United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2006 and 2005 *(In Thousands)*

	FY 2006	FY 2005
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 7,231,997	$ 7,041,269
Accounts Receivable (Note 3)	95,745	58,794
Other - Advances and Prepayments	3,969	11,691
Total Intragovernmental	**7,331,711**	**7,111,754**
Cash (Note 4)	7,482	9,640
Accounts Receivable, Net (Note 3)	50,161	67,960
Loans Receivable and Related Foreclosed Property, Net (Note 5)	467,985	417,509
Inventory, Materials, and Supplies, Net (Note 6)	95,914	96,645
General Property, Plant, and Equipment, Net (Note 7)	5,299,093	4,927,707
Other (Note 8)	108,072	98,961
TOTAL ASSETS	**$ 13,360,418**	**$ 12,730,176**
Stewardship, Property, Plant, and Equipment (Note 22)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 74,010	$ 68,850
Debt to Treasury (Note 10)	422,071	357,581
Other		
Resources Payable to Treasury	35,484	43,864
Unearned Revenue	453,697	429,932
Other (Note 11)	96,391	165,757
Total Intragovernmental	**1,081,653**	**1,065,984**
Accounts Payable	290,240	331,107
Loan Guarantee Liabilities	73,675	81,812
Federal Employee Benefits (Note 12)	589,964	569,114
Environmental and Disposal Liabilities (Note 13)	74,880	73,311
Other		
Accrued Payroll and Annual Leave	370,240	351,698
Accrued Grants	420,588	388,679
Capital Lease Liabilities (Note 14)	16,568	18,563
Unearned Revenue	936,587	857,817
Other (Note 11)	36,521	23,904
TOTAL LIABILITIES	**$ $3,890,916**	**$ 3,761,989**
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations		$ 4,238,321
Unexpended Appropriations - Earmarked Funds (Note 21)	$ 27	
Unexpended Appropriations - Other Funds	4,306,394	
Cumulative Results of Operations		4,729,866
Cumulative Results of Operations - Earmarked Funds (Note 21)	620,980	
Cumulative Results of Operations - Other Funds	4,542,101	
TOTAL NET POSITION	**$ 9,469,502**	**$ 8,968,187**
TOTAL LIABILITIES AND NET POSITION	**$ 13,360,418**	**$ 12,730,176**

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, 2006 and 2005 (Note 17) *(In Thousands)*

	FY 2006	FY 2005
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers		
Gross Costs	$ 2,124,582	$ 1,977,218
Less: Earned Revenue	(308,300)	(304,713)
Net Program Costs	**1,816,282**	**1,672,505**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science		
Gross Costs	2,528,674	2,511,999
Less: Earned Revenue	(1,821,454)	(1,580,492)
Net Program Costs	**707,220**	**931,507**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship		
Gross Costs	4,171,133	3,949,089
Less: Earned Revenue	(277,747)	(240,973)
Net Program Costs	**3,893,386**	**3,708,116**
NET COST OF OPERATIONS	**$ 6,416,888**	**$ 6,312,128**

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, 2006 and 2005 *(In Thousands)*

	FY 2006			FY 2005
	Earmarked Funds	All Other Funds	Consolidated Total	Consolidated Total
Cumulative Results Of Operations:				
Beginning Balance	$ 537,757	$ 4,192,109	$ 4,729,866	$ 4,476,797
Budgetary Financing Sources:				
Appropriations Used	-	6,599,730	6,599,730	6,378,707
Non-exchange Revenue	15,521	-	15,521	5,000
Donations and Forfeitures of Cash and Cash Equivalents	-	515	515	12,127
Transfers In/(Out) Without Reimbursement, Net	19,440	72,184	91,624	88,745
Other Budgetary Financing Sources/(Uses), Net	-	820	820	626
Other Financing Sources (Non-exchange):				
Transfers In/(Out) Without Reimbursement, Net	(350)	2,039	1,689	976
Imputed Financing Sources from Cost Absorbed by Others	1,155	188,023	189,178	199,423
Downward Subsidy Reestimates Payable to Treasury	-	(31,447)	(31,447)	(107,587)
Other Financing Sources/(Uses), Net	7,935	(25,462)	(17,527)	(12,820)
Total Financing Sources	**43,701**	**6,806,402**	**6,850,103**	**6,565,197**
Net Cost of Operations	**39,522**	**(6,456,410)**	**(6,416,888)**	**(6,312,128)**
Net Change	**83,223**	**349,992**	**433,215**	**253,069**
Cumulative Results of Operations	**620,980**	**4,542,101**	**5,163,081**	**4,729,866**
Unexpended Appropriations:				
Beginning Balance	27	4,238,294	4,238,321	4,209,311
Budgetary Financing Sources:				
Appropriations Received	-	6,771,140	6,771,140	6,484,353
Appropriations Transferred In/(Out), Net	-	22,366	22,366	22,625
Other Adjustments (Note 18)	-	(125,676)	(125,676)	(99,261)
Appropriations Used	-	(6,599,730)	(6,599,730)	(6,378,707)
Total Budgetary Financing Sources	**-**	**68,100**	**68,100**	**29,010**
Unexpended Appropriations	**27**	**4,306,394**	**4,306,421**	**4,238,321**
NET POSITION	**$ 621,007**	**$ 8,848,495**	**$ 9,469,502**	**$ 8,968,187**

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, 2006 and 2005 (Note 18) *(In Thousands)*

	FY 2006		FY 2005	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	$ 739,626	$ 153,108	$ 730,102	$ 188,495
Adjustments to Unobligated Balance, Brought Forward	(528)	-	(1,223)	-
Recoveries of Prior-years Unpaid Obligations	106,597	5,807	101,506	11,118
Budget Authority				
Appropriations	6,788,085	13	6,496,389	-
Borrowing Authority	-	171,224	-	105,592
Spending Authority From Offsetting Collections				
Earned				
Collected	3,003,538	73,438	2,723,025	167,047
Change in Receivables	14,787	-	(34,695)	-
Change in Unfilled Customer Orders				
Advances Received	126,971	-	217,431	-
Without Advances	46,229	698	20,887	(6,568)
Previously Unavailable	1,627	-	1,362	-
Total Budget Authority	**9,981,237**	**245,373**	**9,424,399**	**266,071**
Nonexpenditure Transfers, Net	110,129	-	95,239	-
Temporarily Not Available Pursuant to Public Law	-	-	(32,055)	-
Permanently Not Available	(126,837)	(39,530)	(103,860)	(182,249)
TOTAL BUDGETARY RESOURCES	**$ 10,810,224**	**$ 364,758**	**$ 10,214,108**	**$ 283,435**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	$ 7,119,851	$ 189,104	$ 6,764,628	$ 123,944
Reimbursable	2,890,679	88,927	2,709,854	6,383
Total Obligations Incurred	**10,010,530**	**278,031**	**9,474,482**	**130,327**
Unobligated Balance				
Apportioned	475,201	993	400,058	518
Exempt From Apportionment	270,977	-	274,378	-
Total Unobligated Balance	**746,178**	**993**	**674,436**	**518**
Unobligated Balance Not Available	53,516	85,734	65,190	152,590
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 10,810,224**	**$ 364,758**	**$ 10,214,108**	**$ 283,435**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	$ 5,502,764	$ 185,665	$ 5,255,455	$ 237,808
Less: Uncollected Customer Payments, Brought Forward	(251,931)	(392)	(265,738)	(6,961)
Total Unpaid Obligated Balance, Net, Brought Forward	**5,250,833**	**185,273**	**4,989,717**	**230,847**
Adjustments to Unpaid Obligations, Brought Forward	1,773	-	1,172	-
Obligations Incurred	10,010,530	278,031	9,474,482	130,327
Less: Gross Outlays	(9,645,197)	(211,988)	(9,126,840)	(171,351)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(106,597)	(5,807)	(101,506)	(11,118)
Change in Uncollected Customer Payments	(61,016)	(698)	13,808	6,568
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 5,450,326**	**$ 244,811**	**$ 5,250,833**	**$ 185,273**
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	$ 5,763,273	$ 245,901	$ 5,502,763	$ 185,666
Less: Uncollected Customer Payments	(312,947)	(1,090)	(251,930)	(393)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 5,450,326**	**$ 244,811**	**$ 5,250,833**	**$ 185,273**
NET OUTLAYS:				
Gross Outlays	$ 9,645,197	$ 211,988	$ 9,126,840	$ 171,351
Less: Offsetting Collections	(3,130,509)	(73,438)	(2,940,456)	(167,047)
Less: Distributed Offsetting Receipts	(139,872)	-	(17,660)	-
NET OUTLAYS	**$ 6,374,816**	**$ 138,550**	**$ 6,168,724**	**$ 4,304**

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, 2006 and 2005 (Note 19) *(In Thousands)*

