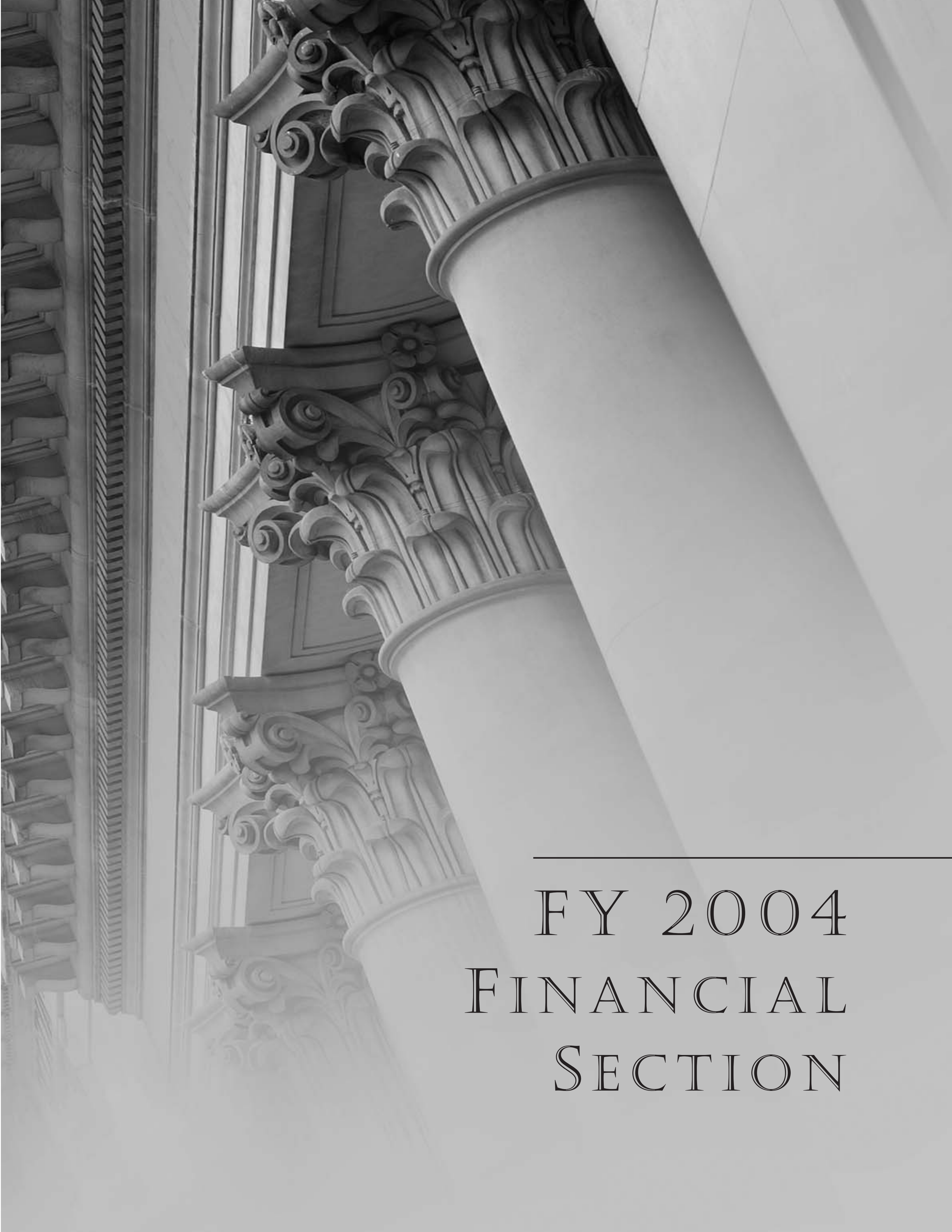


FY 2004 Financial Section

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

In fiscal year 2004 the Department of Commerce saw many significant accomplishments in providing the information and the framework to enable the economy to operate successfully, in providing infrastructure for the Department's program managers. Our success is due largely to our focus, our critical missions, and our emphasis on strengthening management at all levels throughout the Department. Solid financial performance and accountability have been an essential component of this endeavor.

This report describes our achievements during FY 2004 in financial and performance management. The Department is strongly committed to the President's priorities of improving financial management and integrating budget and performance. Strengthening the integrity of our financial operations and ensuring the accuracy of our financial records gives all our stakeholders and decision-makers more confidence in the way the Department manages its resources. This is critical to ensuring the American taxpayers know that their dollars are well spent.

We are proud of having achieved an unqualified audit opinion for the sixth consecutive year. This year also saw the full implementation of the Department's integrated financial management system, the Commerce Administrative Management System (CAMS). As a result of CAMS, program managers can make better-informed decisions more quickly, monthly financial records can now be closed within 3 days, financial statements can be produced more expeditiously, and the audit process is smoother, in part, because of the ease of extracting information from the system. During FY 2004, we addressed deficiencies in technology controls and were able to eliminate that as a reportable condition.

We are now striving to reduce operational redundancy and increase overall efficiency of CAMS by reducing the number of computer platforms running the system. Although we fell slightly short of our FY 2004 goal of reducing the number of platforms from 5 to 3 (we currently stand at 4 platforms), we are working diligently toward achieving this milestone.

We remain steadfast in our commitment to make our financial management systems even stronger and more efficient, and to continually refine our financial products in response to the needs of our stakeholders. Through the efforts described in this report, we will continue to maximize the effectiveness of our programs and their benefit to the American taxpayers.

Otto J. Wolff
Chief Financial Officer and
Assistant Secretary for Administration

Financial Management and Analysis


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

FINANCIAL MANAGEMENT AND ANALYSIS

In support of the President's Management Agenda (PMA) and under the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced in part by the Department's continued receipt of unqualified opinions, decrease in internal control weaknesses, successful implementation of a single integrated financial system, and continued compliance with the Federal Financial Management Improvement Act (FFMIA). Highlights of accomplishments for fiscal year (FY) 2004 and future initiatives are discussed further below.

I. FINANCIAL MANAGEMENT SYSTEMS

In October 2003, the Department completed the implementation of its financial management system, the Commerce Administrative Management System (CAMS). CAMS replaced non-compliant legacy financial systems within the Department. Bureaus that were previously on compliant systems continue to use those systems with some entities potentially converting to CAMS at a future date. The financial information from these systems and CAMS is integrated in the Corporate Database (as discussed further below) for consolidated financial reporting, resulting in a single integrated financial system. A Consolidated Reporting System integrates existing management data from financial, human resource, acquisition, and federal assistance enterprise databases, and provides senior management with online desktop access to information about bureau programs and resources that is critical to strategic decision-making.

CAMS provides reliable and timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CAMS includes a Core Financial System (CFS) interfaced with administrative systems for small purchases, bankcards, grants (Automated Standard Application for Payments (ASAP)), a data warehouse, and time reporting/labor cost distribution module, collectively called Core CAMS. Planned is an obligation and requisition interface between CAMS and the Commerce Standard Acquisition and Reporting System (CSTARS), the Department's acquisition system.

The Corporate Database is a commercial off-the-shelf software package for consolidating financial data and producing financial reports. The Corporate Database provides an integrated solution to financial statements and Federal Agencies Centralized Trial Balance System (FACTS I) Adjusted Trial Balances reporting at the Department, bureau, and Treasury Appropriation/Fund Group level, and also provides the ability to perform data analysis. The database was updated in FY 2004 to produce the Department's footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

During FY 2004, the Department accomplished the following initiatives:

- Undertook a Department-wide Financial Management Review to define, document, and implement consistent accounting processes across Commerce agencies; identify CAMS CFS improvements and noncompliance; and propose a plan of action for Commerce agencies to simplify the various cost allocation mechanisms in use to support more efficient programming and production of standard and consolidated reports. The Department's annual financial management conference was centered on the results of the review and discussed priorities for enhancing the system.

- Consolidated Commerce-wide Integrated Financial Management System computer platforms. CAMS was fully implemented by October 2003; at that time, CAMS was running on five different computer platforms. With the goal of reducing operational redundancy and increasing overall efficiency, Commerce reduced the number of computer platforms running CAMS from five to four in FY 2004.

- Conducted a self-certification test, using an independent contractor, to assess CAMS' compliance with Joint Financial Management Improvement Program (JFMIP) guidelines and identify areas where CAMS requires enhancement to satisfy all JFMIP requirements. The results confirmed CAMS substantially complies with the JFMIP standards.

- Conducted a technology refreshment of underlying Oracle technology to ensure CAMS takes advantage of the latest technology and is compliant with new information technology (IT) security requirements.

- Conducted a deconstruction of the CAMS Capital Asset Plan for FYs 2005-2008 in which the bureaus and the Office of Financial Management (OFM) (1) developed a common basis for reporting costs by standard cost categories, activities, and functions using commonly agreed-upon definitions; and (2) reviewed bureau spending by cost categories to ensure consistent spending across those categories.

Although the Department has an integrated financial system with the implementation of CAMS and the Corporate Database, there is still a need to look forward to ensure that it continues to provide reliable, timely, and accurate financial data to management. In FY 2005, the Department plans to accomplish the following:

- Conduct a CAMS business case study to identify how to fully leverage the financial system to streamline business processes throughout the Department. As a first step, Commerce will review the technological issues and costs associated with extending the useful life of CAMS. An independent technologist will be contracted to assess the CAMS current and future technology, review code-layering issues, and verify that the recent technology infusions have extended the CAMS useful life. Commerce will then identify any potential savings to reducing redundant financial activities throughout the Department.

- Continue the CAMS Capital Asset Plan deconstruction exercise by analyzing the bureau costs and operations to identify efficiencies and baseline the costing of these processes. Information gathered in this process will be used to assess the Department's current business processes for providing accounting services.

- Continue to identify and employ controls necessary to provide, improve, and maintain general control weaknesses, specifically security of financial management systems.

II. FINANCIAL REPORTING

The Department is committed to making financial management a priority and significant efforts are being made to further improve the management of its financial resources. The Department has received unqualified opinions on its consolidated financial statements since 1999. In addition, all bureaus subject to individual audits have maintained unqualified opinions on their principal financial statements. The Department met or exceeded the accelerated financial statement submission deadlines for FY 2004. The remaining reportable condition in FY 2003 was resolved as a result of the full implementation of CAMS along with improvements in general IT controls. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. Although the Department did not identify any significant problems with erroneous payments, it recognized the importance of maintaining adequate internal controls. The Performance and

Accountability Report (PAR) section, Improper Payments Information Act of 2002 (IPIA), and the Appendix on the IPIA reporting details describe the Department's implementation efforts of this act along with the results of Commerce's reviews.

The Department accomplished the following initiatives that resulted in meeting the aforementioned goals:

- Published guidance on the preparation and submission of financial statements, including a calendar of milestone dates. Each quarter, with the participation of all bureaus, guidance was reviewed and updated to reflect lessons learned and to identify best practices among the bureaus. When necessary, task forces were formed to resolve issues that impeded the Department's ability to produce timely and accurate financial statements.

- Corrective Action Plans for the one reportable condition, management letter comments, and non-compliances with laws and regulations were prepared and progress was monitored throughout the year.

- Meetings were held throughout the fiscal year with the Office of Inspector General (OIG) and independent auditors to ensure timely completion of the audit and issuance of the financial statements.

- The Department's Deputy Chief Financial Officer (CFO) held monthly meetings with the bureaus' CFOs to discuss financial management issues, including financial statements, the Consolidated Reporting System, and financial performance metrics. These meetings were in addition to the Department's monthly CFO Council meetings led by the Department's CFO, and the monthly Finance Officer meetings led by the Deputy CFO.

- Participated in the Financial Metrics Workgroup led by the Office of Management and Budget (OMB). Monthly financial metrics were compiled, analyzed, and reported in the government-wide consolidated CFO measurement tracking system. This information is also included in Commerce's Consolidated Reporting System for senior management's review. Individual bureaus were provided with a monthly status report comparing and analyzing their results with the Department's goals, and the Department and government-wide results.

- Participated in the government-wide CFO Council Financial Statement Acceleration Workgroup. This group worked to identify and remove impediments to meet the accelerated reporting date of November 15, 2004.

- To facilitate intragovernmental reconciliations the Department used its Corporate Database application to collect, extract, and report on a quarterly basis its intragovernmental account balances, by trading partner, to the Treasury Department. The Department took a proactive approach of initiating contact with all trading partner agencies to reconcile large reconciliation differences. However, despite its considerable effort, the Department has been unsuccessful in its attempts to reconcile all differences primarily due to a lack of participation by its trading partners.

- Participated in the Intragovernmental Elimination Task Force (IGET), and one bureau participated in the pilot for the Intragovernmental Transactions Reconciliation Portal.

Although the Department has accomplished much in the area of financial management, there is still need to improve upon these accomplishments to ensure that the Department produces and reports accurate, reliable, and timely financial information. In FY 2005, the Department plans to accomplish the following:

- Continue to identify areas that will facilitate the acceleration of providing accurate and reliable financial information to Commerce managers and central agencies. This will be achieved through ongoing meetings and workgroups amongst the Department's financial managers and participation in government-wide financial management committees and workgroups.

- Begin the process of replacing the current Corporate Database with upgraded technology and expanded capabilities.
- Perform recovery contract audits and continue performing disbursement sampling to identify and recover improper payments.
- Continue to work with OMB, Treasury, the IGET, and its trading partner agencies to improve the intragovernmental reconciliation process.

GRANTS MANAGEMENT

The Department and its bureaus administered 64 grant programs and provided funding of approximately $1.6 billion during FY 2003. The Department is an active participant with the government-wide implementation of Public Law 106-107 to streamline, simplify, and automate the grants process, including participation on various interagency workgroups. The Department's Office of Administrative Services (OAM) coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and General Counsel to implement sound policy and ensure consistency for the Department's financial assistance programs. The Department is committed to the goal of strengthening its grant operations and improving its business processes to provide better services to its customers in the federal grant recipient community.

An active partner in e-grants initiatives, OAM serves on the Grants.gov Executive Board and the Grants Line of Business Taskforce. The Department is now fully compliant with the FIND portion of Grants.gov, and has revised its Grants and Cooperative Agreements Manual and Standard Grant Terms and Conditions to recognize the emerging growth of electronic government. In addition, the Department continues to move its grant making bureaus into the ASAP system, which is an all-electronic payment and information system managed by the Department of Treasury.