	FY 2006	FY 2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 10,288,561	$ 9,604,809
Less: Spending Authority From Offsetting Collections and Recoveries	(3,379,692)	(3,201,113)
Obligations Net of Offsetting Collections and Recoveries	6,908,869	6,403,696
Less: Distributed Offsetting Receipts	(139,872)	(17,660)
Net Obligations	6,768,997	6,386,036
Other Resources		
Transfers In/(Out) Without Reimbursement, Net	1,689	976
Imputed Financing From Costs Absorbed by Others	189,178	199,423
Downward Subsidy Reestimates Payable to Treasury	(31,447)	(107,587)
Other Financing Sources/(Uses), Net	(17,527)	(12,820)
Net Other Resources Used to Finance Activities	141,893	79,992
Total Resources Used to Finance Activities	**6,910,890**	**6,466,028**
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	(344,059)	(117,718)
Resources that Fund Expenses Recognized in Prior Periods	(29,055)	(28,911)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(87,264)	-
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting Receipts	139,872	17,660
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	49,353	154,759
Budgetary Financing Sources/(Uses), Net	11,615	(13,855)
Resources that Finance the Acquisition of Assets	(991,262)	(1,053,321)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	173,898	231,750
Transfers In/(Out) Without Reimbursement, Net	(1,689)	(976)
Downward Subsidy Reestimates Payable to Treasury	31,447	107,587
Other Financing Sources/(Uses), Net	17,527	12,820
Other	-	(986)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**(1,029,617)**	**(691,191)**
Total Resources Used to Finance Net Cost of Operations	**5,881,273**	**5,774,837**
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual Leave Liability	6,841	8,365
Increases in NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability	24,100	17,200
Increase (Decrease) in Contingent Liabilities	9,680	(19,403)
Reestimates of Credit Subsidy Expense	(7,308)	(110,845)
Other	6,179	(2,868)
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	39,492	(107,551)
Components Not Requiring or Generating Resources		
Depreciation and Amortization	439,774	514,592
Expenses Related to Resources Recognized in Prior Periods	-	59,065
NOAA Issuances of Materials and Supplies	15,063	61,487
Revaluation of Assets or Liabilities	49,995	2,964
Other	(8,709)	6,734
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	496,123	644,842
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**535,615**	**537,291**
NET COST OF OPERATIONS	**$ 6,416,888**	**$ 6,312,128**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(All Tables are Presented in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A *Reporting Entity*

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

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

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

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

B *Basis of Accounting and Presentation*

The Department's fiscal year ends September 30. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which, in many cases, is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

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

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

C *Earmarked Funds*

The Department implemented SFFAS 27, *Identifying and Reporting Earmarked Funds*, in FY 2006, which required separate identification of the earmarked funds on the *Consolidated Balance Sheets (Net Position section)*, *Consolidated Statements of Changes in Net Position*, and further disclosures in a footnote.

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Earmarked funds include trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. (See Note 21, Earmarked Funds.)

In accordance with the SFFAS 27 implementation guidance, earmarked funds are not separately identified in FY 2005.

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

Transactions and balances within a reporting entity (intra-entity) have been eliminated from the financial statements, except as noted below. Transactions and balances among the Department's entities (intra-Departmental) 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.

E *Fund Balance with Treasury*

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

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

F *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.

G *Advances and Prepayments*

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

H *Loans Receivable and Related Foreclosed Property, Net*

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

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

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

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

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

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

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

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

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

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, based on a cost vs. benefits and materiality analysis given the size of NOAA, having a capitalization threshold of $200 thousand. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of

items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

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

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

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

K *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.

L *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.

M *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 Groundfish Buyback Loans, and Crab Buyback Loans. To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on

unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense.

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

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

Accrued FECA Liability: The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the Department and subsequently seeks reimbursement from the Department for these paid claims. Accrued FECA Liability, included in Intragovernmental Other Liabilities, represents amounts due to DOL for claims paid on behalf of the Department.

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

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

Federal Employee Benefits:

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

(Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

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

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

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be $69.9 million. This estimated cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

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

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

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

Accrued Grants: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting

coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by grantees. These drawdown requests may be received and fulfilled before grantees make the program expenditures. When the Department has disbursed funds but the grant recipient has not yet reported expenditures, these disbursements are recorded as advances. If a recipient, however, reports program expenditures that have not been advanced by the Department by September 30, such amounts are recorded as grant expenses and grants payable as of September 30.

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

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

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the Notes to the Financial Statements when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

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

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

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

N *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.

O 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.

P Revenues and Other Financing Sources

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

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

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

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

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

Q 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 7.0 percent of an employee's basic pay. Employees contributed 7.0 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

For FERS-covered regular employees, the Department was required to make contributions of 11.2 percent (FY 2006 and FY 2005) of basic pay. Employees contributed .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 both FY 2006 and FY 2005, this plan was fully funded by the Department and its 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, 2006, included 291 active duty officers, 319 nondisability retiree annuitants, 19 disability retiree annuitants, and 46 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

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

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. Beginning in January 2006, FERS and CSRS covered employees will have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for the year may not exceed the IRS limit of $15,000. Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar amount limits.

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

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

Federal Employees Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others.

R *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.

S *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 2006	FY 2005
General Funds	$ 6,161,808	$ 5,926,327
Revolving Funds	680,172	735,344
Special Fund (Patent and Trademark Surcharge Fund)	233,529	233,529
Other Special Funds	44,806	43,223
Deposit Funds	99,520	88,856
Trust Funds	1,125	1,303
Other Fund Types	11,037	12,687
Total	$ 7,231,997	$ 7,041,269

Status of Fund Balance with Treasury is as follows:

	FY 2006	FY 2005
Temporarily Not Available Pursuant to Public Law	$ 545,582	$ 547,232
Unobligated Balance		
Available	747,171	674,954
Unavailable	138,860	216,611
Obligated Balance Not Yet Disbursed	5,455,597	5,265,046
Non-budgetary	344,787	337,426
Total	$ 7,231,997	$ 7,041,269

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2006 and FY 2005.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2006

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 95,745	$ -	$ 95,745
With the Public	$ 59,561	$ (9,400)	$ 50,161

FY 2005

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 58,794	$ -	$ 58,794
With the Public	$ 82,726	$ (14,766)	$ 67,960

NOTE 4. CASH

	FY 2006	FY 2005
Cash Not Yet Deposited with Treasury	$ 6,990	$ 8,998
Imprest Funds	412	340
Other Cash	80	302
Total	$ 7,482	$ 9,640

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

NOTE 5. LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET

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

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

[1] *No loans have been issued under these programs as of September 30, 2006.*

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 2006	FY 2005
Direct Loans Obligated Prior to FY 1992	$ 36,812	$ 44,619
Direct Loans Obligated After FY 1991	417,202	345,218
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	23
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	13,967	27,649
Total	$ 467,985	$ 417,509

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2006

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 21,752	$ 4,734	$ (21,060)	$ 5,426
Drought Loan Portfolio	20,883	257	(211)	20,929
Economic Development Revolving Fund	10,469	93	(105)	10,457
Fisheries Loan Fund	474	40	(514)	-
Total	$ 53,578	$ 5,124	$ (21,890)	$ 36,812

FY 2005

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

Direct Loans Obligated After FY 1991 consist of:

FY 2006

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea Pollock Fishery Buyback	$ 57,969	$ 11	$ 5,632	$ 63,612
Crab Buyback Loans	97,162	3,136	27,936	128,234
Fisheries Finance IFQ Loans	16,954	158	2,798	19,910
Fisheries Finance Traditional Loans	133,498	841	21,017	155,356
Fisheries Finance Tuna Fleet Loans	11,204	99	1,443	12,746
Pacific Groundfish Buyback Loans	35,609	1,158	577	37,344
Total	$ 352,396	$ 5,403	$ 59,403	$ 417,202

FY 2005

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

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

Direct Loan Program	**FY 2006**	**FY 2005**
Crab Buyback Loans	$ -	$ 97,399
Fisheries Finance IFQ Loans	3,155	3,058
Fisheries Finance Traditional Loans	67,816	31,176
Total	$ 70,971	$ 131,633

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2006

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (641)	$ 21	$ (22)	$ 216	$ (426)
Fisheries Finance Traditional Loans	(9,761)	613	(466)	3,577	(6,037)
Total	$ (10,402)	$ 634	$ (488)	$ 3,793	$ (6,463)

FY 2005

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

Modifications and Reestimates:

	FY 2006	FY 2006		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyback	$ -	$ -	$ 228	$ 228
Crab Buyback Loans	-	-	(6,437)	(6,437)
Fisheries Finance IFQ Loans	-	-	(66)	(66)
Fisheries Finance Traditional Loans	-	(460)	(7,289)	(7,749)
Fisheries Finance Tuna Fleet Loans	-	-	(28)	(28)
Pacific Groundfish Buyback Loans	-	-	(1,683)	(1,683)
Total	$ -	$ (460)	$ (15,275)	$ (15,735)

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

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2006	FY 2005
Bering Sea Pollock Fishery Buyback	$ 228	$ 1,396
Crab Buyback Loans	(6,437)	(18,865)
Fisheries Finance IFQ Loans	(492)	(317)
Fisheries Finance Traditional Loans	(13,786)	(2,235)
Fisheries Finance Tuna Fleet Loans	(28)	1,677
Pacific Groundfish Buyback Loans	(1,683)	(616)
Total	$ (22,198)	$ (18,960)

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2006

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loan	- %	- %	- %	1.00 %	1.00 %
Fisheries Finance IFQ Loans	(18.88) %	0.37 %	(0.71) %	7. 34 %	(11.88) %
Fisheries Finance Traditional Loans	(12.10) %	0.23 %	(0.70) %	4.50 %	(8.07) %

FY 2005

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

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 2006	FY 2005
Beginning Balance of the Allowance for Subsidy Cost	$ 37,589	$ 19,668
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	10,402	27,966
Default Costs (Net of Recoveries)	(634)	(18,623)
Fees and Other Collections	488	237
Other Subsidy Costs	(3,793)	(2,131)
Total of the above Subsidy Expense Components	6,463	7,449
Adjustments:		
Fees Received	(359)	(256)
Subsidy Allowance Amortization	(3,075)	(783)
Other	3,050	-
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	43,668	26,078
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	460	7,278
Technical/Default Reestimates	15,275	4,233
Total of the above Reestimate Components	15,735	11,511
Ending Balance of the Allowance for Subsidy Cost	$ 59,403	$ 37,589

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2006

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	$ 12,537	$ 5	$ -	$ (12,538)	$ 4

FY 2005

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 17,211	$ 14	$ 14	$ (17,216)	$ 23

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2006

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	$ 500	$ 38	$ -	$ 2,218	$ 2,756
FVOG Program	15,446	1,254	3,031	(8,520)	11,211
Total	$ 15,946	$ 1,292	$ 3,031	$ (6,302)	$ 13,967

FY 2005

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Emergency Steel Loan Guarantee Program	$ 18,896	$ 547	$ -	$ 1,339	$ 20,782
FVOG Program	11,599	1,254	2,970	(8,956)	6,867
Total	$ 30,495	$ 1,801	$ 2,970	$ (7,617)	$ 27,649

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2006 and 2005, which are not reflected in the financial statements, are as follows:

	FY 2006		FY 2005	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	$ 199,900	$ 175,912	$ 242,435	$ 212,817
FVOG Program	17,106	17,106	32,366	32,366
Total	$ 217,006	$ 193,018	$ 274,801	$ 245,183

New Guaranteed Loans Disbursed:

	FY 2006		FY 2005	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	$ -	$ -	$ 24,536	$ 21,591

Loan Guarantee Liabilities:

	FY 2006	FY 2005
Loan Guarantee Program	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
Emergency Oil and Gas Loan Guarantee Program	$ 245	$ 294
Emergency Steel Loan Guarantee Program	67,652	78,347
FVOG Program	5,778	3,171
Total	$ 73,675	$ 81,812

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees Disbursed:

FY 2006

As there were no new loan guarantees disbursed in FY 2006, there is not any related subsidy expense.

FY 2005

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

Modifications and Reestimates:

FY 2006

Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	$ -	$ -	$ (64)	$ (64)
Emergency Steel Loan Guarantee Program	(12)	-	(13,598)	(13,598)
FVOG Program	-	-	2,332	2,332
Total	$ (12)	$ -	$ (11,330)	$ (11,330)

FY 2005

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

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

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2006	FY 2005
Emergency Oil and Gas Loan Guarantee Program	$ (64)	$ (814)
Emergency Steel Loan Guarantee Program	(13,610)	(78,671)
FVOG Program	2,332	523
Total	$ (11,342)	$ (78,962)

Subsidy Rates for Loan Guarantees by Program and Component:

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

There were no new cohorts of guaranteed loans during FY 2006 and FY 2005.

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

	FY 2006	FY 2005
Beginning Balance of Loan Guarantee Liabilities	$ 81,812	$ 73,645
Add Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:		
Default Costs (Net of Recoveries)	-	7,368
Fees and Other Collections	-	(123)
Total of the above Subsidy Expense Components	-	7,245
Adjustments:		
Loan Guarantee Modifications	(12)	1,348
Fees Received	204	198
Interest Accumulation on the Liabilities Balance	3,103	1,004
Other	1	1,127
Ending Balance of Loan Guarantee Liabilities Before Reestimates	85,108	84,567
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	(11,433)	(2,755)
Total of the above Reestimate Components	(11,433)	(2,755)
Ending Balance of Loan Guarantee Liabilities	$ 73,675	$ 81,812

Administrative Expenses:

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

Direct Loan Program	FY 2006	FY 2005
Drought Loan Portfolio and Economic Development Revolving Fund	$ 1,248	$ 892
NOAA Direct Loan Programs	3,159	2,863
Total	$ 4,407	$ 3,755

Loan Guarantee Program	FY 2006	FY 2005
Emergency Oil and Gas Loan Guarantee Program	$ (13)	$ 23
Emergency Steel Loan Guarantee Program	119	253
FVOG Program	389	318
Total	$ 495	$ 594

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2006	FY 2005
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	$ 19,805	$ 22,853
Other	Various	1,022	1,060
Allowance for Excess, Obsolete, and Unserviceable Items		(314)	(317)
Total Inventory, Net		20,513	23,596
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	$ 50,722	$ 48,992
NOAA's National Reconditioning Center	Weighted-average	43,649	39,529
Other	Various	2,157	2,135
Allowance for Excess, Obsolete, and Unserviceable Items		(21,127)	(17,607)
Total Materials and Supplies, Net		75,401	73,049
Total		$ 95,914	$ 96,645

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 2006

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,349	$ -	$ 16,349
Land Improvements	30-40	2,996	(918)	2,078
Structures, Facilities, and Leasehold Improvements	2-60	1,071,948	(361,191)	710,757
Satellites/Weather Systems Personal Property	3-20	4,090,252	(3,534,582)	555,670
Other Personal Property	2-30	1,572,122	(1,037,072)	535,050
Assets Under Capital Lease	3-40	32,831	(21,637)	11,194
Construction-in-progress	N/A	3,467,995	-	3,467,995
Total		$ 10,254,493	$ (4,955,400)	$ 5,299,093

FY 2005

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

NOTE 8. OTHER ASSETS

	FY 2006	FY 2005
With the Public		
Advances and Prepayments	$ 100,966	$ 90,297
Notes Receivable	1,843	3,203
Bibliographic Database	5,259	5,423
Other	4	38
Total	$ 108,072	$ 98,961

As of September 30, 2006 there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. On September 30, 2005 there were two Notes Receivable with maturity dates ranging from October 2006 to July 2024 and interest rates ranging from 7.0 to 7.25 percent. The balances include accrued interest. These notes are considered fully collectible.

The bibliographic database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $50.9 million and $48.6 million, less accumulated amortization of $45.6 million and $43.2 million, for September 30, 2006 and 2005, respectively.

NOTE 9. NON-ENTITY ASSETS

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

	FY 2006	FY 2005
Intragovernmental		
Fund Balance with Treasury	$ 105,524	$ 96,699
Total Intragovernmental	105,524	96,699
With the Public		
Cash	571	787
Accounts Receivable, Net	5,216	1,751
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	20,929	26,687
Total	$ 132,240	$ 125,924

NOTE 10. DEBT TO TREASURY

FY 2006

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 346,575	$ 59,993	$ 406,568
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	-	3,231	3,231
FVOG Program	11,006	1,266	12,272
Total	$ 357,581	$ 64,490	$ 422,071

Maturity dates range from September 2007 to September 2034, and interest rates range from 3.26 to 7.17 percent.