Integral to the Department's effort to move aggressively into the world of e-grants is the rapid development, over the past year, of the National Oceanic and Atmospheric Administration's (NOAA) Grants Online, a back office solution to the Grants.gov's storefront. Ultimately, it will facilitate efficiencies through standardized business processes and provide a direct interface to other Departmental systems. It has demonstrated significant potential for reducing paperwork, increasing accountability, and simplifying the application process, and is being considered for enterprise-wide implementation.

The responsibility for facilitating the approval of indirect cost rates for award recipients was moved from OIG to OAM. During the past year, OAM obtained a contractor to work with OAM in reviewing applications to the Department for indirect cost rate determinations, and has made significant progress in reducing a backlog of well over 100 organizations' indirect cost rates.

HUMAN CAPITAL

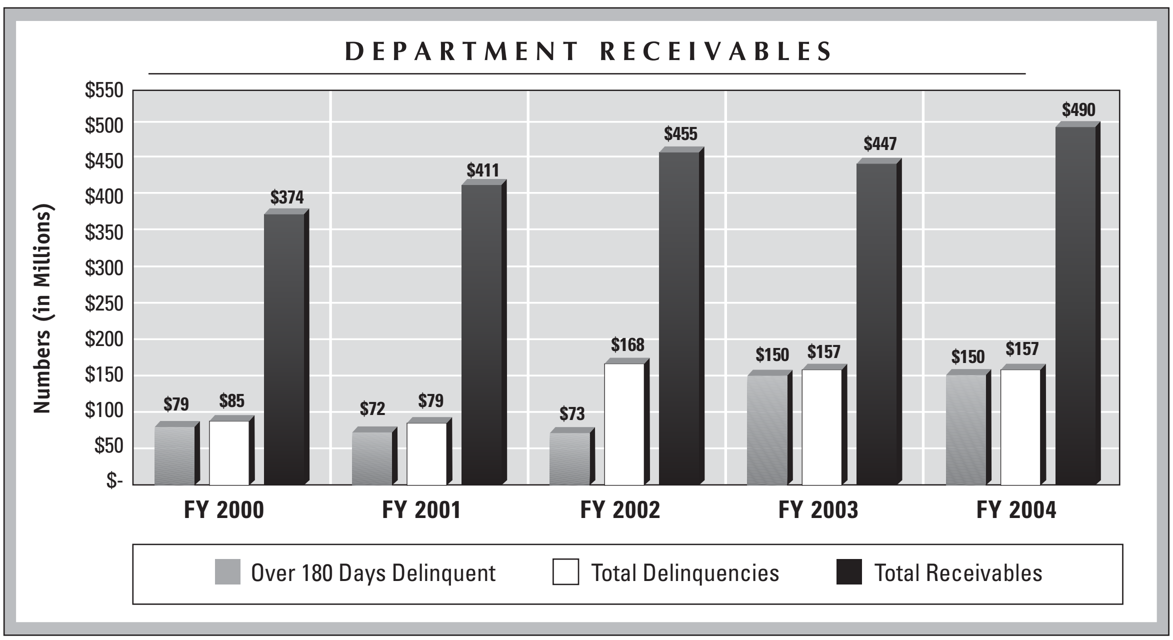
The Department recognizes the need to ensure succession planning in the area of financial management and to enhance the current workforce development. The Department provides internships through a variety of sources to give finance and accounting majors an opportunity to gain hands-on accounting experience, while introducing potential future employees to the opportunities that exist at the Department. In FY 2004, the Department continued its partnership with the National Academy Foundation (NAF) by employing finance interns from local high schools and participating in NAF sponsored events. In FY 2005, the Department will initiate a panel of subject matter experts, consisting of representatives from the bureaus, to review the current accounting position descriptions, performance plans, and hiring criteria to ensure that the Department hires and retains high quality accountants. In addition, a two-year accounting internship program will be initiated that will require training and rotational assignments amongst the bureaus.

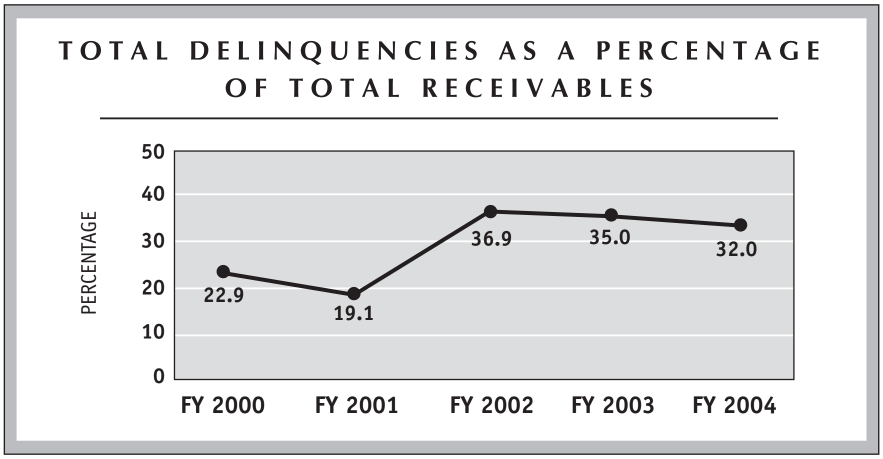
DEBT MANAGEMENT

RECEIVABLES AND DEBT MANAGEMENT

The Department has incorporated the principles of the Credit Reform Act of 1990 into the operations of its credit and debt programs. Prescreening procedures, account-servicing standards, determined collection of delinquent debt, inventory management, and asset disposition standards have helped to diminish significantly the amount of risk inherent in credit programs. These procedures were established to ensure that credit costs are properly identified and controlled, that borrowers' needs are met, and that costs to the taxpayers are minimized.

Total Department receivables increased, from $447 million in fiscal year (FY) 2003 to $490 million in FY 2004, as reported on the Department's Treasury Report on Receivables (TROR). The TROR is the primary means for the Department to provide comprehensive information on the gross value of receivables and delinquent debt due from the public. Delinquent debt over 180 days remained constant at $150 million from FY 2003 to FY 2004. Total delinquencies, as a percentage of total receivables for the Department, decreased from 35 percent in FY 2003 to 32 percent in FY 2004.





The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for federal agency debts that are more than 180 days delinquent. It also established Treasury's Financial Management Service as the federal government's debt collection center. In FY 1998, the Department signed a letter of agreement with Treasury for cross-servicing of debt more than 180 days delinquent. Over $16.5 million in delinquent debt has since been referred to Treasury for cross-servicing.

During FY 2001, the issuance of the revised *Federal Claims Collection Standards* and the revised Office of Management and Budget (OMB) Circular No. A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, provided agencies greater latitude to maximize the effectiveness of federal debt collection procedures. Since then, the Department has utilized all the tools available to improve the management of its debt.

PAYMENT PRACTICES

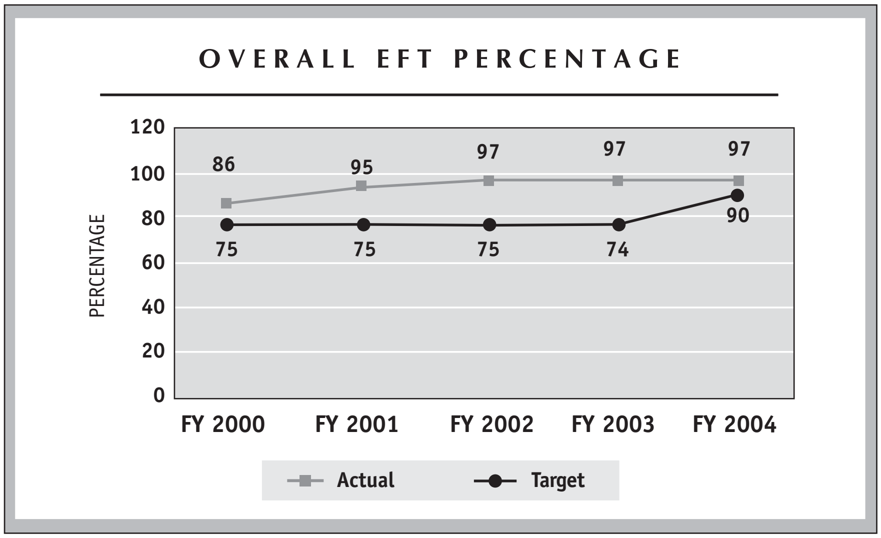
Electronic Funds Transfer (EFT)

During fiscal year (FY) 2004, the Department continued its efforts to maximize the use of payment mechanisms compliant with EFT as required by the Debt Collection Improvement Act of 1996. The Department's achievements in this area are illustrated in the table below:

Payment Category	FY 2004 EFT Percentage	FY 2003 EFT Percentage	FY 2004 Total Volume (Actual Count)	FY 2003 Total Volume (Actual Count)
Retirement Benefits	99%	99%	4,024	4,400
Salary	99%	98%	1,029,023	1,128,9386
Vendor & Misc.[1]	94%	93%	492,739	507,696
TOTAL	**97%**	**97%**	**1,525,786**	**1,641,034**

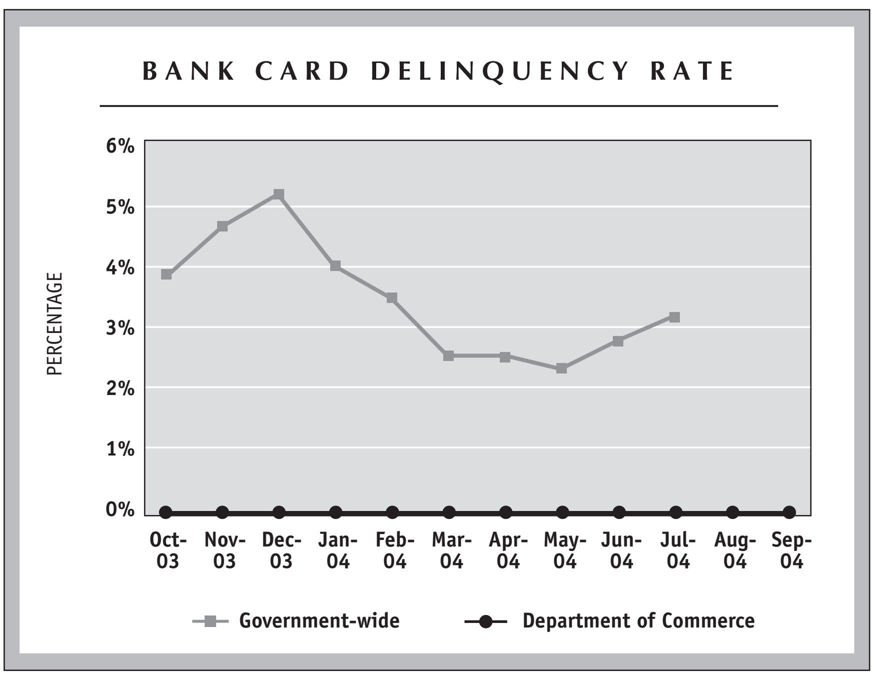
[1] *Includes purchase card transactions.*

The Department's overall EFT percentage remained steady at 97 percent in FY 2004. The Department substantially exceeded Treasury's government-wide goal of 90 percent for FY 2004. The Department continued to progress with a one percent increase in the EFT percentage for both vendor and miscellaneous payments, and salary payments.



BANKCARDS

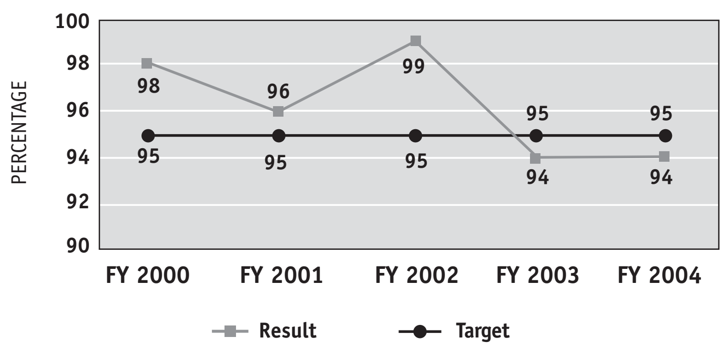
The Department is committed to the use of bankcards as a means of streamlining Departmental procurements. However, Departmental usage of the cards declined slightly from 6,093 cardholders in FY 2003 to 6,074 in FY 2004. Concurrently, the amount of purchases declined from $141.8 million in FY 2003 to $139.9 million in FY 2004. The modest downward trend in bankcard activity is primarily due to conclusion of the Decennial Census disbursement activity in FY 2002. The Department has continued to monitor the internal controls surrounding these purchases to ensure that all such purchases are legal and proper. As of September 30, 2004, the Department had an overall zero percent bankcard delinquency rate, well below the government-wide delinquency rate.



PROMPT PAYMENT

The Department made approximately 94 percent of all payments on time in FY 2004, as it did in FY 2003. The number of invoices with late-payment interest penalties decreased from 15,144 in FY 2003 to 14,681 in FY 2004. The Department's overall performance of 94 percent in FY 2004 is just slightly lower than the government-wide goal of 95 percent. The 94 percent on-time payment is mainly due to one bureau's conversion to Commerce Administrative Management System (CAMS). As a result, some payments were delayed during the conversion period from the old to new system at the beginning of the year. The Department will continue to monitor its bureaus' payment performance to maintain its timely vendor payment percentage.