FY 2005

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

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

NOTE 11. OTHER LIABILITIES

	FY 2006			FY 2005
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 22,891	$ 10,855	$ 33,746	$ 31,324
Accrued Benefits	24,064	-	24,064	23,428
Custodial Activity	4,086	-	4,086	892
Downward Subsidy Reestimates Payable to Treasury	31,447	-	31,447	107,587
Other	682	2,366	3,048	2,526
Total	$ 83,170	$ 13,221	$ 96,391	$ 165,757
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ 893	$ 8,543	$ 9,436	$ 9,453
Contingent Liabilities	13,063	-	13,063	3,383
Employment-related	2,450	-	2,450	2,745
Other	11,451	121	11,572	8,323
Total	$ 27,857	$ 8,664	$ 36,521	$ 23,904

The Current Portion represents liabilities expected to be paid by September 30, 2007, while the Non-current Portion represents liabilities expected to be paid after September 30, 2007.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	FY 2006	FY 2005
Actuarial FECA Liability	$ 170,164	$ 173,414
NOAA Corps Retirement System Liability	370,600	350,300
NOAA Corps Post-retirement Health Benefits Liability	49,200	45,400
Total	$ 589,964	$ 569,114

Actuarial FECA Liability:

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

	FY 2006	FY 2005
Year 1	5.17%	4.528%
Year 2 and Thereafter	5.31%	5.020%

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 2006

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2007	3.50%	4.00%
2008	3.13%	4.01%
2009	2.40%	4.01%
2010	2.40%	4.03%
2011	2.43%	4.09%

FY 2005

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

NOAA Corps Retirement System Liability:

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

	FY 2006	FY 2005
Investment Earnings on Federal Securities	6.25%	6.25%
Annual Basic Pay Increases	3.75%	3.75%
Annual Inflation	3.00%	3.00%

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

	FY 2006	FY 2005
Normal Cost	$ 6,000	$ 5,600
Interest on the Unfunded Liability	21,400	20,500
Actuarial (Gains) Losses, Net	10,300	4,900
Total Pension Costs	$ 37,700	$ 31,000

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the same U.S. Department of Defense Retirement Board economic assumptions as used for the NOAA Corps Retirement System actuarial calculations. The claims costs used to derive these liabilities were taken from the analysis of the U.S. Military's Projected Retiree Medical Liabilities reports for FY 2006 and FY 2005.

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

	FY 2006	FY 2005
Normal Cost	$ 2,800	$ 2,900
Interest on the Unfunded Liability	2,700	2,700
Actuarial (Gains) Losses, Net	1,300	(1,700)
Total Post-retirement Health Benefits Costs	$ 6,800	$ 3,900

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2006	FY 2005
Pribilof Island Cleanup	$ 24,322	$ 26,994
Nuclear Reactor	47,439	43,359
Other	3,119	2,958
Total	$ 74,880	$ 73,311

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2006	FY 2005
Structures, Facilities, and Leasehold Improvements	$ 29,463	$ 52,722
Equipment	3,368	3,536
Less: Accumulated Depreciation	(21,637)	(42,922)
Net Assets Under Capital Leases	$ 11,194	$ 13,336

Capital Lease Liabilities are primarily related to NIST and NOAA. In 1996, NIST entered into a capital lease for an office building in Gaithersburg, MD. 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 range from 10 to 40 years.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2006

	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2007	$ 4,218	$ 1,899	$ 6,117
2008	3,926	1,928	5,854
2009	3,958	1,920	5,878
2010	3,989	12	4,001
2011	4,024	12	4,036
Thereafter	23,516	-	23,516
Total Future Lease Payments	43,631	5,771	49,402
Less: Imputed Interest	(19,736)	(440)	(20,176)
Less: Executory Cost	(7,800)	(4,858)	(12,658)
Net Capital Lease Liabilities	$ 16,095	$ 473	$ 16,568

FY 2005

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

Operating Leases:

Most of the Department's facilities are rented from the 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 2007 through FY 2011; and (2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

FY 2006

	General PP&E Category		
Fiscal Year	GSA Real Property	Non-GSA Real Property	Personal Property
2007	$ 227,067	$ 19,257	$ 6,227
2008	235,773	16,671	6,414
2009	214,548	15,652	6,607
2010	189,066	14,822	6,805
2011	191,594	14,863	7,009
Thereafter	[1]	133,326	-
Total Future Lease Payments		$ 214,591	$ 33,062

[1] *Not estimated.*

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2006	FY 2005
Intragovernmental		
Accrued FECA Liability	$ 30,954	$ 28,485
Other	2,501	4,110
Total Intragovernmental	33,455	32,595
Accrued Payroll	23,584	21,359
Accrued Annual Leave	201,612	194,771
Federal Employee Benefits	589,964	569,114
Environmental and Disposal Liabilities	74,880	73,311
Contingent Liabilities	13,063	3,383
Capital Lease Liabilities	-	694
Unearned Revenue	762,463	692,922
ITA Foreign Service Nationals' Voluntary Separation Pay	9,436	9,453
Other	1,137	3,725
Total	$ 1,709,594	$ 1,601,327

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

NOTE 16. COMMITMENTS AND CONTINGENCIES

Commitments:

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

Major Long-term Commitments:

FY 2006							
Description	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 439,600	$ 532,100	$ 539,600	$ 570,500	$ 542,400	$ 3,497,300	$ 6,121,500
Convergence Satellites	337,900	343,900	297,200	373,900	405,900	746,500	2,505,300
Polar Operational Environmental Satellites	89,900	62,300	41,900	43,600	31,400	189,300	458,400
Other Weather Service	101,828	108,819	105,229	72,266	67,933	424,780	880,855
Other	4,613	1,357	-	-	-	-	5,970
Total	$ 973,841	$ 1,048,476	$ 983,929	$ 1,060,266	$ 1,047,633	$ 4,857,880	$ 9,972,025

Legal Contingencies:

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

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately $13.1 million and $3.4 million as of September 30, 2006 and 2005, respectively. Accordingly, $13.0 million and $3.4 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2006 and 2005, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Costs Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $502.1 million as of September 30, 2006. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $129.7 million as of September 30, 2006. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2006 and 2005, with outstanding principal balances totaling $17.1 million and $32.4 million, respectively. A loan guarantee liability of $5.8 million and $3.2 million is recorded for the outstanding guarantees at September 30, 2006 and 2005, respectively.

Emergency Steel Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2006, and two outstanding non-acquired guaranteed loans as of September 30, 2005, with the guaranteed portion of outstanding principal balance(s) totaling $175.9 million and $212.8 million as of September 30, 2006 and 2005, respectively. The Department's guarantee percentage is 88 percent for this loan as of September 30, 2006, and ranged from 85 to 88 percent as of September 30, 2005. A loan guarantee liability of $67.7 million and $78.3 million is recorded for the outstanding guarantee(s) at September 30, 2006 and 2005, respectively.

Related to an outstanding non-acquired guaranteed loan as of September 30, 2005, the Department additionally guaranteed two Letters of Credit totaling $10.6 million. The Department's guarantee percentages for these Letters of Credit were 90 percent and 95 percent. The guaranteed portion of these Letters of Credit totaled $10.0 million at September 30, 2005.

Emergency Oil and Gas Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2006 and 2005, with a guaranteed portion of outstanding principal balance of zero. The Department's guarantee percentage is 85 percent for this loan. A loan guarantee liability of $245 thousand and $294 thousand is recorded for the outstanding guarantee at September 30, 2006 and 2005, respectively. The loan guarantee liability at September 30, 2006 relates to an outstanding revolving loan for which no draws have been made as of September 30, 2006.

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

FY 2006 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
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	$ -	$ -	$ 309,474	$ -	$ 193,841	$ 71,902	$ 575,217	$ (77,055)	$ 498,162
Gross Costs With the Public	-	-	877,343	-	698,860	50,217	1,626,420	-	1,626,420
Total Gross Costs	-	-	1,186,817	-	892,701	122,119	2,201,637	(77,055)	2,124,582
Intragovernmental Earned Revenue	-	-	(239,522)	-	(29,555)	(91,988)	(361,065)	77,055	(284,010)
Earned Revenue From the Public	-	-	(17,234)	-	(7,053)	(3)	(24,290)	-	(24,290)
Total Earned Revenue	-	-	(256,756)	-	(36,608)	(91,991)	(385,355)	77,055	(308,300)
Net Program Costs	**-**	**-**	**930,061**	**-**	**856,093**	**30,128**	**1,816,282**	**-**	**1,816,282**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	305,019	-	128,200	16,243	71,898	521,360	(85,282)	436,078
Gross Costs With the Public	-	1,209,150	-	775,724	57,502	50,220	2,092,596	-	2,092,596
Total Gross Costs	-	1,514,169	-	903,924	73,745	122,118	2,613,956	(85,282)	2,528,674
Intragovernmental Earned Revenue	-	(7,121)	-	(131,797)	(30,851)	(91,988)	(261,757)	85,282	(176,475)
Earned Revenue From the Public	-	(1,587,316)	-	(57,593)	(67)	(3)	(1,644,979)	-	(1,644,979)
Total Earned Revenue	-	(1,594,437)	-	(189,390)	(30,918)	(91,991)	(1,906,736)	85,282	(1,821,454)
Net Program Costs	**-**	**(80,268)**	**-**	**714,534**	**42,827**	**30,127**	**707,220**	**-**	**707,220**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	743,847	-	-	-	-	71,922	815,769	(77,511)	738,258
Gross Costs With the Public	3,382,642	-	-	-	(1)	50,234	3,432,875	-	3,432,875
Total Gross Costs	4,126,489	-	-	-	(1)	122,156	4,248,644	(77,511)	4,171,133
Intragovernmental Earned Revenue	(187,050)	-	-	-	-	(92,015)	(279,065)	77,511	(201,554)
Earned Revenue From the Public	(76,190)	-	-	-	-	(3)	(76,193)	-	(76,193)
Total Earned Revenue	(263,240)	-	-	-	-	(92,018)	(355,258)	77,511	(277,747)
Net Program Costs	**3,863,249**	**-**	**-**	**-**	**(1)**	**30,138**	**3,893,386**	**-**	**3,893,386**
NET COST OF OPERATIONS	**$ 3,863,249**	**$ (80,268)**	**$ 930,061**	**$ 714,534**	**$ 898,919**	**$ 90,393**	**$ 6,416,888**	**$ -**	**$ 6,416,888**

FY 2005 Consolidating Statement of Net Cost:

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

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 2006 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial and Periodic Censuses						
Gross Costs	$ -	$ 156,060	$ -	$ -	$ -	$ 156,060
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**156,060**	**-**	**-**	**-**	**156,060**
Other Programs						
Gross Costs	-	941,013	-	-	1,027,509	1,968,522
Less: Earned Revenue	-	(252,986)	-	-	(55,314)	(308,300)
Net Program Costs	**-**	**688,027**	**-**	**-**	**972,195**	**1,660,222**
Net Program Costs for Strategic Goal 1	**-**	**844,087**	**-**	**-**	**972,195**	**1,816,282**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Measurement and Standards Laboratories						
Gross Costs	-	-	593,630	-	-	593,630
Less: Earned Revenue	-	-	(111,338)	-	-	(111,338)
Net Program Costs	**-**	**-**	**482,292**	**-**	**-**	**482,292**
Patents						
Gross Costs	-	-	-	1,335,632	-	1,335,632
Less: Earned Revenue	-	-	-	(1,384,274)	-	(1,384,274)
Net Program Costs	**-**	**-**	**-**	**(48,642)**	**-**	**(48,642)**
Trademarks						
Gross Costs	-	-	-	178,537	-	178,537
Less: Earned Revenue	-	-	-	(210,163)	-	(210,163)
Net Program Costs	**-**	**-**	**-**	**(31,626)**	**-**	**(31,626)**
Other Programs						
Gross Costs	-	-	279,316	-	141,559	420,875
Less: Earned Revenue	-	-	(52,387)	-	(63,292)	(115,679)
Net Program Costs	**-**	**-**	**226,929**	**-**	**78,267**	**305,196**
Net Program Costs for Strategic Goal 2	**-**	**-**	**709,221**	**(80,268)**	**78,267**	**707,220**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Ecosystems						
Gross Costs	1,428,984	-	-	-	-	1,428,984
Less: Earned Revenue	(121,513)	-	-	-	-	(121,513)
Net Program Costs	**1,307,471**	**-**	**-**	**-**	**-**	**1,307,471**
Other Programs						
Gross Costs	2,697,503	-	-	-	44,646	2,742,149
Less: Earned Revenue	(141,726)	-	-	-	(14,508)	(156,234)
Net Program Costs	**2,555,777**	**-**	**-**	**-**	**30,138**	**2,585,915**
Net Program Costs for Strategic Goal 3	**3,863,248**	**-**	**-**	**-**	**30,138**	**3,893,386**
NET COST OF OPERATIONS	**$ 3,863,248**	**$ 844,087**	**$ 709,221**	**$ (80,268)**	**$1,080,600**	**$ 6,416,888**

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

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial and Periodic Censuses						
Intragovernmental Gross Costs	$ -	$ 6,557	$ -	$ -	$ -	$ 6,557
Gross Costs With the Public	-	64,559	-	-	-	64,559
Total Gross Costs	-	71,116	-	-	-	71,116
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**71,116**	**-**	**-**	**-**	**71,116**
Other Programs						
Intragovernmental Gross Costs	-	236,260	-	-	279,029	515,289
Gross Costs With the Public	-	680,402	-	-	781,880	1,462,282
Total Gross Costs	-	916,662	-	-	1,060,909	1,977,571
Intragovernmental Earned Revenue	-	(222,927)	-	-	(118,262)	(341,189)
Earned Revenue From the Public	-	(24,893)	-	-	(10,100)	(34,993)
Total Earned Revenue	-	(247,820)	-	-	(128,362)	(376,182)
Net Program Costs	**-**	**668,842**	**-**	**-**	**932,547**	**1,601,389**
Net Costs for Strategic Goal 1	**-**	**739,958**	**-**	**-**	**932,547**	**1,672,505**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Measurement and Standards Laboratories						
Intragovernmental Gross Costs	-	-	75,975	-	-	75,975
Gross Costs With the Public	-	-	531,084	-	-	531,084
Total Gross Costs	-	-	607,059	-	-	607,059
Intragovernmental Earned Revenue	-	-	(67,374)	-	-	(67,374)
Earned Revenue From the Public	-	-	(31,009)	-	-	(31,009)
Total Earned Revenue	-	-	(98,383)	-	-	(98,383)
Net Program Costs	**-**	**-**	**508,676**	**-**	**-**	**508,676**
Patents						
Intragovernmental Gross Costs	-	-	-	262,368	-	262,368
Gross Costs With the Public	-	-	-	990,759	-	990,759
Total Gross Costs	-	-	-	1,253,127	-	1,253,127
Intragovernmental Earned Revenue	-	-	-	(5,869)	-	(5,869)
Earned Revenue From the Public	-	-	-	(1,191,911)	-	(1,191,911)
Total Earned Revenue	-	-	-	(1,197,780)	-	(1,197,780)
Net Program Costs	**-**	**-**	**-**	**55,347**	**-**	**55,347**
Trademarks						
Intragovernmental Gross Costs	-	-	-	35,782	-	35,782
Gross Costs With the Public	-	-	-	135,119	-	135,119
Total Gross Costs	-	-	-	170,901	-	170,901
Intragovernmental Earned Revenue	-	-	-	(239)	-	(239)
Earned Revenue From the Public	-	-	-	(174,788)	-	(174,788)
Total Earned Revenue	-	-	-	(175,027)	-	(175,027)
Net Program Costs	**-**	**-**	**-**	**(4,126)**	**-**	**(4,126)**

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

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

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

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

	FY 2006	FY 2005
Budget Authority, Appropriations (SBR)	$ 6,788,098	$ 6,496,389
Less:		
Other Special Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(17,048)	(11,579)
Other	90	(457)
Budgetary Financing Sources, Appropriations Received (SCNP)	$ 6,771,140	$ 6,484,353

Total borrowing authority available for NOAA's loan programs amounted to $239.6 million and $172.4 million at September 30, 2006 and 2005, respectively. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the fiscal year being reported. See Note 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

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

Reductions to the Department's appropriations under Public Law 109-108 and Public Law 109-148 amounted to $116.1 million for FY 2006, while reductions for FY 2005 under Public Law 108-447 amounted to $122.3 million. These reductions are included in the SBR Budgetary Resources line as follows: Permanently Not Available ($116.1 million and $90.3 million for the years ended September 30, 2006 and 2005, respectively), and Temporarily Not Available Pursuant to Public Law ($0.0 million and $32.0 million for the years ended September 30, 2006 and 2005, respectively). These reductions are also part of the amounts reported on the line Other Adjustments in the Budgetary Financing Sources section of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2006 and FY 2005 include the following:

- The Department's Deposits Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2, *Fund Balance with Treasury*, on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury includes $516.5 million of USPTO offsetting collections exceeding prior years' appropriations, as of September 30, 2006 and 2005. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines *General Funds* (breakdown by type), and *Temporarily Not Available Pursuant to Public Law* (breakdown by status).
- The Omnibus Budget Reconciliation Act of 1990 established 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 Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2006 and 2005, $233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines *Special Fund (Patent and Trademark Surcharge Fund*) (breakdown by type), and *Non-budgetary* (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2006 and 2005 includes $30.7 million of funds temporarily not available for the Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines *Revolving Funds* (breakdown by type), and *Temporarily Not Available Pursuant to Public Law* (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

There are no material differences between the amounts reported in the *Statement of Budgetary Resources* for the year ended September 30, 2005 and the actual amounts reported in the Budget of the U.S. government.

Apportionment Categories of Obligations Incurred:

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

	FY 2006		
	Direct	Reimbursable	Total
Category A	$ 2,303,837	$ 2,043,598	$ 4,347,435
Category B	4,814,049	204,337	5,018,386
Exempt from Apportionment	191,069	731,671	922,740
Total	$ 7,308,955	$ 2,979,606	$ 10,288,561

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

Undelivered Orders:

Undelivered orders were $5.2 billion and $4.9 billion at September 30, 2006 and 2005, respectively.

NOTE 19. CONSOLIDATED STATEMENTS OF FINANCING

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

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

NOTE 20. CUSTODIAL NONEXCHANGE ACTIVITY

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury. For the period ended September 30, 2006, the Department had custodial nonexchange revenue of $14.6 million; custodial nonexchange revenue of $4.1 million was payable to Treasury at September 30, 2006. For the period ended September 30, 2005, the Department had custodial nonexchange revenue of $9.0 million; custodial nonexchange revenue of $892 thousand was payable to Treasury.