TIMELY VENDOR PAYMENT



ANALYSIS OF FY 2004 FINANCIAL CONDITIONS AND RESULTS

Principal Financial Statements

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2004 and 2003 *(In Thousands)*

	FY 2004	FY 2003
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 6,677,081	$ 6,502,932
Accounts Receivable (Note 3)	84,028	80,860
Advances and Prepayments	15,180	25,967
Total Intragovernmental	**6,776,289**	**6,609,759**
Cash (Note 4)	13,694	14,174
Accounts Receivable, Net (Note 3)	59,901	57,554
Loans Receivable and Related Foreclosed Property, Net (Note 5)	317,138	272,675
Inventory, Materials, and Supplies, Net (Note 6)	99,515	101,376
General Property, Plant, and Equipment, Net (Note 7)	4,632,911	4,670,018
Advances and Prepayments	31,520	19,764
Other (Note 8)	9,726	12,712
TOTAL ASSETS	**$ 11,940,694**	**$ 11,758,032**
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 65,493	$ 100,772
Debt to Treasury (Note 10)	274,426	211,700
Resources Payable to Treasury	63,931	75,221
Unearned Revenue	347,650	352,656
Other (Note 11)	55,695	55,996
Total Intragovernmental	**807,195**	**796,345**
Accounts Payable	259,632	267,214
Accrued Payroll and Annual Leave	321,114	290,976
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities (Note 12)	557,679	568,732
Accrued Grants	350,453	392,621
Environmental and Disposal Liabilities (Note 13)	78,687	89,861
Capital Lease Liabilities (Note 14)	18,331	22,744
Unearned Revenue	740,491	646,460
Other (Note 11)	116,618	111,767
TOTAL LIABILITIES	**$ 3,250,200**	**$ 3,186,720**
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION (Note 17)		
Unexpended Appropriations	$ 4,233,667	$ 4,181,364
Cumulative Results of Operations	4,456,827	4,389,948
TOTAL NET POSITION	**$ 8,690,494**	**$ 8,571,312**
TOTAL LIABILITIES AND NET POSITION	**$ 11,940,694**	**$ 11,758,032**

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, 2004 and 2003 (Note 18) *(In Thousands)*

	FY 2004	FY 2003
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	$ 411,683	$ 479,032
Gross Costs With the Public	1,518,510	1,585,900
Total Gross Costs	1,930,193	2,064,932
Intragovernmental Earned Revenue	(275,502)	(285,079)
Earned Revenue From the Public	(28,022)	(11,011)
Total Earned Revenue	(303,524)	(296,090)
Net Program Costs	**1,626,669**	**1,768,842**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science		
Intragovernmental Gross Costs	366,780	359,913
Gross Costs With the Public	1,951,246	1,850,717
Total Gross Costs	2,318,026	2,210,630
Intragovernmental Earned Revenue	(152,217)	(122,673)
Earned Revenue From the Public	(1,290,748)	(1,202,966)
Total Earned Revenue	(1,442,965)	(1,325,639)
Net Program Costs	**875,061**	**884,991**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship		
Intragovernmental Gross Costs	596,810	441,064
Gross Costs With the Public	3,247,671	3,114,321
Total Gross Costs	3,844,481	3,555,385
Intragovernmental Earned Revenue	(169,557)	(164,169)
Earned Revenue From the Public	(57,682)	(61,927)
Total Earned Revenue	(227,239)	(226,096)
Net Program Costs	**3,617,242**	**3,329,289**
NET COST OF OPERATIONS	**$ 6,118,972**	**$ 5,983,122**

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, 2004 and 2003 *(In Thousands)*

	FY 2004		FY 2003	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances, as Previously Presented	**$ 4,389,948**	**$ 4,181,364**	**$ 4,322,557**	**$ 3,978,998**
Change in Accounting Principle (Note 17)	-	-	(135,918)	135,918
Beginning Balances, as Adjusted	**4,389,948**	**4,181,364**	**4,186,639**	**4,114,916**
Budgetary Financing Sources:				
Appropriations Received	-	6,124,921	-	5,790,547
Appropriations Transfers In/(Out), Net	-	8,378	-	4,387
Other Adjustments	-	(270,657)	(3,235)	(6,111)
Appropriations Used	5,810,339	(5,810,339)	5,722,375	(5,722,375)
Non-exchange Revenue	10,120	-	13,035	-
Donations	1,298	-	859	-
Transfers In/(Out) Without Reimbursement, Net	86,441	-	78,640	-
Other Budgetary Financing Sources (Uses), Net (Note 19)	74,708	-	5,396	-
Other Financing Sources:				
Transfers In/(Out) Without Reimbursement, Net	(2,032)	-	51,585	-
Imputed Financing Sources From Costs Absorbed by Others	219,375	-	226,518	-
Other Financing Sources (Uses), Net	(14,398)	-	91,258	-
Total Financing Sources	**6,185,851**	**52,303**	**6,186,431**	**66,448**
Net Cost of Operations	**(6,118,972)**	**-**	**(5,983,122)**	**-**
ENDING BALANCES	**$ 4,456,827**	**$ 4,233,667**	**$ 4,389,948**	**$ 4,181,364**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2004 and 2003 (Note 19) *(In Thousands)*

	FY 2004		FY 2003	
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Budget Authority				
Appropriations Received	$ 6,134,774	$ -	$ 5,964,718	$ -
Borrowing Authority	-	169,997	-	155,977
Net Transfers	88,106	-	81,791	-
Unobligated Balance				
Beginning of Period	1,031,446	60,211	1,126,746	10,205
Net Transfers, Actual	4,277	-	191	-
Spending Authority From Offsetting Collections				
Earned				
Collected	2,578,665	84,314	2,353,478	138,687
Receivables	(59,937)	(1)	6,197	-
Changes in Unfilled Customer Orders				
Advances Received	84,185	-	156,334	-
Without Advances	24,787	6,128	(44,777)	260
Total Spending Authority From Offsetting Collections	**2,627,700**	**90,441**	**2,471,232**	**138,947**
Recoveries of Prior-Years Obligations	93,162	26,512	135,566	7,254
Temporarily Not Available Pursuant to Public Law	(176,759)	-	(178,514)	-
Permanently Not Available				
Cancellation of Expired and No-Year Accounts	(94,719)	-	(24,182)	-
Enacted Rescissions	(128,910)	-	(7,858)	-
Capital Transfers and Redemption of Debt	(2,400)	(43,662)	(3,169)	(78,943)
Other Authority Withdrawn	-	(25,852)	-	(668)
Pursuant to Public Law	-	-	(36,350)	-
TOTAL BUDGETARY RESOURCES	**$ 9,576,677**	**$ 277,647**	**$ 9,530,171**	**$ 232,772**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	$ 6,454,481	$ 85,753	$ 6,286,198	$ 169,124
Reimbursable	2,370,995	3,399	2,243,842	3,436
Total Obligations Incurred	**8,825,476**	**89,152**	**8,530,040**	**172,560**
Unobligated Balance				
Apportioned	415,115	99,013	795,131	1,805
Exempt From Apportionment	221,548	-	112,313	-
Unobligated Balance Not Available	**114,538**	**89,482**	**92,687**	**58,407**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 9,576,677**	**$ 277,647**	**$ 9,530,171**	**$ 232,772**
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:				
Obligated Balance, Net, Beginning of Period (Unpaid)	$ 4,749,997	$ 299,142	$ 4,487,716	$ 180,411
Adjustments to Obligated Balance, Beginning of Period (Unpaid)	-	-	172	-
Obligated Balance, Net, Beginning of Period, as Adjusted (Unpaid)	**$ 4,749,997**	**$ 299,142**	**$ 4,487,888**	**$ 180,411**
Obligated Balance Transferred, Net (Unpaid)	**$ -**	**$ -**	**$ (1,604)**	**$ -**
Obligated Balance, Net, End of Period (Unpaid)				
Accounts Receivable	$ (154,749)	$ -	$ (214,686)	$ (1)
Unfilled Customer Orders From Federal Sources (Unpaid)	(110,989)	(6,961)	(86,202)	(833)
Undelivered Orders (Unpaid)	4,418,239	235,814	4,113,941	299,975
Accounts Payable	840,470	1,994	932,180	-
Total Obligated Balance, Net, End of Period (Unpaid)	**$ 4,992,971**	**$ 230,847**	**$ 4,745,233**	**$ 299,141**
Outlays				
Disbursements	$ 8,524,492	$ 124,808	$ 8,174,105	$ 46,315
Collections	(2,662,850)	(84,314)	(2,509,812)	(138,687)
Total Outlays	**5,861,642**	**40,494**	**5,664,293**	**(92,372)**
Less: Offsetting Receipts	(14,515)	-	(11,690)	-
NET OUTLAYS	**$ 5,847,127**	**$ 40,494**	**$ 5,652,603**	**$ (92,372)**

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, 2004 and 2003 ***(In Thousands)***

	FY 2004	FY 2003
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 8,914,628	$ 8,702,600
Less: Spending Authority From Offsetting Collections and Recoveries	(2,837,815)	(2,752,999)
Obligations Net of Offsetting Collections and Recoveries	6,076,813	5,949,601
Less: Offsetting Receipts	(14,515)	(11,690)
Net Obligations	6,062,298	5,937,911
Other Resources		
Transfers In/(Out) Without Reimbursement, Net	(2,032)	51,585
Imputed Financing Sources From Costs Absorbed by Others	219,375	226,518
Other Financing Sources (Uses), Net	(14,398)	91,258
Net Other Resources Used to Finance Activities	202,945	369,361
Total Resources Used to Finance Activities	**6,265,243**	**6,307,272**
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	(256,410)	(342,722)
Resources that Fund Expenses Recognized in Prior Periods	(45,757)	(122,725)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowance for Subsidy Cost	68,139	129,730
Budgetary Financing Sources (Uses), Net	27,038	12,821
Resources that Finance the Acquisition of Assets	(745,915)	(819,274)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	115,099	111,817
Transfers In/(Out) Without Reimbursement, Net	2,032	(51,585)
Other Financing Sources (Uses), Net	14,398	(91,258)
Other	-	6,547
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**(821,376)**	**(1,166,649)**
Total Resources Used to Finance Net Cost of Operations	**5,443,867**	**5,140,623**
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 20)		
Increase in Accrued Annual Leave	7,027	11,379
Reestimates of Credit Subsidy Expense	(7,144)	(2,859)
Increase in NOAA Corps Employee Retirement Benefits Liabilities	9,823	14,700
Increase/Decrease in Contingent Liabilities	(19,714)	40,500
Other	(2,398)	(2,593)
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	(12,406)	61,127
Components Not Requiring or Generating Resources		
Depreciation and Amortization	512,021	671,637
Expenses Related to Resources Recognized in Prior Periods	11,200	87,185
Extraordinary Item - Satellite Damage (Note 18)	156,187	-
Revaluation of Assets or Liabilities	3,806	2,966
Bad Debt Expense	(545)	8,171
Other	4,842	11,413
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	687,511	781,372
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**675,105**	**842,499**
NET COST OF OPERATIONS	**$ 6,118,972**	**$ 5,983,122**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(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 thirteen bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, and Departmental Management. The Homeland Security Act of 2002 created the U.S. Department of Homeland Security (DHS). Pursuant to Section 201(g)(3) of Public Law 107-296, the Bureau of Industry and Security's (BIS) Critical Infrastructure Assurance Office was transferred from BIS to DHS effective March 1, 2003.

For the *Consolidating Statements of Net Cost*, 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 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 Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. 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 are with. 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 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.

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 represents interest income earned on scheduled Loans Receivable and/or for the first 180 days outstanding on past-due loans. Interest Receivable pertaining to days in excess of 180 days outstanding on past-due loans that are determined to be uncollectible are not recorded in the Department's financial statements.

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 direct or guaranteed loans 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.

Loans Receivable are recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recorded as the Allowance for Subsidy Cost. 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 *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.

I *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.

J *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 improvements, 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.

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, Pacific Ground Fish Buyback Loans, and Emergency Steel Loan Guarantee Program (ELGP-Steel). 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 Payroll and Annual Leave; Accrued Benefits: These categories include salaries, wages, and benefits 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 Benefits are included in Intragovernmental Other Liabilities.

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.

NOAA Corps Employee Retirement Benefits: These liabilities are recorded at the actuarial present value of projected benefits, calcluated 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.*

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.

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.

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 $57.1 million. The environmental liability 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, however, does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. Where an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. Where 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.

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.

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 the Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities when they are needed for disbursements.

Contingent Liabilities: 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 is recognized when a past event or exchange transaction has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and when the chance of the future event or events occurring is remote.

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 incured, 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 serve 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 7 percent of an employee's basic pay. Employees contributed 7 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 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.

FERS contributions made by employer agencies and covered employees exceed the U.S. Government's estimated service cost. For FERS-covered regular employees, the Department was required to make contributions of 10.7 percent 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 FY 2004 and FY 2003, this plan was not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and 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, 2004 included 263 active duty officers, 300 nondisability retiree annuitants, 21 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. The 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 1 percent of basic pay. FERS-covered employees are entitled, effective December 2003, to contribute up to 14 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 4 percent of basic pay. Employees covered by CSRS are entitled to contribute up to 9 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. Effective July 2003, 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:

	FY 2004	FY 2003
General Funds	$ 5,720,477	$ 5,631,787
Revolving Funds	582,275	506,715
Special Fund (Patent and Trademark Surcharge Fund)	233,529	233,529
Other Special Funds	45,443	48,192
Deposit Funds	87,589	79,897
Trust Funds	1,267	1,524
Other Fund Types	6,501	1,288
Total	$ 6,677,081	$ 6,502,932

Status of Fund Balance with Treasury is as follows:

	FY 2004	FY 2003
Unobligated Balance:		
Available	$ 678,862	$ 877,006
Unavailable	993,472	806,498
Obligated Balance Not Yet Disbursed	5,004,747	4,819,428
Total	$ 6,677,081	$ 6,502,932

The Department's Deposit Funds are not available to finance operating activities. See Note 19, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2004.