NOTE 21. EARMARKED FUNDS

The following tables depict major earmarked funds separately chosen based on their significant financial activity and importance to taxpayers. All other earmarked funds not shown are aggregated as "Other Earmarked Funds."

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2006 (In Thousands)

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS						
Fund Balance with Treasury	$ 1,310,612	$ 29,083	$ 21,917	$ 28,438	$ 44,805	$ 1,434,855
Cash	6,248	80	-	-	-	6,328
Accounts Receivable, Net	1,752	-	1,772	20	5	3,549
Loans Receivable and Related						
Foreclosed Property, Net	-	5,426	-	-	-	5,426
Inventory, Materials, and Supplies, Net	-	-	200	-	-	200
General Property, Plant, and Equipment, Net	164,538	-	252	-	-	164,790
Other	4,315	-	5,635	-	480	10,430
TOTAL ASSETS	**$1,487,465**	**$ 34,589**	**$ 29,776**	**$ 28,458**	**$ 45,290**	**$1,625,578**
LIABILITIES						
Accounts Payable	$ 101,902	$ 12	$ 7,841	$ 736	$ 45	$ 110,536
Federal Employee Benefits	7,471	-	572	-	-	8,043
Other						-
Accrued Payroll and Annual Leave	95,194	-	1,273	38	80	96,585
Accrued Grants	-	-	-	-	744	744
Unearned Revenue	774,425	-	3,508	-	-	777,933
Other	10,474	-	198	58	-	10,730
TOTAL LIABILITIES	**$ 989,466**	**$ 12**	**$ 13,392**	**$ 832**	**$ 869**	**$1,004,571**
NET POSITION						
Unexpended Appropriations	$ 27	$ -	$ -	$ -	$ -	$ 27
Cumulative Results of Operations	497,972	34,577	16,384	27,626	44,421	620,980
TOTAL NET POSITION	**$ 497,999**	**$ 34,577**	**$ 16,384**	**$ 27,626**	**$ 44,421**	**$ 621,007**
TOTAL LIABILITIES AND NET POSITION	**$1,487,465**	**$ 34,589**	**$ 29,776**	**$ 28,458**	**$ 45,290**	**$1,625,578**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2006 (In Thousands)

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Gross Costs	$ -	$ -	$ -	$ -	$ 10,664	$ 10,664
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**-**	**-**	**-**	**10,664**	**10,664**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Gross Costs	1,514,169	-	26,419	-	-	1,540,588
Less: Earned Revenue	(1,594,437)	-	(25,554)	-	-	(1,619,991)
Net Program Costs	**(80,268)**	**-**	**865**	**-**	**-**	**(79,403)**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Gross Costs	-	139	-	8,674	21,360	30,173
Less: Earned Revenue	-	(956)	-	-	-	(956)
Net Program Costs	**-**	**(817)**	**-**	**8,674**	**21,360**	**29,217**
NET COST OF OPERATIONS	**$ (80,268)**	**$ (817)**	**$ 865**	**$ 8,674**	**$ 32,024**	**$ (39,522)**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2006 (In Thousands)

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:						
Beginning Balance	$ 417,804	$ 36,760	$ 16,094	$ 24,136	$ 42,963	$ 537,757
Budgetary Financing Sources:						
Non-exchange Revenue	-	-	-	7,590	7,931	15,521
Transfers In/(Out) Without Reimbursement, Net	(100)	(3,000)	-	4,924	17,616	19,440
Other Financing Sources (Non-exchange):						
Transfers In/(Out) Without Reimbursement, Net	-	-	-	(350)	-	(350)
Imputed Financing Sources from Cost Absorbed by Others	-	-	1,155	-	-	1,155
Other Financing Sources/(Uses), Net	-	-	-	-	7,935	7,935
Total Financing Sources	**(100)**	**(3,000)**	**1,155**	**12,164**	**33,482**	**43,701**
Net Cost of Operations	**80,268**	**817**	**(865)**	**(8,674)**	**(32,024)**	**39,522**
Net Change	**80,168**	**(2,183)**	**290**	**3,490**	**1,458**	**83,223**
Cumulative Results of Operations	**497,972**	**34,577**	**16,384**	**27,626**	**44,421**	**620,980**
Unexpended Appropriations:						
Beginning Balance	27	-	-	-	-	27
Budgetary Financing Sources	-	-	-	-	-	-
Unexpended Appropriations	**27**	**-**	**-**	**-**	**-**	**27**
NET POSITION	**$ 497,999**	**$ 34,577**	**$ 16,384**	**$ 27,626**	**$ 44,421**	**$ 621,007**

Below is a description of major earmarked funds shown in the above tables.

The **USPTO Earmarked Funds** consist of its Salaries and Expenses Fund, and the Patent and Trademark Surcharge Fund.

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's two core business activities – granting patents and registering trademarks – that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. Since FY 1993, the Salaries and Expenses Fund has been funded primarily by the collection of fees for patent and trademark services. The USPTO may use monies from this fund only as authorized by Congress via appropriations.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2006, $233.5 million is held in this fund.

Coastal Zone Management Fund is primarily used for the following: interstate projects, demonstration projects for improving coastal zone management, and emergency grants to State coastal zone management agencies to address unforeseen or disaster-related circumstances. The law establishing the Coastal Zone Management Fund can be found in 16 USC Section 1456a.

The **NTIS Revolving Fund** is used to collect, process, market, and disseminate government-sponsored and foreign scientific, technical, and business information; and assist other agencies with their information programs. Activities funded by NTIS Revolving Fund allow customers, both public and private, access to scientific and technical information produced by and for the federal government. All receipts from the sale of products and services are deposited in this fund, and all expenses, including capital expenditures, are paid from it.

Damage Assessment and Restoration Revolving Fund is established by the reimbursement of expenses related to oil or hazardous substance spill response activities, or natural resource damage assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, Indian, or foreign trustee for natural resource damage is retained by the trustee and is only used to reimburse or pay costs incurred by the trustee for damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 USC Section 2706. Natural Resources.

NOTE 22. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT

This note provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. The physical properties of stewardship property, plant, and equipment (Stewardship PP&E) 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. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA is the only entity within the Department that has Stewardship PP&E.

Stewardship Marine Sanctuaries, National Marine Monument, and Conservation Area:

NOAA maintains the following Stewardship PP&E, which are similar in nature to stewardship land:

National Marine Sanctuaries: These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. Each of the 13 individual sanctuary sites, which include near-shore coral reefs and open ocean, conducts research and monitoring activities to characterize existing resources and document changes.

Northwestern Hawaiian Islands (NWHI) National Marine Monument: The majority of all coral reef habitats located in U.S. waters surround NWHI. The NWHI Marine National Monument, located off the coast of NWHI, encompasses nearly 140,000 square miles of U.S. waters, including 4,500 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by NOAA, with the Department of the Interior and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: This conservation area in Alaska may harbor among the highest diversity of deep-water corals in the world, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities.

Additional information on the above Stewardship PP&E is presented in the Required Supplementary Information section. Written policies to guide the acquisition, maintenance, use, and disposal of the above stewardship responsibilities are currently being developed.

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 cost of a multi-use heritage asset is capitalized as General PP&E and is depreciated over the useful life of the asset.

Historical artifacts are designated heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (U. S. Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These include, but are not limited to, bells, gyro compasses, brass citations, flags, pennants, chronometers, ship's seals, clocks, compasses, shipbuilders' contracts, personal equipment, clothing, medals and insignia, barometers, rain gauges, and any items which represent the uniqueness of the mission of NOAA and its predecessor agencies.

NOAA has established policies for heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. The Deputy Under Secretary of NOAA has established the Heritage Assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the NOAA Heritage Assets Working Committee:

- Maintains a nationwide inventory of heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System
- Establishes nationwide NOAA policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA heritage assets
- Tracks and updates each loan of NOAA heritage assets, including assigning current values and inventory numbers, and reporting the current condition of heritage assets
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans
- Collects heritage assets and properties of historic, cultural, artistic, or educational significance to NOAA

NOAA maintains the following heritage assets:

Galveston Laboratory: Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, an Army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. This facility is undergoing a renovation in three phases. Phases I and II are complete. Phase III commenced in October 2004, and is subdivided into three different projects. Phase III-A, renovation of Building 306 and mechanical/electrical site work, was completed in January 2006. Phase III-B, renovation of Buildings 301, 305, and 307, was awarded in September 2005 and is ongoing with an expected completion date of November 2006. Phase III-C, renovation of Building 303 and site work, was awarded in August 2006 and is ongoing with an expected completion date of March 2007. The overall renovation for the Galveston Laboratory is 75 percent complete as of September 30, 2006.

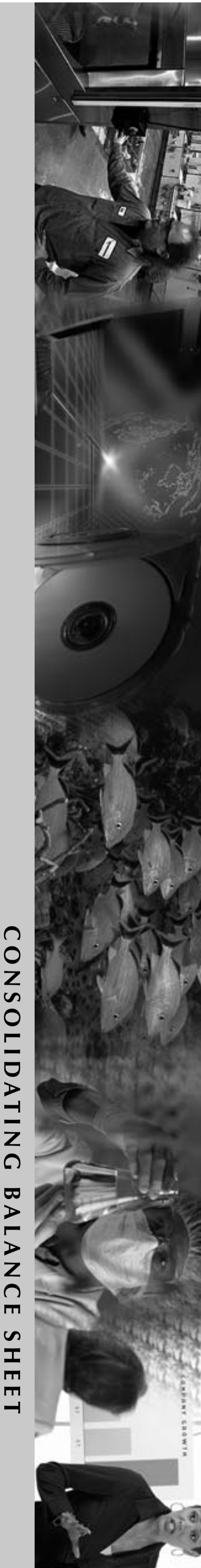
National Marine Fisheries Service (NMFS) Aquarium: In Woods Hole, MA, this aquarium was established in 1885 by Spencer Baird, the originator of NMFS. In addition to being part of the first laboratory of today's NMFS, this aquarium is the oldest marine research display aquarium in the world. It is used 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 permanent exhibition tanks and approximately one dozen free standing aquaria and touch tanks holding more than 140 species of fish and invertebrates. The tanks range in size from 75 to 2,800 gallons. A 10,000 gallon outdoor habitat holds resident harbor seals. The general condition of the aquarium is good. The NMFS Aquarium is considered a multi-use heritage asset because it is also used for NOAA's scientific research, which is part of its mission.

Office of Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory (GLERL): In Muskegon, MI, the GLERL main building, constructed in 1904 by the U.S. Life Saving Service, is eligible for National Register designation and has been recognized by state and local historical societies for its maritime significance. With the creation of the U.S. Coast Guard in 1915, the facility was transferred and served as a base for search and rescue operations for 75 years. In 2004, a renovation project was completed that restored the exterior to its original architecture and color scheme — a style that is considered rare. Today, the GLERL carries out research and provides scientific products, expertise, and services required for effective management and protection of Great Lakes and coastal ecosystems. 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. Due to its historic significance, exterior architectural features, and predominant use in government operations, the GLERL is considered a multi-use heritage asset.

Collection-type Heritage Assets: The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, and nautical chart plates. More information regarding NOAA's collection-type heritage assets is presented in the Required Supplementary Information section.

Consolidating Balance Sheet

DEPARTMENT OF COMMERCE ★ UNITED STATES OF AMERICA ★



United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2006 *(In Thousands)*

	Consolidating Total	Intra-Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	ITA	MBDA	NIPC	NIST	NOAA	NTIA	NTIS	OIG	TA	USPTO
ASSETS																					
Intragovernmental:																					
Fund Balance with Treasury	$ 7,231,997	$ -	$ 28,694	$ 410,148	$ 384	$ 90,884	$ 34,891	$ 796,807	$133,325	$15,130	$ 3,468	$ 127,786	$ 10,469	$ 820	$ 735,465	$ 3,308,453	$ 97,563	$30,518	$ 2,098	$ 3,323	$1,401,771
Accounts Receivable	95,745	(3,304)	786	9,896	1	4,518	477	1,695	-	31	509	1,216	1	-	584	77,997	-	1,336	2	-	-
Other - Advances and Prepayments	3,969	(102,231)	1,624	8,562	-	3,992	4,450	642	-	2,090	343	8,666	344	-	15,472	56,166	911	280	742	310	1,606
Total Intragovernmental	**7,331,711**	**(105,535)**	**31,104**	**428,606**	**385**	**99,394**	**39,818**	**799,144**	**133,325**	**17,251**	**4,320**	**137,668**	**10,814**	**820**	**751,521**	**3,442,616**	**98,474**	**32,134**	**2,842**	**3,633**	**1,403,377**
Cash	7,482	-	-	-	-	-	-	-	-	-	-	172	1	-	-	490	-	29	-	-	6,790
Accounts Receivable, Net	50,161	-	4,151	1,919	-	13	11	101	-	5	-	87	4	2	6,437	33,945	167	436	1	-	2,882
Loans Receivable and Related Foreclosed Property, Net	467,985	-	-	-	-	-	-	31,385	2,756	-	-	-	-	-	-	433,844	-	-	-	-	-
Inventory, Materials, and Supplies, Net	95,914	-	-	759	-	-	12	-	-	-	-	-	-	-	21,699	73,244	-	200	-	-	-
General Property, Plant, and Equipment, Net	5,299,093	-	458	84,558	8,296	793	8,012	3	-	146	898	6,950	235	-	558,249	4,458,906	6,799	252	-	-	164,538
Other	108,072	-	(1)	-	3	13	2	1,138	(1)	-	1	2,291	-	-	26	96,535	-	5,355	1	-	2,709
TOTAL ASSETS	**$13,360,418**	**$(105,535)**	**$35,712**	**$515,842**	**$ 8,684**	**$100,213**	**$47,855**	**$ 831,771**	**$136,080**	**$17,402**	**$ 5,219**	**$147,168**	**$11,054**	**$ 822**	**$1,337,932**	**$8,539,580**	**$ 105,440**	**$38,406**	**$ 2,844**	**$ 3,633**	**$1,580,296**
LIABILITIES																					
Intragovernmental:																					
Accounts Payable	$ 74,010	$ (3,304)	$ 1,252	$ 4,998	$ -	$ 264	$ 183	$ 91	$ 9	$ 221	$ 61	$ 3,655	$ 36	$ -	$ 707	$ 49,436	$ 74	$ 6,363	$ 10	$ 155	$ 9,799
Debt to Treasury	422,071	-	-	-	-	-	-	-	3,232	-	-	-	(1)	-	-	418,840	-	-	-	-	-
Other																					
Resources Payable to Treasury	35,484	-	-	-	-	-	-	33,638	-	-	-	-	-	-	-	1,846	-	-	-	-	-
Unearned Revenue	453,697	(102,231)	10,207	85,555	-	71,131	34,054	85,330	-	157	1,751	375	11	-	143,594	87,229	24,425	7,386	30	195	4,498
Other	96,391	-	4,517	16,938	-	568	1,048	1,015	14,103	394	12	2,955	590	4	3,700	39,217	543	198	475	11	10,103
Total Intragovernmental	**1,081,653**	**(105,535)**	**15,976**	**107,491**	**-**	**71,963**	**35,285**	**120,074**	**17,344**	**772**	**1,824**	**6,985**	**636**	**4**	**148,001**	**596,568**	**25,042**	**13,947**	**515**	**361**	**24,400**
Accounts Payable	290,240	-	481	45,972	40	7,395	3,032	422	109	1,098	743	6,269	1,528	20	10,553	117,724	634	1,478	579	60	92,103
Loan Guarantee Liabilities	73,675	-	-	-	-	-	-	-	67,897	-	-	-	-	-	-	5,778	-	-	-	-	-
Federal Employee Benefits	589,964	-	1,924	65,088	-	1,355	3,116	1,502	-	94	93	8,869	2,575	-	10,313	483,658	1,501	572	1,833	-	7,471
Environmental and Disposal Liabilities	74,880	-	-	-	-	-	-	-	-	-	-	-	-	-	47,439	27,441	-	-	-	-	-
Other																					
Accrued Payroll and Annual Leave	370,240	-	4,119	53,382	-	3,721	7,074	2,410	4	5,751	330	24,307	933	28	30,623	135,892	3,271	1,273	1,698	230	95,194
Accrued Grants	420,588	-	-	-	-	-	-	275,700	-	-	-	10,455	1,732	-	30,149	74,336	28,161	-	-	55	-
Capital Lease Liabilities	16,568	-	-	-	-	-	-	-	-	-	-	-	-	-	258	16,310	-	-	-	-	-
Unearned Revenue	936,587	-	1,107	6,406	-	-	-	7	-	676	-	6,762	(1)	-	12,090	41,976	53	4,752	-	-	862,759
Other	36,521	-	49	1,343	(1)	9,730	2,142	-	-	1	1	9,896	2	(1)	369	12,499	119	-	2	-	370
TOTAL LIABILITIES	**$ 3,890,916**	**$(105,535)**	**$23,656**	**$279,682**	**$ 39**	**$ 94,164**	**$50,649**	**$ 400,115**	**$ 85,354**	**$ 8,392**	**$ 2,991**	**$ 73,543**	**$ 7,405**	**$ 51**	**$ 289,795**	**$ 1,512,182**	**$ 58,781**	**$22,022**	**$ 4,627**	**$ 706**	**$ 1,082,297**
NET POSITION																					
Unexpended Appropriations																					
Unexpended Appropriations - Earmarked Funds	$ 27	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27
Unexpended Appropriations - Other Funds	4,306,394	-	15,913	127,140	-	16,810	-	434,989	51,166	11,744	-	100,703	7,109	771	478,062	3,013,908	43,408	-	1,673	2,998	-
Cumulative Results of Operations																					
Cumulative Results of Operations - Earmarked Funds	620,980	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106,624	-	16,384	-	-	497,972
Cumulative Results of Operations - Other Funds	4,542,101	-	(3,857)	109,020	8,645	(10,761)	(2,794)	(3,333)	(440)	(2,734)	2,228	(27,078)	(3,460)	-	570,075	3,906,866	3,251	-	(3,456)	(71)	-
TOTAL NET POSITION	**$ 9,469,502**	**$ -**	**$12,056**	**$236,160**	**$ 8,645**	**$ 6,049**	**$ (2,794)**	**$ 431,656**	**$ 50,726**	**$ 9,010**	**$ 2,228**	**$ 73,625**	**$ 3,649**	**$ 771**	**$1,048,137**	**$ 7,027,398**	**$ 46,659**	**$16,384**	**$(1,783)**	**$ 2,927**	**$ 497,999**
TOTAL LIABILITIES AND NET POSITION	**$13,360,418**	**$(105,535)**	**$35,712**	**$515,842**	**$ 8,684**	**$100,213**	**$47,855**	**$ 831,771**	**$136,080**	**$ 17,402**	**$ 5,219**	**$147,168**	**$ 11,054**	**$ 822**	**$1,337,932**	**$ 8,539,580**	**$ 105,440**	**$38,406**	**$ 2,844**	**$ 3,633**	**$1,580,296**