NOTE 3. Accounts Receivable, Net

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

FY2003

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 80,860	$ -	$ 80,860
With the Public	$ 73,582	$ (16,028)	$ 57,554

NOTE 4. Cash

	FY 2004	FY 2003
Cash Not Yet Deposited to Treasury	$ 12,547	$ 12,320
Imprest Funds	383	403
Other Cash	764	1,451
Total	$ 13,694	$ 14,174

Cash Not Yet Deposited to 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	Bering Sea Pollock Fishery Buyout
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Community Development Loans[1]
NOAA	Crab 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	Pacific Groundfish Buyback Loans

[1] No loans have been issued under these programs as of September 30, 2004

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:

	FY 2004	FY 2003
Direct Loans Obligated Prior to FY 1992	$ 52,913	$ 64,727
Direct Loans Obligated After FY 1991	227,758	166,137
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	3,295	8,033
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	33,172	33,778
Total	$ 317,138	$ 272,675

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2004

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans
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

FY 2003

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans
CEIP	$ 24,199	$ 7,474	$ (20,347)	$ 11,326
Drought Loan Portfolio	36,317	514	(368)	36,463
Economic Development Revolving Fund	16,956	173	(191)	16,938
Fisheries Loan Fund	1,906	138	(2,044)	-
Total	$ 79,378	$ 8,299	$ (22,950)	$ 64,727

Direct Loans Obligated After FY 1991 consist of:

FY 2004

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Bering Sea Pollock Fishery Buyout	$ 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

FY 2003

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Bering Sea Pollock Fishery Buyout	$ 68,385	$ 13	$ 10,648	$ 79,046
Fisheries Finance IFQ Loans	14,196	139	2,773	17,108
Fisheries Finance Traditional Loans	62,410	884	6,689	69,983
Total	$ 144,991	$ 1,036	$ 20,110	$ 166,137

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

Direct Loan Program	**FY 2004**	**FY 2003**
Fisheries Finance IFQ Loans	$ 3,290	$ 2,752
Fisheries Finance Traditional Loans	21,150	19,294
Fisheries Finance Tuna Fleet Loans	38,301	-
Pacific Groundfish Buyback Loans	35,663	-
Total	$ 98,404	$ 22,046

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

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)

FY 2003

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (397)	$ 300	$ (42)	$ 38	$ (101)
Fisheries Finance Traditional Loans	(3,187)	799	(88)	41	(2,435)
Total	$ (3,584)	$ 1,099	$ (130)	$ 79	$ (2,536)

Modifications and Reestimates:

FY 2004

Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyout	$ -	$ -	$ 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

FY 2003

Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyout	$ -	$ -	$ (991)	$ (991)
Fisheries Finance IFQ Loans	-	(20)	93	73
Fisheries Finance Traditional Loans	-	(82)	(452)	(534)
Total	$ -	$ (102)	$ (1,350)	$ (1,452)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2004	FY 2003
Bering Sea Pollock Fishery Buyout	$ 954	$ (991)
Fisheries Finance IFQ Loans	(243)	(28)
Fisheries Finance Traditional Loans	(3,962)	(2,969)
Fisheries Finance Tuna Fleet Loans	(4,768)	-
Pacific Groundfish Buyback Loans	2,202	-
Total	$ (5,817)	$ (3,988)

Subsidy Rates for Direct Loans by Program and Component:

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

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)%

FY 2003

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(17.31)%	2.21%	(0.80)%	3.87%	(12.03)%
Fisheries Finance Traditional Loans	(13.75)%	0.53%	(0.07)%	1.40%	(11.89)%
New England Groundfish Buyback Loans	(31.89)%	31.52%	-%	-%	(0.37)%
Pacific Groundfish Buyback Loans	(31.89)%	32.97%	-%	-%	1.08%

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.

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

	FY 2004	FY 2003
Beginning Balance of the Allowance for Subsidy Cost	$ 20,110	$ 19,974
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	20,342	3,584
Default Costs (Net of Recoveries)	(12,361)	(1,099)
Fees and Other Collections	129	130
Other Subsidy Costs	(1,228)	(79)
Total of the above Subsidy Expense Components	6,882	2,536
Adjustments:		
Fees Received	(330)	(170)
Subsidy Allowance Amortization	(3,750)	(3,682)
Other	(2,179)	-
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	20,733	18,658
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	6,041	102
Technical/Default Reestimates	(7,106)	1,350
Total of the above Reestimate Components	(1,065)	1,452
Ending Balance of the Allowance for Subsidy Cost	$ 19,668	$ 20,110

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

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	$ 19,650	$ -	$ 376	$ (16,731)	$ 3,295

FY 2003

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
Economic Development Revolving Fund	$ 4,641	$ 263	$ -	$ (904)	$ 4,000
FVOG Program	19,769	15	55	(15,806)	4,033
Total	$ 24,410	$ 278	$ 55	$ (16,710)	$ 8,033

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

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

FY 2003

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	$ -	$ -	$ (67,146)	$ 24,951
FVOG Program	12,695	-	2,926	(6,794)	8,827
Total	$ 104,792	$ -	$ 2,926	$ (73,940)	$ 33,778

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed disbursed loans as of September 30, 2004 and 2003, which are not reflected in the financial statements, are as follows:

	FY 2004		FY 2003	
Loan Guarantee Program	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
Economic Development Revolving Fund	$ -	$ -	$ 400	$ 400
Emergency Oil and Gas Loan Guarantee Program	1,248	1,061	1,810	1,538
Emergency Steel Loan Guarantee Program	246,074	215,927	167,402	146,627
FVOG Program	45,202	45,202	56,614	56,614
Total	$ 292,524	$ 262,190	$ 226,226	$ 205,179

New Disbursements of Loan Guarantees, by year:

Loan Guarantee Program	FY 2004 Outstanding Principal of Guaranteed Loans Disbursed, Face Value	FY 2004 Amount of Outstanding Principal Guaranteed	FY 2003 Outstanding Principal of Guaranteed Loans Disbursed, Face Value	FY 2003 Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	$ 80,964	$ 71,248	$ 144,501	$ 127,160

Liabilities for Loan Guarantees:

Loan Guarantee Program	FY 2004 Liabilities for Loan Guarantees for Post-FY 1991 Guarantees Disbursed, Present Value	FY 2003 Liabilities for Loan Guarantees for Post-FY 1991 Guarantees Disbursed, Present Value
Emergency Oil and Gas Loan Guarantee Program	$ 605	$ 1,273
Emergency Steel Loan Guarantee Program	70,069	46,923
FVOG Program	2,971	2,872
Total	$ 73,645	$ 51,068

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Disbursements of Loan Guarantees:

FY 2004

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

FY 2003

Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Steel Loan Guarantee Program	$ -	$ 41,262	$ (1,250)	$ 40,012

Modifications and Reestimates:

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

FY 2003

Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	$ -	$ -	$ (153)	$ (153)
Emergency Steel Loan Guarantee Program	-	-	124	124
FVOG Program	-	-	376	376
Total	$ -	$ -	$ 347	$ 347

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2004	FY 2003
Emergency Oil and Gas Loan Guarantee Program	$ (724)	$ (153)
Emergency Steel Loan Guarantee Program	24,164	40,136
FVOG Program	-	376
Total	$ 23,440	$ 40,359

Subsidy Rates for Loan Guarantees by Program and Component:

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

FY 2003					
Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Emergency Oil and Gas Loan Guarantee Program	- %	- %	- %	- %	- %
Emergency Steel Loan Guarantee Program	- %	28.19 %	(0.50) %	- %	27.69 %

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of loan guarantees during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of loan guarantees 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.

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

	FY 2004	FY 2003
Beginning Balance of the Liabilities for Loan Guarantees	$ 51,068	$ 22,346
Add Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:		
Default Costs (Net of Recoveries)	22,824	41,262
Fees and Other Collections	(405)	(1,250)
Total of the above Subsidy Expense Components	22,419	40,012
Adjustments:		
Fees Received	220	1,545
Interest Accumulation on the Liabilities Balance	(28)	690
Other	(961)	-
Ending Balance of the Liabilities for Loan Guarantees Before Reestimates	72,718	64,593
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	676	-
Technical/Default Reestimates	251	(127)
Total of the above Reestimate Components	927	(127)
Transfer of Subsidy Cost for Defaulted Guaranteed Loans to Loans Receivable and Related Foreclosed Property, Net	-	(13,398)
Ending Balance of the Liabilities for Loan Guarantees	$ 73,645	$ 51,068

Administrative Expenses:

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

Direct Loan Program	FY 2004	FY 2003
Drought Loan Portfolio and Economic Development Revolving Fund	$ 1,708	$ 1,004
Fisheries Finance Traditional Loans	3,483	2,902
CEIP	230	218
Total	$ 5,421	$ 4,124

Loan Guarantee Program	FY 2004	FY 2003
Emergency Oil and Gas Loan Guarantee Program	$ 15	$ 363
Emergency Steel Loan Guarantee Program	598	1,003
Total	$ 613	$ 1,366

NOTE 6. Inventory, Materials, and Supplies, Net

Category	Cost Flow Assumption	FY 2004	FY 2003
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	$ 23,028	$ 22,404
Other	Various	1,740	1,921
Allowance for Excess, Obsolete, and Unserviceable Items		(318)	(402)
Total Inventory, Net		24,450	23,923
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	$ 49,894	$ 49,069
NOAA's National Reconditioning Center	Weighted-average	39,804	40,185
Other	Various	2,423	2,206
Allowance for Excess, Obsolete, and Unserviceable Items		(17,056)	(14,007)
Total Materials and Supplies, Net		75,065	77,453
Total		$ 99,515	$ 101,376

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 2004

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 13,289	$ -	$ 13,289
Land Improvements	30	2,996	(735)	2,261
Structures, Facilities, and Leasehold Improvements	2-60	899,724	(294,078)	605,646
Satellites/Weather Systems Personal Property	3-20	3,782,429	(3,018,888)	763,541
Other Personal Property	3-30	1,438,771	(827,425)	611,346
Assets Under Capital Lease	3-40	61,806	(42,651)	19,155
Construction-in-progress	N/A	2,617,673	-	2,617,673
Total		$ 8,816,688	$ (4,183,777)	$ 4,632,911

FY 2003

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 12,897	$ -	$ 12,897
Land Improvements	30	2,066	(620)	1,446
Structures, Facilities, and Leasehold Improvements	2-60	636,228	(273,648)	362,580
Satellites/Weather Systems Personal Property	3-20	4,309,297	(3,054,699)	1,254,598
Other Personal Property	3-30	1,303,228	(806,484)	496,744
Assets Under Capital Lease	3-40	65,038	(36,720)	28,318
Construction-in-progress	N/A	2,513,435	-	2,513,435
Total		$ 8,842,189	$ (4,172,171)	$ 4,670,018

NOTE 8. Other Assets

	FY 2004	FY2003
With the Public		
Notes Receivable	$ 4,237	$ 5,939
Bibliographic Database	5,451	5,864
Other	38	909
Total	$ 9,726	$ 12,712

As of September 30, 2004 and 2003, there are three and five Notes Receivable, respectively, with maturity dates as of September 30, 2004 ranging from November 2004 to July 2024 and interest rates ranging from 7.0 to 8.9 percent. The balances include accrued interest. These notes are considered fully collectible.

The bibliographic database relates to NTIS' scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $46.1 million and $43.9 million, less accumulated amortization of $40.6 million and $38.0 million, for September 30, 2004 and 2003, respectively.

NOTE 9. Non-entity Assets

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

	FY 2004	FY2003
Intragovernmental		
Fund Balance with Treasury	$ 94,457	$ 104,425
Accounts Receivable	3,228	-
Total Intragovernmental	97,685	104,425
With the Public		
Cash	463	953
Accounts Receivable, Net	1,112	260
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	28,827	36,463
Total	$ 128,087	$ 142,101

NOTE 10. Debt to Treasury

FY 2004

Loan Program	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.

FY 2003

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 170,374	$ 162	$ 170,536
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	79,199	(50,000)	29,199
FVOG Program	12,940	(975)	11,965
Total	$ 262,513	$ (50,813)	$ 211,700

Maturity dates range from September 2006 to September 2029, and interest rates range from 4.95 to 7.26 percent.

NOTE 11. Other Liabilities

	FY 2004			FY 2003
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 23,157	$ 8,193	$ 31,350	$ 37,659
Accrued Benefits	19,448	-	19,448	14,608
Custodial Activity	1,115	-	1,115	507
Other	3,782	-	3,782	3,222
Total	$ 47,502	$ 8,193	$ 55,695	$ 55,996
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ -	$ 9,344	$ 9,344	$ 8,175
Liabilities for Loan Guarantees	-	73,645	73,645	51,068
Contingent Liabilities	22,786	-	22,786	42,500
Employment-related	2,115	-	2,115	2,092
Other	8,728	-	8,728	7,932
Total	$ 33,629	$ 82,989	$ 116,618	$ 111,767

The Current Portion represents liabilities expected to be paid by September 30, 2005, while the Non-current portion represents liabilities expected to be paid after September 30, 2005.

NOTE 12. Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities

These liabilities consist of:

	FY 2004	FY 2003
Actuarial FECA Liability	$ 179,179	$ 200,054
NOAA Corps Retirement System Liability	335,700	326,601
NOAA Corps Post-retirement Health Benefits Liability	42,800	42,077
Total	$ 557,679	$ 568,732

Actuarial FECA Liability:

For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	FY 2004	FY 2003
Year 1	4.88%	3.84%
Year 2 and Thereafter	5.24%	4.35%

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 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%

FY 2003		
Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2004	2.30%	3.21%
2005	2.00%	3.54%
2006	1.83%	3.64%
2007	1.97%	3.80%
2008 and Thereafter	2.17%	3.92%

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculations used the following U.S. Department of Defense Retirement Board economic assumptions:

	FY 2004	FY 2003
Investment Earnings on Federal Securities	6.25%	6.25%
Annual Basic Pay Increases	3.75%	3.50%
Annual Inflation	3.00%	3.00%

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

	FY 2004	FY 2003
Normal Cost	$ 4,900	$ 4,600
Interest on the Unfunded Liability	19,900	19,400
Actuarial (Gains) Losses, Net	(100)	500
Total Pension Costs	$ 24,700	$ 24,500

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. 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 2004 and FY 2003.

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

	FY 2004	FY 2003
Normal Cost	$ 3,200	$ 1,300
Interest on the Unfunded Liability	2,500	8,400
Actuarial (Gains) Losses, Net	(1,900)	(4,400)
Total Post-retirement Health Benefits Costs	$ 3,800	$ 5,300

NOTE 13. Environmental and Disposal Liabilities

	FY 2004	FY 2003
Pribilof Island Cleanup	$ 39,160	$ 46,106
Nuclear Reactor	36,691	40,700
Other	2,836	3,055
Total	$ 78,687	$ 89,861

NOTE 14. Leases

Capital Leases:

Assets under capital leases are as follows:

	FY 2004	FY 2003
Structures, Facilities, and Leasehold Improvements	$ 45,665	$ 47,370
Equipment	16,141	17,668
Less: Accumulated Depreciation	(42,651)	(36,720)
Net Assets Under Capital Leases	$ 19,155	$ 28,318

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 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	$ 17,362	$ 969	$ 18,331

FY 2003

	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2004	$ 6,797	$ 3,353	$ 10,150
2005	6,673	1,964	8,637
2006	3,848	1,989	5,837
2007	2,948	1,811	4,759
2008	2,650	1,840	4,490
Thereafter	26,909	1,887	28,796
Total Future Lease Payments	49,825	12,844	62,669
Less: Imputed Interest	(22,487)	(1,137)	(23,624)
Less: Executory Cost	(6,102)	(10,199)	(16,301)
Net Capital Lease Liabilities	$ 21,236	$ 1,508	$ 22,744

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 2005 through FY 2008, and 2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

FY 2004

	General PP&E Category		
Fiscal Year	GSA Real Property	Non-GSA Real Property	Personal Property
2005	$ 206,146	$ 19,975	$ 36,024
2006	201,472	16,593	20,163
2007	210,924	13,962	6,227
2008	216,232	12,469	6,414
2009	201,776	11,884	6,606
Thereafter	[1]	40,817	-
Total Future Lease Payments		$ 115,700	$ 75,434

[1] *Not estimated*

NOTE 15. Liabilities Not Covered by Budgetary Resources

	FY 2004	FY 2003
Intragovernmental		
Accrued FECA Liability	$ 28,272	$ 34,660
Custodial Activity	-	-
Other	1,667	6,660
Total Intragovernmental	29,939	41,320
Accrued Payroll	20,361	20,530
Accrued Annual Leave	186,406	179,377
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities	557,679	568,732
Environmental and Disposal Liabilities	78,687	79,657
Contingent Liabilities	22,787	42,500
Capital Lease Liabilities	13,398	22,744
Unearned Revenue	580,431	491,262
ITA Foreign Service Nationals' Voluntary Separation Pay	9,344	8,175
Other	1,143	947
Total	$ 1,500,175	$ 1,455,244

Due to the unique funding structure of USPTO, the Unearned Revenue as of September 30 reported above is the portion of USPTO's unearned patent and trademark fees that is considered not covered by budgetary resources. The USPTO's fees that were withheld and deposited into a restricted special fund receipt account are not considered a resource until appropriated and made available by the issuance of a Treasury warrant, although USPTO incurred costs to generate these fees. Therefore, budgetary resources from current operations that normally would be used to cover a portion of unearned fees have been used to cover prior year costs associated with restricted fees. 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 process. 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:

FY 2004

Description	FY 2005	FY2006	FY 2007	FY 2008	FY 2009	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 308,900	$ 361,900	$ 457,800	$ 535,400	$ 542,900	$2,544,700	$4,751,600
Convergence Satellites	307,600	323,700	344,000	346,600	299,900	1,513,400	3,135,200
Polar Operational Environmental Satellites	106,500	83,400	91,500	83,000	42,600	9,000	416,000
Other Weather Service	123,800	83,500	79,800	73,500	54,200	109,800	524,600
Total	$ 846,800	$ 852,500	$ 973,100	$1,038,500	$ 939,600	$4,176,900	$8,827,400

Legal Contingencies:

The Department is party 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, and claims will not materially affect the financial position or net costs of the Department.

The Department and other federal agencies are subject to 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. The exact amount of these claims against the U.S. Government is unknown, but may exceed $1.6 billion as of September 30, 2004. It is not possible to speculate as to a range of loss for these matters. 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 claims that is attributable to the Department. Of these claims, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are party to other suits, with claim amounts that may exceed $1.1 billion as of September 30, 2004. In addition, there are other suits with no claim amounts. For all of these suits, 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 claims, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department is subject to suits where adverse outcomes are probable and claims are approximately $22.8 million and $48.0 million as of September 30, 2004 and 2003, respectively. The range of loss for these suits is between $22.8 million and $33.2 million as of September 30, 2004, and between $42.5 million and $48.0 million as of September 30, 2003. Accordingly, $22.8 million and $42.5 million of contingent liabilities were accrued on the *Consolidated Balance Sheets* as of September 30, 2004 and 2003, respectively. For these cases, any amounts ultimately due will be paid out of Treasury's Judgment Fund.

Once the claims are settled or court judgments are assessed against the Department, the liability will be removed and an Imputed Financing Source From Costs Absorbed by Others (representing the amount paid by Treasury's Judgment Fund) will be recognized.

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, 2004 and 2003, with outstanding principal balances totaling $45.2 million and $56.6 million, respectively. A liability for loan guarantees of $3.0 million and $2.9 million is recorded for the outstanding guarantees at September 30, 2004 and 2003, respectively.

Emergency Steel Loan Guarantee Program: This program has two outstanding non-acquired guaranteed loans as of September 30, 2004 and 2003, with outstanding principal balances of $246.1 million and $167.4 million as of September 30, 2004 and 2003, respectively. The Department's guarantee percentages range from 85 to 88 percent for these loans. A liability for loan guarantees of $70.1 million and $46.9 million is recorded for the outstanding guarantees at September 30, 2004 and 2003, respectively.

Related to an outstanding non-acquired guaranteed loan, the Department has additionally guaranteed two Letters of Credit totaling $12.1 million and $13.0 million as of September 30, 2004 and 2003, respectively. The Department's guarantee percentages for these Letters of Credit are 95% and 90%. The guaranteed portion of these Letters of Credit total $11.3 million and $12.1 million as of September 30, 2004 and 2003, respectively.

Emergency Oil and Gas Loan Guarantee Program: This program has three outstanding non-acquired guaranteed loans as of September 30, 2004 and 2003, with outstanding principal balances totaling $1.2 million and $1.8 million, respectively. The Department's guarantee percentage is 85 percent for these loans. A liability for loan guarantees of $605 thousand and $1.3 million is recorded for the outstanding guarantees at September 30, 2004 and 2003, respectively.

NOTE 17. Net Position - Prior-period Adjustments; Change in Accounting Principle

FY 2003

Change In Accounting Principle:

In accordance with Statement of Federal Financial Accounting Standard No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, a change in accounting principle is not shown as a restatement to the prior-period financial statements. In FY 2003, the Department received Treasury guidance regarding the recording of NOAA intra-bureau transfers, from a special fund to an appropriated fund, as nonexpenditure transfers, rather than as appropriations transfers. This change, for transfers in FY 2000 and FY 2001, increased Unexpended Appropriations and decreased Cumulative Results of Operations by $135.9 million as of October 1, 2002.

NOTE 18. Consolidated Statements of Net Cost

FY 2004 Extraordinary Item:

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, it was determined to rebuild the satellite. The rebuild will provide assurance that the satellite will be available for launch in FY 2008.

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	-	254,446	-	110,312	13,501	62,637	440,896	(74,116)	366,780
Gross Costs With the Public	-	1,034,734	-	772,411	98,974	45,127	1,951,246	-	1,951,246
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**

FY 2003 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	$ -	$ -	$ 262,597	$ -	$ 224,239	$ 60,097	$ 546,933	$ (67,901)	$ 479,032
Gross Costs with the Public	-	-	704,660	-	836,927	44,313	1,585,900	-	1,585,900
Total Gross Costs	-	-	967,257	-	1,061,166	104,410	2,132,833	(67,901)	2,064,932
Intragovernmental Earned Revenue	-	-	(233,117)	-	(42,849)	(77,014)	(352,980)	67,901	(285,079)
Earned Revenue From the Public	-	-	2,135	-	(13,146)	-	(11,011)	-	(11,011)
Total Earned Revenue	-	-	(230,982)	-	(55,995)	(77,014)	(363,991)	67,901	(296,090)
Net Program Costs	**-**	**-**	**736,275**	**-**	**1,005,171**	**27,396**	**1,768,842**	**-**	**1,768,842**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	245,924	-	118,441	234	60,097	424,696	(64,783)	359,913
Gross Costs with the Public	-	959,019	-	762,874	84,339	44,485	1,850,717	-	1,850,717
Total Gross Costs	-	1,204,943	-	881,315	84,573	104,582	2,275,413	(64,783)	2,210,630
Intragovernmental Earned Revenue	-	(5,159)	-	(105,284)	-	(77,013)	(187,456)	64,783	(122,673)
Earned Revenue From the Public	-	(1,159,042)	-	(43,924)	-	-	(1,202,966)	-	(1,202,966)
Total Earned Revenue	-	(1,164,201)	-	(149,208)	-	(77,013)	(1,390,422)	64,783	(1,325,639)
Net Program Costs	**-**	**40,742**	**-**	**732,107**	**84,573**	**27,569**	**884,991**	**-**	**884,991**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	446,386	-	-	-	-	60,116	506,502	(65,438)	441,064
Gross Costs with the Public	3,069,996	-	-	-	-	44,325	3,114,321	-	3,114,321
Total Gross Costs	3,516,382	-	-	-	-	104,441	3,620,823	(65,438)	3,555,385
Intragovernmental Earned Revenue	(152,571)	-	-	-	-	(77,036)	(229,607)	65,438	(164,169)
Earned Revenue From the Public	(61,927)	-	-	-	-	-	(61,927)	-	(61,927)
Total Earned Revenue	(214,498)	-	-	-	-	(77,036)	(291,534)	65,438	(226,096)
Net Program Costs	**3,301,884**	**-**	**-**	**-**	**-**	**27,405**	**3,329,289**	**-**	**3,329,289**
NET COST OF OPERATIONS	**$3,301,884**	**$ 40,742**	**$ 736,275**	**$ 732,107**	**$1,089,744**	**$ 82,370**	**$ 5,983,122**	**$ -**	**$ 5,983,122**

Gross Costs and Earned Revenue by Budget Functional Classification

FY 2004

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	$ 3,760,953	$ (190,388)	$ 3,570,565
370 Commerce and Housing Credit	3,887,610	(1,763,086)	2,124,524
450 Community and Regional Development	371,984	(20,254)	351,730
500 Education, Training, Employment, and Social Services	72,153	-	72,153
Total	$ 8,092,700	$ (1,973,728)	$ 6,118,972

FY 2003

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	$ 3,500,590	$ (198,448)	$ 3,302,142
370 Commerce and Housing Credit	3,764,920	(1,636,386)	2,128,534
450 Community and Regional Development	480,867	(12,991)	467,876
500 Education, Training, Employment, and Social Services	84,570	-	84,570
Total	$ 7,830,947	$ (1,847,825)	$ 5,983,122

Intragovernmental Gross Costs and Earned Revenue by Budget Functional Classification

FY 2004

Budget Functional Classification	Intragovernmental Gross Costs	Intragovernmental Earned Revenue	Intragovernmental Net Cost
300 Natural Resources and Environment	$ 578,772	$ (144,628)	$ 434,144
370 Commerce and Housing Credit	784,415	(435,140)	349,275
450 Community and Regional Development	11,788	(17,508)	(5,720)
500 Education, Training, Employment, and Social Services	298	-	298
Total	$ 1,375,273	$ (597,276)	$ 777,997

FY 2003

Budget Functional Classification	Intragovernmental Gross Costs	Intragovernmental Earned Revenue	Intragovernmental Net Cost
300 Natural Resources and Environment	$ 434,274	$ (149,965)	$ 284,309
370 Commerce and Housing Credit	800,273	(410,870)	389,403
450 Community and Regional Development	45,229	(11,086)	34,143
500 Education, Training, Employment, and Social Services	233	-	233
Total	$ 1,280,009	$ (571,921)	$ 708,088

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

	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
PROGRAM COSTS:						
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial 2000						
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**
Other Programs						
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 Program Costs for Strategic Goal 1	**-**	**654,060**	**-**	**-**	**972,609**	**1,626,669**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancin Technical Standards, and Advancing Measurement Scienc						
Measurement and Standards Laboratories						
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**
Patents						
Intragovernmental Gross Costs	-	-	-	226,173	-	226,173
Gross Costs With the Public	-	-	-	919,704	-	919,704
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**

(Continued)

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

	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Trademarks						
Intragovernmental Gross Costs	-	-	-	28,273	-	28,273
Gross Costs With the Public	-	-	-	115,030	-	115,030
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)**
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 Program Costs 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						
Advance Short-term Warning Forecast Service						
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 Program Costs 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**

FY 2003 Statement of Net Cost by Major Program (Combining Basis):

	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
PROGRAM COSTS:						
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial 2000						
Intragovernmental Gross Costs	$ -	$ 25,903	$ -	$ -	$ -	$ 25,903
Gross Costs With the Public	-	170,450	-	-	-	170,450
Total Gross Costs	-	196,353	-	-	-	196,353
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**196,353**	**-**	**-**	**-**	**196,353**
Other Programs						
Intragovernmental Gross Costs	-	212,249	-	-	308,781	521,030
Gross Costs With the Public	-	481,787	-	-	933,663	1,415,450
Total Gross Costs	-	694,036	-	-	1,242,444	1,936,480
Intragovernmental Earned Revenue	-	(231,420)	-	-	(121,560)	(352,980)
Earned Revenue From the Public	-	4,135	-	-	(15,146)	(11,011)
Total Earned Revenue	-	(227,285)	-	-	(136,706)	(363,991)
Net Program Costs	**-**	**466,751**	**-**	**-**	**1,105,738**	**1,572,489**
Net Program Costs for Strategic Goal 1	**-**	**663,104**	**-**	**-**	**1,105,738**	**1,768,842**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Measurement and Standards Laboratories						
Intragovernmental Gross Costs	-	-	69,695	-	-	69,695
Gross Costs With the Public	-	-	471,450	-	-	471,450
Total Gross Costs	-	-	541,145	-	-	541,145
Intragovernmental Earned Revenue	-	-	(59,088)	-	-	(59,088)
Earned Revenue From the Public	-	-	(16,056)	-	-	(16,056)
Total Earned Revenue	-	-	(75,144)	-	-	(75,144)
Net Program Costs	**-**	**-**	**466,001**	**-**	**-**	**466,001**
Patents						
Intragovernmental Gross Costs	-	-	-	219,413	-	219,413
Gross Costs With the Public	-	-	-	855,699	-	855,699
Total Gross Costs	-	-	-	1,075,112	-	1,075,112
Intragovernmental Earned Revenue	-	-	-	(5,049)	-	(5,049)
Earned Revenue From the Public	-	-	-	(1,000,707)	-	(1,000,707)
Total Earned Revenue	-	-	-	(1,005,756)	-	(1,005,756)
Net Program Costs	**-**	**-**	**-**	**69,356**	**-**	**69,356**

(Continued)

FY 2003 Statement of Net Cost by Major Program (Combining Basis) - Continued:

	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Trademarks						
Intragovernmental Gross Costs	-	-	-	26,511	-	26,511
Gross Costs With the Public	-	-	-	103,320	-	103,320
Total Gross Costs	-	-	-	129,831	-	129,831
Intragovernmental Earned Revenue	-	-	-	(109)	-	(109)
Earned Revenue From the Public	-	-	-	(158,336)	-	(158,336)
Total Earned Revenue	-	-	-	(158,445)	-	(158,445)
Net Program Costs	**-**	**-**	**-**	**(28,614)**	**-**	**(28,614)**
Other Programs						
Intragovernmental Gross Costs	-	-	38,781	-	70,296	109,077
Gross Costs With the Public	-	-	262,333	-	157,915	420,248
Total Gross Costs	-	-	301,114	-	228,211	529,325
Intragovernmental Earned Revenue	-	-	(32,879)	-	(90,331)	(123,210)
Earned Revenue From the Public	-	-	(11,880)	-	(15,987)	(27,867)
Total Earned Revenue	-	-	(44,759)	-	(106,318)	(151,077)
Net Program Costs	**-**	**-**	**256,355**	**-**	**121,893**	**378,248**
Net Program Costs for Strategic Goal 2	**-**	**-**	**722,356**	**40,742**	**121,893**	**884,991**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Advance Short-term Warning Forecast Service						
Intragovernmental Gross Costs	199,379	-	-	-	-	199,379
Gross Costs With the Public	1,282,571	-	-	-	-	1,282,571
Total Gross Costs	1,481,950	-	-	-	-	1,481,950
Intragovernmental Earned Revenue	(49,055)	-	-	-	-	(49,055)
Earned Revenue From the Public	(19,911)	-	-	-	-	(19,911)
Total Earned Revenue	(68,966)	-	-	-	-	(68,966)
Net Program Costs	**1,412,984**	**-**	**-**	**-**	**-**	**1,412,984**
Other Programs						
Intragovernmental Gross Costs	247,007	-	-	-	60,116	307,123
Gross Costs With the Public	1,787,425	-	-	-	44,325	1,831,750
Total Gross Costs	2,034,432	-	-	-	104,441	2,138,873
Intragovernmental Earned Revenue	(103,516)	-	-	-	(77,036)	(180,552)
Earned Revenue From the Public	(42,016)	-	-	-	-	(42,016)
Total Earned Revenue	(145,532)	-	-	-	(77,036)	(222,568)
Net Program Costs	**1,888,900**	**-**	**-**	**-**	**27,405**	**1,916,305**
Net Program Costs for Strategic Goal 3	**$3,301,884**	**-**	**-**	**-**	**27,405**	**3,329,289**
NET COST OF OPERATIONS	**$3,301,884**	**$ 663,104**	**$ 722,356**	**$ 40,742**	**$1,255,036**	**$5,983,122**

NOTE 19. 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:

	FY 2004	FY 2003
Appropriations Received per SBR	$ 6,134,774	$ 5,964,718
Less:		
Appropriated Receipts for USPTO, Classified as Exchange Revenue	-	(166,771)
Other Special Receipts for NOAA, Classified as Exchange Revenue	(8,554)	(6,540)
Other	(1,299)	(860)
Appropriations Received per SCNP	$ 6,124,921	$ 5,790,547

Borrowing authority available for NOAA's loan programs amounted to $170.0 million and $156.0 million at September 30, 2004 and 2003, respectively. See Note 1L, *Debt to Treasury,* for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Approximately 90 percent of the Department's reporting entities have one or more permanent no-year appropriations to finance operations.

Rescissions to the Department's appropriations under Public Law 108-199 amounted to $207.2 million for FY 2004, while rescissions for FY 2003 under Public Law 108-7 amounted to $44.2 million. These rescissions are included in the SBR Budgetary Resources section as follows: Permanently Not Available subsection, Enacted Rescissions ($204.5 million and $7.9 million for the years ended September 30, 2004 and 2003, respectively), Pursuant to Public Law ($0.0 million and $36.3 million for the years ended September 30, 2004 and 2003, respectively), and Temporarily Not Available Pursuant to Public Law ($2.7 million and $0.0 million for the years ended September 30, 2004 and 2003, respectively). These rescissions are also included on the line Other Adjustments in the SCNP.

Resulting from Treasury's recent efforts to clarify and/or implement guidance for temporary rescissions of Spending Authority From Offsetting Collections, Treasury determined that previous rescissions of USPTO's budget authority should be reversed. Accordingly, Treasury issued warrants in February 2004 totaling $75.6 million to USPTO, reversing rescissions from FY 1999 through FY 2002. The rescission reversals are included in the FY 2004 SBR Budgetary Resources section, Permanently Not Available subsection, Enacted Rescissions, and, on the line Other Budgetary Financing Sources (Uses), Net in the FY 2004 SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2004 and FY 2003 include the following:

- The Omnibus Budget Reconciliation Act of 1990 established revenue withholding on certain statutory patent fees collected by USPTO. Subsequent legislation extended the revenue withholding through the end of FY 1998. These withheld revenues were deposited into the Patent and Trademark Surcharge Fund, a restricted Special Fund Receipt Account at Treasury. The USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. At September 30, 2004 and 2003, $233.5 million is held in the Patent and Trademark Surcharge Fund.

- The Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans, has $32.0 million and $29.7 million of unapportioned authority that was not provided obligational authority pursuant to 16 United States Code 1456a, as of September 30, 2004 and 2003, respectively.

- 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.

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 2004		
	Direct	Reimbursable	Total
Category A	$ 2,094,739	$ 1,581,570	$ 3,676,309
Category B	4,276,837	97,413	4,374,250
Exempt from Apportionment	168,658	695,411	864,069
Total	$ 6,540,234	$ 2,374,394	$ 8,914,628

	FY 2003		
	Direct	Reimbursable	Total
Category A	$ 2,016,305	$ 1,523,100	$ 3,539,405
Category B	4,270,073	79,284	4,349,357
Exempt from Apportionment	168,944	644,894	813,838
Total	$ 6,455,322	$ 2,247,278	$ 8,702,600

NOTE 20. Consolidated Statements of Financing

The section Components Requiring or Generating Resources in Future Periods, shown on the *Consolidated Statements of Financing,* includes costs that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This section does not include costs incurred in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

NOTE 21. 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 FY 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. For FY 2003, the Department had custodial nonexchange revenue of $5.7 million; custodial nonexchange revenue of $507 thousand was payable to Treasury at September 30, 2003.

Consolidating Balance Sheet

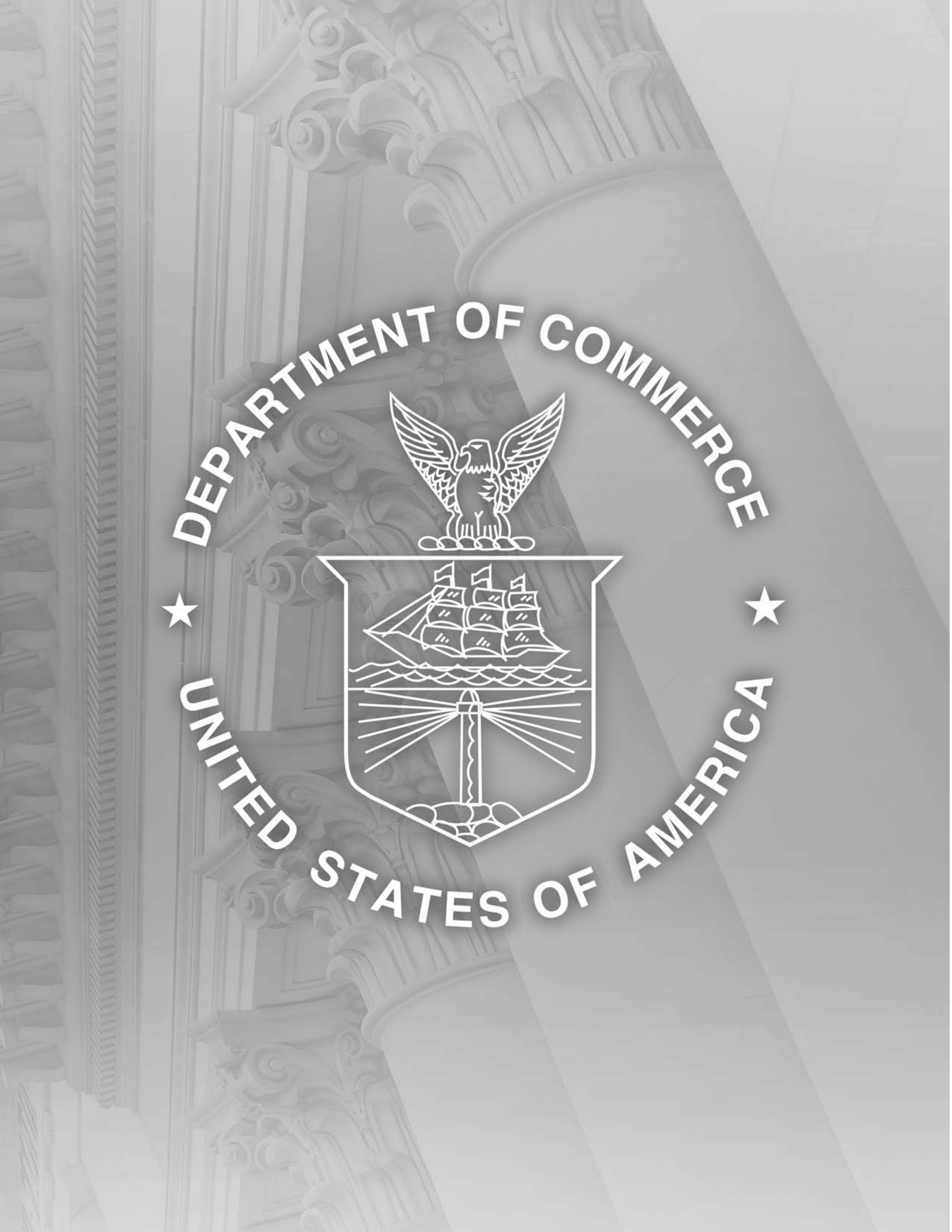

DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2004 *(In Thousands)*

	Consolidating Totals	Intra-Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	ITA	MBDA	NIST	NOAA	NTIA	NTIS	OIG	TA	USPTO
ASSETS																				
Intragovernmental:																				
Fund Balance with Treasury	$ 6,677,081	$ -	$ 21,736	$ 321,241	$ 355	$ 72,203	$ 31,510	$ 946,578	$ 136,256	$ 15,007	$ 2,880	$ 132,020	$ 12,654	$ 655,278	$ 3,036,863	$ 120,372	$ 31,697	$ 1,433	$ 3,730	$ 1,135,268
Accounts Receivable	84,028	(4,367)	1,752	1,954	26	6,079	2,180	633	-	19	391	1,496	144	2,223	71,090	68	305	-	-	35
Advances and Prepayment	15,180	(66,907)	2,268	10,609	-	2,154	2,879	481	47	1,948	264	4,781	319	10,657	36,737	923	361	1,012	277	6,370
Total Intragovernmental	**6,776,289**	**(71,274)**	**25,756**	**333,804**	**381**	**80,436**	**36,569**	**947,692**	**136,303**	**16,974**	**3,535**	**138,297**	**13,117**	**668,158**	**3,144,690**	**121,363**	**32,363**	**2,445**	**4,007**	**1,141,673**
Cash	13,694	-	-	-	-	-	-	-	-	-	-	101	-	1	1,688	-	33	-	-	11,871
Accounts Receivable, Net	59,901	-	856	2,940	-	10	15	120	1	3	-	167	1	14,621	39,246	14	602	2	-	1,303
Loans Receivable and Related Foreclosed Property, Net	317,138	-	-	-	-	-	-	43,041	25,080	-	-	-	-	-	249,017	-	-	-	-	-
Inventory, Materials, and Supplies,Net	99,515	-	-	888	-	-	580	-	-	-	-	-	-	25,157	72,642	-	248	-	-	-
General Property, Plant, and Equipment, Net	4,632,911	-	600	63,268	9	53	11,367	42	-	609	332	3,204	12	607,162	3,807,229	1,503	217	-	1	137,303
Advances and Prepayments	31,520	-	-	1	-	8	1	9,085	-	-	-	2,372	6	289	14,510	-	86	-	-	5,162
Other	9,726	-	-	-	3	-	-	-	-	-	-	-	-	1	4,271	-	5,451	-	-	-
TOTAL ASSETS	**$11,940,694**	**$ (71,274)**	**$ 27,212**	**$ 400,901**	**$ 393**	**$ 80,507**	**$ 48,532**	**$ 999,980**	**$ 161,384**	**$ 17,586**	**$ 3,867**	**$ 144,141**	**$ 13,136**	**$1,315,389**	**$7,333,293**	**$ 122,880**	**$ 39,000**	**$ 2,447**	**$ 4,008**	**$ 1,297,312**
LIABILITIES																				
Intragovernmental:																				
Accounts Payable	$ 65,493	$ (4,367)	$ 925	$ 7,457	$ -	$ 50	$ 198	$ 83	$ 1,927	$ 370	$ 57	$ 9,334	$ 19	$ 2,376	$ 40,091	$ 324	$ 4,320	$ 50	$ 59	$ 2,220
Debt to Treasury	274,426	-	-	-	-	-	-	-	29,200	-	-	-	-	-	245,226	-	-	-	-	-
Resources Payable to Treasury	63,931	-	-	-	-	-	-	54,179	-	-	-	-	-	-	9,752	-	-	-	-	-
Unearned Revenue	347,650	(66,907)	578	68,024	-	50,411	32,067	72,658	-	158	1,761	407	202	112,364	52,007	9,451	10,376	30	157	3,906
Other	55,695	-	1,524	15,789	-	359	853	502	3,199	295	3	2,902	507	4,320	19,005	274	153	353	27	5,630
Total Intragovernmental	**807,195**	**(71,274)**	**3,027**	**91,270**	**-**	**50,820**	**33,118**	**127,422**	**34,326**	**823**	**1,821**	**12,643**	**728**	**119,060**	**366,081**	**10,049**	**14,849**	**433**	**243**	**11,756**
Accounts Payable	259,632	-	2,148	35,181	88	6,713	6,247	263	128	1,129	260	8,113	1,772	16,474	102,923	1,211	1,465	359	91	75,067
Accrued Payroll and Annual Leave	321,114	-	3,557	45,994	-	3,551	6,269	2,591	11	5,153	281	22,614	778	26,302	119,258	2,264	1,285	1,488	418	79,300
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities	557,679	-	1,549	79,774	-	842	2,102	2,130	-	366	78	10,425	2,277	10,352	437,633	785	550	1,332	-	7,484
Accrued Grants	350,453	-	-	-	-	-	-	241,328	-	-	-	11,760	2,005	25,303	33,890	35,228	-	-	939	-
Environmental and Disposal Liabilities	78,687	-	-	-	-	-	-	-	-	-	-	-	-	36,689	41,998	-	-	-	-	-
Capital Lease Liabilities	18,331	-	-	-	-	-	-	-	-	-	-	-	-	3,993	14,338	-	-	-	-	-
Unearned Revenue	740,491	-	4,881	6,390	-	24	-	3	-	-	-	3,240	-	16,711	47,600	1,731	5,248	-	10	654,653
Other	116,618	-	129	1,519	-	-	4,269	-	70,674	11	-	9,953	-	3,319	26,721	18	-	-	5	-
TOTAL LIABILITIES	**3,250,200**	**(71,274)**	**15,291**	**260,128**	**$ 88**	**61,950**	**52,005**	**373,737**	**105,139**	**7,482**	**2,440**	**78,748**	**7,560**	**258,203**	**1,190,442**	**51,286**	**23,397**	**3,612**	**1,706**	**828,260**
NET POSITION																				
Unexpended Appropriations	4,233,667	-	14,956	125,239	$ -	19,836	-	630,628	60,121	11,254	-	97,878	8,824	432,614	2,756,492	71,711	-	1,563	2,528	23
Cumulative Results of Operations	4,456,827	-	(3,035)	15,534	305	(1,279)	(3,473)	(4,385)	(3,876)	(1,150)	1,427	(32,485)	(3,248)	624,572	3,386,359	(117)	15,603	(2,728)	(226)	469,029
TOTAL NET POSITION	**8,690,494**	**-**	**11,921**	**140,773**	**$ 305**	**18,557**	**(3,473)**	**626,243**	**56,245**	**10,104**	**1,427**	**65,393**	**5,576**	**1,057,186**	**6,142,851**	**71,594**	**15,603**	**(1,165)**	**2,302**	**469,052**
TOTAL LIABILITIES AND NET POSITION	**$11,940,694**	**$ (71,274)**	**$ 27,212**	**$ 400,901**	**$ 393**	**$ 80,507**	**$ 48,532**	**$ 999,980**	**$ 161,384**	**$ 17,586**	**$ 3,867**	**$ 144,141**	**$ 13,136**	**$1,315,389**	**$7,333,293**	**$ 122,880**	**$ 39,000**	**$ 2,447**	**$ 4,008**	**$ 1,297,312**

Required Supplementary Information

(UNAUDITED)


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Information (unaudited)

(Dollars 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, 2004.

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 requires a periodic inspection of real property to determine its current condition and to estimate the cost likely to be incurred by the corrections of any deficiencies.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than $50 thousand, as of September 30, 2004:

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	3	$10,600 to $13,000
Heritage Assets	5,3	$11,760 to $14,370
Total		**$22,360 to $27,370**

While the CAS method for the above buildings and structures indicates that one or more of the building systems is in less than acceptable operating condition, NOAA has not established a facility condition code to classify the condition of individual facilities. The CAS method for heritage assets 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 amount reported for heritage assets represents non-critical maintenance to bring them to good condition. There is an annual call each year to the NOAA components, requesting their submissions of new projects and updates to existing 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. The 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, 2004:

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	$383,000 to $387,500
Buildings (Internal Structures)	4	63,400 to 78,100
Buildings (External Structures)	4	46,000 to 51,400
Total		**$492,400 to $517,000**

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, accounting for 29 percent, 20 percent, and 17 percent of earned revenue, respectively.

Note: Information about assets, liabilities, and net position as of September 30, 2004 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, 2004

	Personnel-Related Services	Financial Management	Legal Services	Administrative Services	Total
Full Cost of Services Provided	$ 19,277	$ 22,666	$ 31,506	$ 58,395	$131,844
Less: Exchange Revenue	(18,073)	(21,250)	(29,539)	(54,749)	(123,611)
Excess of Costs over Exchange Revenue	**$ 1,204**	**$ 1,416**	**$ 1,967**	**$ 3,646**	**$ 8,233**

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 information technology 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 Department of Homeland Security is the major customer for the Franchise Fund, accounting for approximately 60 percent of earned revenue.

Franchise Fund
Summary of Costs and Related Exchange Revenue by Line of Business
For the Year Ended September 30, 2004

	Computer Services
Full Cost of Services Provided	$ 6,683
Less: Exchange Revenue	(6,324)
Excess of Costs over Exchange Revenue	**$ 359**

Note: Information about assets, liabilities, and net position as of September 30, 2004 can be found on the Consolidating Balance Sheet, which is included as additional information.

United States Department of Commerce Intragovernmental Assets and Liabilities
As of September 30, 2004 *(In Thousands)*

Intragovernmental Assets:

Trading Partner Name	Number	Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Total
Department of the Treasury	20	$ 6,677,081	$ 156	$ -	$ 6,677,237
Environmental Protection Agency	68	-	16,061	-	16,061
Department of Transportation	69	-	12,331	-	12,331
National Aeronautics and Space Administration	80	-	8,214	-	8,214
Office of the Secretary of Defense - Defense Agencies	97	-	6,745	-	6,745
General Services Administration	47	-	363	6,273	6,636
U.S. Army Corps of Engineers	96	-	6,527	-	6,527
Department of Energy	89	-	5,993	-	5,993
Department of Homeland Security	70	-	790	3,965	4,755
Agency for International Development	72	-	3,491	-	3,491
Department of Agriculture	12	-	3,086	-	3,086
U.S. Postal Service	18	-	-	2,530	2,530
Department of State	19	-	2,414	-	2,414
Department of Education	91	-	1,450	-	1,450
Department of the Interior	14	-	1,145	-	1,145
Others		-	15,262	2,412	17,674
Total		**$ 6,677,081**	**$ 84,028**	**$ 15,180**	**$ 6,776,289**

Intragovernmental Liabilities:

Trading Partner Name	Number	Accounts Payable	Debt to Treasury	Resources Payable to Treasury	Unearned Revenue	Other	Total
Department of the Treasury	20	$ 2,375	$ 274,426	$ -	$ 2,649	$ (2,852)	$ 276,598
Office of the Secretary of Defense - Defense Agencies	97	17,963	-	-	99,596	-	117,559
Treasury General Fund	99	-	-	63,931	-	12,889	76,820
Department of Labor	16	184	-	-	17,470	31,424	49,078
Department of Homeland Security	70	-	-	-	48,273	-	48,273
Department of Health and Human Services	75	5,000	-	-	27,001	-	32,001
Department of Justice	15	441	-	-	29,000	-	29,441
Department of Transportation	69	877	-	-	22,299	-	23,176
General Services Administration	47	12,651	-	-	2,771	143	15,565
Office of Personnel Management	24	1,275	-	-	137	14,076	15,488
Department of the Air Force	57	4,254	-	-	9,277	-	13,531
Environmental Protection Agency	68	171	-	-	11,989	-	12,160
Department of State	19	5,129	-	-	3,162	15	8,306
Department of Energy	89	616	-	-	6,273	-	6,889
National Science Foundation	49	1,470	-	-	5,304	-	6,774
Others		13,087	-	-	62,449	-	75,536
Total		**$ 65,493**	**$ 274,426**	**$ 63,931**	**$ 347,650**	**$ 55,695**	**$ 807,195**

United States Department of Commerce Intragovernmental Transfers
For the Year Ended September 30, 2004 *(In Thousands)*

Trading Partner Name	Number	Transfers In	Transfers Out
Appropriations Transfers:			
Agency for International Development	72	$ 9,572	$ -
U.S. Army Corps of Engineers	96	1,026	-
Independent Agencies	95	-	1,194
U.S. Army Corps of Engineers	96	-	1,026
Total		**$ 10,598**	**$ 2,220**
Transfers Without Reimbursement:			
Department of Agriculture	12	$ 79,724	$ -
Department of Interior	14	4,337	49
Environmental Protection Agency	68	2,429	-
Department of the Navy	17	476	68
Unidentified	00	453	166
Treasury General Fund	99	-	2,727
Total		**$ 87,419**	**$ 3,010**

United States Department of Commerce Intragovernmental Earned Revenue and Related Costs
For the Year Ended September 30, 2004 *(In Thousands)*

Intragovernmental Earned Revenue:

Trading Partner Name	Trading Partner Number	Amount
Department of Labor	16	$ 78,800
Department of Health and Human Services	75	73,313
Department of Justice	15	55,026
Department of Transportation	69	50,311
Office of the Secretary of Defense - Defense Agencies	97	49,623
Environmental Protection Agency	68	32,985
Department of Housing and Urban Development	86	26,725
Department of Homeland Security	70	26,384
Department of Energy	89	24,613
National Science Foundation	49	20,287
National Aeronautics and Space Administration	80	19,113
Department of Education	91	18,198
Department of the Army	21	16,622
Department of State	19	13,540
U.S. Army Corps of Engineers	96	11,410
Department of the Air Force	57	11,112
Agency for International Development	72	10,241
Unidentified	00	10,140
Departmental of Agriculture	12	9,239
Department of the Treasury	20	9,204
Department of the Navy	17	6,887
Department of Interior	14	6,610
General Services Administration	47	5,389
Independent Agencies	95	3,203
Central Intelligence Agency	56	1,993
Department of Veterans Affairs	36	1,569
Social Security Administration	28	1,127
Small Business Administration	73	915
U.S. Nuclear Regulatory Commission	31	452
Securities and Exchange Commission	50	383
U.S. Postal Service	18	356
Export-Import Bank of the United States	83	326
Independent Agencies	48	222
Congressional Budget Office	08	165
Consumer Product Safety Commission	61	164
Tennessee Valley Authority	64	156
Government Printing Office	04	99
Executive Office of the President	11	99
Federal Communications Commission	27	96
Smithsonian Institution	33	59
U.S. Equal Employment Opportunity Commission	45	46
Library of Congress	03	29
International Trade Commission	34	23
Federal Deposit Insurance Corporation	51	16
Government Accountability Office	05	9
Federal Trade Commission	29	6
Architect of the Capital	01	4
Overseas Private Investment Corporation	71	2
Federal Maritime Commission	65	1
National Archives and Records Administration	88	1
National Labor Relations Board	63	(7)
Office of Personnel Management	24	(10)
Total		**$ 597,276**

Gross Costs that Generated Intragovernmental Earned Revenue:

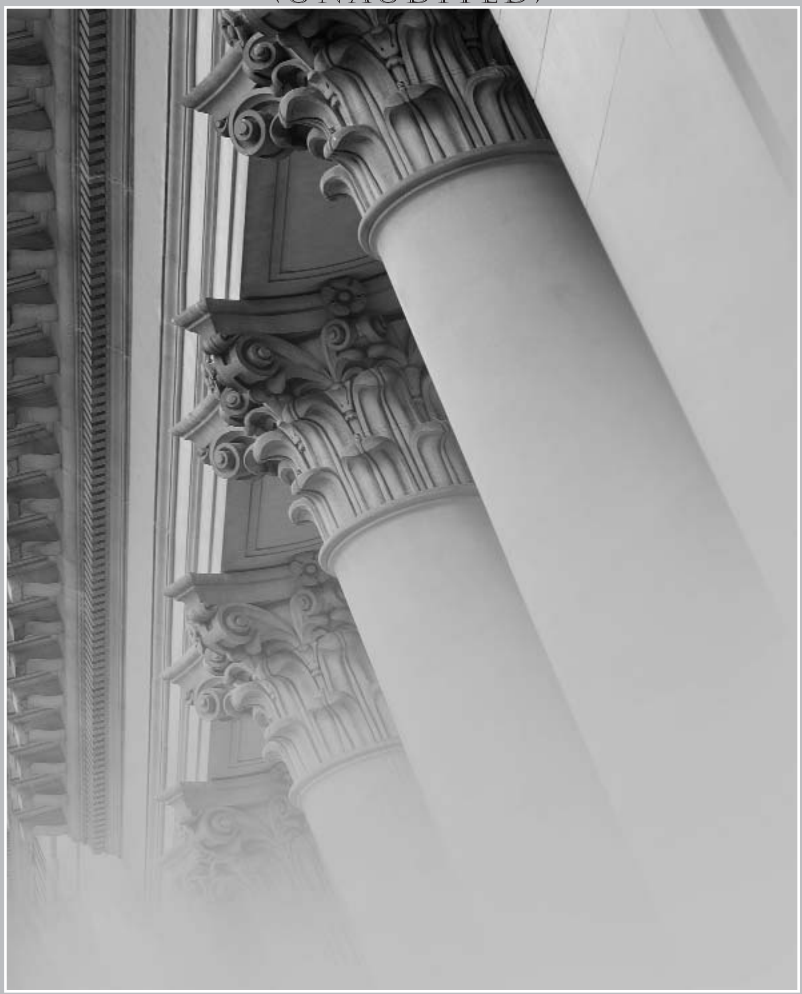
Budget Functional Classification	Amount
300 Natural Resources and Environment	$ 144,627
370 Commerce and Housing Credit	435,393
450 Community and Regional Development	17,508
Total	**$ 597,528**

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2004 *(In Thousands)*

	Combining Totals	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	$ 6,134,774	$ 2,703,671	$ -	$ 996,256	$ 218,782	$ 382,123	$ 436,053	$ 288,115	$ 1,109,774
Borrowing Authority	169,997	-	-	-	-	-	-	-	169,997
Net Transfers	88,106	65,054	-	204	-	6,025	-	67	16,756
Unobligated Balance									
Beginning of Period	1,091,657	133,778	3,540	186,367	22,778	74,615	49,660	49,872	571,047
Net Transfers, Actual	4,277	-	-	(2,500)	-	200	-	(76)	6,653
Spending Authority From Offsetting Collection									
Earned									
Collected	2,662,979	178,552	1,247,238	5	441	12,155	203	15,351	1,209,034
Receivables	(59,938)	16,304	(168)	-	-	(282)	-	-	(75,792)
Changes in Unfilled Customer Orders									
Advances Received	84,185	5,498	74,649	-	-	(2,004)	-	12,658	(6,616)
Without Advances	30,915	15,078	-	-	-	1,696	-	-	14,141
Total Spending Authority From Offsetting Collections	**2,718,141**	**215,432**	**1,321,719**	**5**	**441**	**11,565**	**203**	**28,009**	**1,140,767**
Recoveries of Prior-Years Obligations	119,674	3,253	10,362	2,880	15,925	13,481	3,805	21,490	48,478
Temporarily Not Available Pursuant to Public Law	(176,759)	-	(175,485)	-	-	-	-	-	(1,274)
Permanently Not Available									
Cancellation of Expired and No-Year Accounts	(94,719)	(3,524)	-	-	-	(2,465)	-	(23,896)	(64,834)
Enacted Rescissions	(128,910)	(51,777)	75,584	(35,364)	(11,012)	(52,381)	(20,002)	(9,699)	(24,259)
Capital Transfers and Redemption of Debt	(46,062)	-	-	-	-	-	-	-	(46,062)
Other Authority Withdrawn	(25,852)	-	-	-	-	-	-	-	(25,852)
Pursuant to Public Law	-	-	-	-	-	-	-	-	-
TOTAL BUDGETARY RESOURCES	**$ 9,854,324**	**$ 3,065,887**	**$ 1,235,720**	**$ 1,147,848**	**$ 246,914**	**$ 433,163**	**$ 469,719**	**$ 353,882**	**$ 2,901,191**
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	$ 6,540,234	$ 2,752,344	$ -	$ 1,017,189	$ 233,111	$ 406,221	$ 465,097	$ 294,716	$ 1,371,556
Reimbursable	2,374,394	208,915	1,233,357	-	-	11,566	-	28,009	892,547
Total Obligations Incurred	**8,914,628**	**2,961,259**	**1,233,357**	**1,017,189**	**233,111**	**417,787**	**465,097**	**322,725**	**2,264,103**
Unobligated Balance									
Apportioned	514,128	93,294	1,844	130,659	12,151	11,959	3,190	5,895	255,136
Exempt From Apportionment	221,548	-	-	-	-	-	-	-	221,548
Unobligated Balance Not Available	**204,020**	**11,334**	**519**	-	**1,652**	**3,417**	**1,432**	25,262	**160,404**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 9,854,324**	**$ 3,065,887**	**$ 1,235,720**	**$ 1,147,848**	**$ 246,914**	**$ 433,163**	**$ 469,719**	**$ 353,882**	**$ 2,901,191**
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:									
Obligated Balance, Net, Beginning of Period (Unpaid)	$ 5,049,139	$ 1,341,786	$ 327,789	$ 582,793	$ 378,814	$ 111,179	$ 124,552	$ 957,558	$ 1,224,668
Adjustments to Obligated Balance, Beginning of Period (Unpaid)	-	-	-	-	-	-	-	-	-
Obligated Balance, Net, Beginning of Period, as Adjusted (Unpaid)	**$ 5,049,139**	**$ 1,341,786**	**$ 327,789**	**$ 582,793**	**$ 378,814**	**$ 111,179**	**$ 124,552**	**$ 957,558**	**$ 1,224,668**
Obligated Balance Transferred, Net (Unpaid)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Obligated Balance, Net, End of Period (Unpaid)									
Accounts Receivable	$ (154,749)	$ (105,955)	$ 875	$ -	$ -	$ (1,504)	$ -	$ -	$ (48,165)
Unfilled Customer Orders from Federal Sources (Unpaid)	(117,950)	(68,649)	-	-	-	(2,144)	-	-	(47,157)
Undelivered Orders (Unpaid)	4,654,053	1,521,356	203,014	784,084	245,284	77,796	109,633	655,514	1,057,372
Accounts Payable	842,464	151,022	100,489	62,756	21,959	39,251	36,143	241,327	189,517
Total Obligated Balance, Net, End of Period (Unpaid)	**$ 5,223,818**	**$ 1,497,774**	**$ 304,378**	**$ 846,840**	**$ 267,243**	**$ 113,399**	**$ 145,776**	**$ 896,841**	**$ 1,151,567**
Outlays									
Disbursements	$ 8,649,300	$ 2,770,636	$ 1,246,573	$ 750,261	$ 328,757	$ 400,672	$ 440,068	$ 361,951	$ 2,350,382
Collections	(2,747,164)	(184,050)	(1,321,887)	(5)	(441)	(10,151)	(203)	(28,009)	(1,202,418)
Total Outlays	**5,902,136**	**2,586,586**	**(75,314)**	**750,256**	**328,316**	**390,521**	**439,865**	**333,942**	**1,147,964**
Less: Offsetting Receipts	(14,515)	-	-	-	-	-	-	-	(14,515)
NET OUTLAYS	**$ 5,887,621**	**$ 2,586,586**	**$ (75,314)**	**$ 750,256**	**$ 328,316**	**$ 390,521**	**$ 439,865**	**$ 333,942**	**$ 1,133,449**

Required Supplementary Stewardship Information

(UNAUDITED)




DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

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 U.S.

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, 2003	FY 2004 Additions	FY 2004 Withdrawals	Quantity of Items Held September 30, 2004
National Environmental Satellite, Data and Information Service Library	Publications, books, manuscripts, photographs, and maps	150,477	47	2	150,522
Others	Artifacts, artwork, books, films, instruments, maps, and records	1,562	1,265	153	2,674
Total		**152,039**	**1,312**	**155**	**153,196**

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. Phase II is complete, and Phase III is anticipated to begin in the first quarter of FY 2005. As of September 30, 2004, the renovations are 60 percent complete.

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 30 species of fish. 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 of its predominant use for scientific research.

Office of Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory (GLERL): The Great Lakes Environmental Research Laboratory 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, 2004, 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 draft of the Reserve's Operations Plan (ROP) has been completed but remains to be officially cleared and approved. 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 U.S. Government for the benefit of the U.S., but are not physical assets owned by the U.S. 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 U.S.

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: The National Estuarine Research Reserves System consists of 26 estuarine reserves protected by federal, state, and local partnerships. 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 U.S.'s commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The program was created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2004, 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. The investments fund the acquisitions of land, as well as the development or construction of facilities, auxiliary structures, and public access routes for reserve sites. Two additional reserves are in the process of development.

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 the Coastal Programs Division (CPD) within the Office of Ocean and Coastal Resource Management. CPD is a federal-state partnership dedicated to comprehensive management of the nation's coastal resources ensuring their protection for future generations, while balancing competing national economic, cultural and environmental interests. The CPD is responsible for advancing national coastal management objectives and maintaining and strengthening state and territorial coastal management capabilities. It supports states through financial assistance, mediation, technical services and information, and participation in priority state, regional, and local forums. Investment activities of the CZMP 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. Activities include redevelopment of deteriorating and urbanized waterfronts and ports, and providing public access to beaches and coastal areas.

Coastal and Estuarine Land Conservation Program: The Coastal and Estuarine Land Conservation 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." Since FY 2002, matching grants were directed to 63 projects in coastal and estuarine areas, to be awarded to state and local governments for land acquisition.

NOAA's investments in non-federal physical property for FY 2000 through FY 2004 were as follows:

(In Millions)

Program	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Total
National Estuarine Research Reserves	$ 11.5	$ 31.6	$ 27.5	$ 24.0	$ 0.5	$ 95.1
Coastal Zone Management Fund	2.8	5.3	5.9	-	-	14.0
Coastal and Estuarine Land Conservation Program	-	-	14.0	3.6	21.8	39.4
Total	**$ 14.3**	**$ 36.9**	**$ 47.4**	**$ 27.6**	**$ 22.3**	**$ 148.5**

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, outmigration, underemployment, 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.

The EDA's investments in non-federal physical property for FY 2000 through FY 2004 were as follows:

(In Millions)

Program	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Total
Public Works	$ 173.5	$ 174.9	$ 182.5	$ 232.8	$ 194.8	$ 958.5
Economic and Defense Adjustments	112.9	131.6	109.0	88.7	75.3	517.5
Disaster Recovery	57.6	28.7	36.7	22.5	18.5	164.0
Total	**$ 344.0**	**$ 335.2**	**$ 328.2**	**$ 344.0**	**$ 288.6**	**$ 1,640.0**

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: This program is a partnership between U.S. colleges and NOAA, and comprises 30 Sea Grant Colleges. The partnership was initiated in 1966 when Congress passed the National Sea Grant College Program Act, with the objective of making the U.S. the world leader in marine research and in the sustainable development of marine resources. The program funds research programs, and transfers new knowledge to coastal businesses, marine industries, the public, and governments. Research projects are funded on the basis of rigorous, highly-competitive peer reviews. To date, the program has supported the work of nearly 14 thousand graduate research assistants while they work(ed) on marine and Great Lakes science.

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 master's 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 2004, 48 Graduate Research Fellowships were awarded.

National Research Council Research Associateship Program: The National Research Council, through its Associateship Programs office, awards outstanding scientists and engineers, at recent post-doctoral and experienced senior levels, with tenure as guest researchers at participating laboratories. The participants interact with NOAA scientists and learn new approaches, methods, and ideas, thereby increasing their capacities as scientific researchers. The participants provide the results of their research in scientific journals and through other means.

The following summarizes NOAA's investments in human capital for FY 2000 through FY 2004:

(In Millions)

Program	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Total
National Sea Grant College Program	$ 14.5	$ 19.5	$ 20.5	$ 21.1	$ 1.1	$ 76.7
National Estuarine Research Reserve Program	0.7	0.8	0.8	0.1	0.8	3.2
National Research Council Research Associateship Program	1.7	3.0	0.4	1.5	1.6	8.2
Total	**$ 16.9**	**$ 23.3**	**$ 21.7**	**$ 22.7**	**$ 3.5**	**$ 88.1**

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

(In Millions)

FY 2004	
Performance Goal	**Total**
1: Protect, restore, and manage the use of coastal and ocean resources through ecosystem-based management	$ 3.5
2: Understand climate variability and change to enhance society's ability to plan and respond	-
3: Serve society's needs for weather and water information	-
4: Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation	-
Total	**$ 3.5**

Note: In addition to the human capital investments indicated above, the National Sea Grant College Program received, on a pass-through basis from other federal agencies, $1.5 million, $1.6 million, $1.9 million, $1.1 million, and $0.2 million for FY 2000, FY 2001, FY 2002, FY 2003, and FY 2004, respectively. Additionally, Sea Grant universities contributed matching funds to the National Sea Grant College Program in the amounts of $8.5 million, $11.1 million, $11.5 million, $11.0 million, and $0.0 million in FY 2000, FY 2001, FY 2002, FY 2003, and FY 2004, respectively.

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. 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 2004, the program selected 59 new industrial research projects to receive cost-shared support totaling $270 million in federal and industry funds (if carried to completion). 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. Forty-seven of the awards were made to small businesses, and at least 32 universities are involved as joint venture partners or subcontractors.

The following table summarizes NIST's R&D investments for FY 2000 through FY 2004:

(In Millions)

	Measurement and Standards Laboratories					Advanced Technology Program					Total				
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Basic Research	$ 48.6	$ 62.5	$ 63.5	$ 74.2	$ 65.0	$ -	$ -	$ -	$ -	$ -	$ 48.6	$ 62.5	$ 63.5	$ 74.2	$ 65.0
Applied Research	239.0	255.6	288.8	307.9	319.7	91.8	85.0	76.6	86.8	96.9	330.8	340.6	365.4	394.7	416.6
Development	20.0	20.8	19.1	19.4	13.7	91.8	85.0	76.6	86.9	96.9	111.8	105.8	95.7	106.3	110.6
Total	**$307.6**	**$338.9**	**$371.4**	**$401.5**	**$398.4**	**$183.6**	**$170.0**	**$153.2**	**$173.7**	**$193.8**	**$491.2**	**$508.9**	**$524.6**	**$575.2**	**$592.2**

The following table further summarizes NIST's R&D investments for FY 2004 by performance goal:

(In Millions)

FY 2004				
Performance Goal	Basic Research	Applied Research	Development	Total
1: Provide Technical Leadership for the Nation's Measurements and Standards Infrastructure; and 2: Assure the Availability and Efficient Transfer of Measurement and Standards Capabilities Essential to Established Industries	$ 65.0	$ 319.7	$ 13.7	$ 398.4
3: 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**

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 policymaking 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. The NOAA's research laboratories, Office of Global Programs, and research partners conduct a wide range of research into complex climate systems. The NOAA's research organizations conduct basic and applied research on the upper and lower atmosphere as well as the space environment. The NOAA's research, in cooperation with its research partners, explores and investigates ocean habitats and resources.

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.

Fleet Maintenance and Aircraft Services: 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.

Weather Service: The National Weather Service conducts applied research and development, building upon the more basic 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 2000 through FY 2004 were as follows:

(In Millions)

Program	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Total
Environmental and Climate	$ 257.4	$ 266.2	$ 289.9	$ 351.4	$ 317.9	$ 1,482.8
Fisheries	241.3	125.8	121.7	156.4	70.6	715.8
Fleet Maintenance and Aircraft Services	14.7	18.0	19.3	90.4	51.7	194.1
Weather Service	7.7	11.1	11.0	20.4	17.6	67.8
Other	65.9	112.9	132.4	83.3	116.5	511.0
Total	**$ 587.0**	**$ 534.0**	**$ 574.3**	**$ 701.9**	**$ 574.3**	**$ 2,971.5**

The following table summarizes NOAA's R&D investments for FY 2000 through FY 2004 by R&D category:

(In Millions)

R&D Category	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Total
Applied Research	$ 563.7	$ 511.0	$ 546.0	$ 680.8	$ 546.7	$2,848.20
Development	23.3	23.0	28.3	21.1	27.6	123.30
Total	**$ 587.0**	**$ 534.0**	**$ 574.3**	**$ 701.9**	**$ 574.3**	**$ 2,971.5**

The following table further summarizes NOAA's R&D investments for FY 2004 by performance goal:

(In Millions)

FY 2004			
Performance Goal	Applied Research	Development	Total
1: Protect, restore, and manage the use of coastal and ocean resources through ecosystem-based management.	$ 271.6	$ 10.1	$ 281.7
2: Understand climate variability and change to enhance society's ability to plan and respond.	163,6	4.3	167.9
3: Serve society's needs for weather and water information.	94.9	9.2	104.1
4: 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**