See accompanying independent auditors' report.

Required Supplementary Information

(unaudited)


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Information (unaudited)

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, 2006.

National Oceanic and Atmospheric Administration (NOAA):

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

The following shows NOAA's deferred maintenance for projects with estimated costs greater than $50 thousand, as of September 30, 2006:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition		
Buildings and Structures	4	$ 7,900	to	$ 9,700
Heritage Assets	4, 1	11,760	to	14,370
Total		**$ 19,660**	**to**	**$ 24,070**

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

National Institute of Standards and Technology (NIST):

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of September 30, 2006:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	$ 371,200 to $ 411,600
Buildings (Internal Structures)	4	58,300 to 75,000
Buildings (External Structures)	4	42,500 to 51,200
Total		**$ 472,000 to $ 537,800**

B *Stewardship Marine Sanctuaries, Marine National Monument, and Conservation Area:*

NOAA maintains the following sanctuaries, Marine National Monument, and conservation area, which are similar in nature to stewardship land:

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 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, 2006, 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) Marine National Monument: The majority of all coral reef habitats 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. On June 15, 2006, the President created the world's largest marine conservation area off the coast of the northern Hawaiian Islands. This conservation area, designated the Northwestern Hawaiian Islands Marine National Monument, encompasses nearly 140,000 square miles of U.S. waters, including 4,500 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by the NOAA National Marine Sanctuary, with the Department of the Interior and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA Fisheries Service formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers 279,114 square nautical miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. Six small areas that include fragile coral gardens discovered by NOAA Fisheries Service scientists will be closed to all bottom-contact fishing gear. This effort is part of a network of new marine protected areas in Alaskan waters designed to protect essential fish habitat.

C *Collection-type Heritage Assets*

The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, and nautical chart plates. The table below summarizes NOAA's collection-type heritage assets balance as of September 30, 2006. The NOAA uses the Condition Assessment Survey (CAS) method to describe the condition of its 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 NOAA's collection-type heritage 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, 2005	FY 2006 Additions	FY 2006 Withdrawals	Quantity of Items Held September 30, 2006
National Environmental Satellite, Data and Information Service Library	Publications, books, manuscripts, photographs, and maps	150,593	132	_	150,725
Others	Artifacts, artwork, books, films, instruments, maps, and records	112,619	442	539	112,522
Total		**263,212**	**574**	**539**	**263,247**

Note: Effective June 30, 2006, all heritage asset items are being reported individually rather than as collections in order to ensure a higher level of asset accountability. Therefore, the September 30, 2005 heritage assets balance has been restated. Prior to restatement, the balance at September 30, 2005 was 153,977 items held.

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2006 *(In Thousands)*

	Combining Total	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:									
Unobligated Balance, Brought Forward, October 1	$ 892,734	$ 119,243	$ 5,729	$ 99,037	$ 30,642	$ 11,622	$ 6,743	$ 10,757	$ 608,961
Adjustments to Unobligated Balance, Brought Forward	(528)	-	-	-	(103)	-	-	-	(425)
Recoveries of Prior-years Unpaid Obligations	112,404	24,294	9,149	5,392	7,376	16,391	2,968	20,960	25,874
Budget Authority									
Appropriations	6,788,098	2,918,092	-	1,193,678	186,000	398,925	614,208	253,985	1,223,211
Borrowing Authority	171,224	-	-	-	-	-	-	-	171,224
Spending Authority From Offsetting Collections									
Earned									
Collected	3,076,976	231,091	1,595,965	1,071	361	14,215	1,344	16,481	1,216,448
Change in Receivables	14,787	8,908	(116)	-	-	(860)	(800)	-	7,655
Change in Unfilled Customer Orders									
Advances Received	126,971	18,057	69,531	-	-	78	-	4,948	34,357
Without Advances	46,927	62,702	-	-	-	1,284	-	-	(17,059)
Previously Unavailable	1,627	-	-	-	-	-	-	-	1,627
Total Budget Authority	10,226,610	3,238,850	1,665,379	1,194,749	186,361	413,642	614,752	275,414	2,637,463
Nonexpenditure Transfers, Net	110,129	112,074	(100)	(32,608)	-	4,605	-	(700)	26,858
Permanently Not Available	(166,367)	(49,963)	-	(27,731)	(10,317)	(6,039)	(7,843)	(3,244)	(61,230)
TOTAL BUDGETARY RESOURCES	$ 11,174,982	$ 3,444,498	$ 1,680,157	$ 1,238,839	$ 213,959	$ 440,221	$ 616,620	$ 303,187	$ 3,237,501
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	$ 7,308,955	$ 3,037,824	$ -	$ 1,173,117	$ 183,879	$ 414,783	$ 610,018	$ 270,623	$ 1,618,711
Reimbursable	2,979,606	209,061	1,674,441	-	-	14,426	-	18,705	1,062,973
Total Obligations Incurred	10,288,561	3,246,885	1,674,441	1,173,117	183,879	429,209	610,018	289,328	2,681,684
Unobligated Balance									
Apportioned	476,194	179,155	5,660	65,539	26,143	7,248	4,226	13,828	174,395
Exempt From Apportionment	270,977	-	-	-	-	-	-	-	270,977
Total Unobligated Balance	747,171	179,155	5,660	65,539	26,143	7,248	4,226	13,828	445,372
Unobligated Balance Not Available	139,250	18,458	56	183	3,937	3,764	2,376	31	110,445
TOTAL STATUS OF BUDGETARY RESOURCES	$ 11,174,982	$ 3,444,498	$ 1,680,157	$ 1,238,839	$ 213,959	$ 440,221	$ 616,620	$ 303,187	$ 3,237,501
CHANGE IN UNPAID OBLIGATED BALANCE, NET:									
Unpaid Obligated Balance, Net, Brought Forward, October 1									
Unpaid Obligations, Brought Forward	$ 5,688,429	$ 1,886,853	$ 402,212	$ 868,395	$ 219,480	$ 117,986	$ 151,398	$ 811,137	$ 1,230,968
Less: Uncollected Customer Payments, Brought Forward	(252,323)	(169,802)	927	-	-	(3,789)	(800)	-	(78,859)
Total Unpaid Obligated Balance, Net, Brought Forward	5,436,106	1,717,051	403,139	868,395	219,480	114,197	150,598	811,137	1,152,109
Adjustments to Unpaid Obligations, Brought Forward	1,773	-	-	-	103	-	-	-	1,670
Obligations Incurred	10,288,561	3,246,885	1,674,441	1,173,117	183,879	429,209	610,018	289,328	2,681,684
Less: Gross Outlays	(9,857,185)	(3,128,888)	(1,513,677)	(1,122,291)	(241,808)	(421,072)	(602,440)	(305,485)	(2,521,524)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(112,404)	(24,294)	(9,149)	(5,392)	(7,376)	(16,391)	(2,968)	(20,960)	(25,874)
Change in Uncollected Customer Payments	(61,714)	(71,610)	116	-	-	(424)	800	-	9,404
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	$ 5,695,137	$ 1,739,144	$ 554,870	$ 913,829	$ 154,278	$ 105,519	$ 156,008	$ 774,020	$ 1,297,469
Unpaid Obligated Balance, Net, End of Period									
Unpaid Obligations	$ 6,009,174	$ 1,980,556	$ 553,827	$ 913,829	$ 154,278	$ 109,732	$ 156,008	$ 774,020	$ 1,366,924
Less: Uncollected Customer Payments	(314,037)	(241,412)	1,043		-	(4,213)	-	-	(69,455)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	$ 5,695,137	$ 1,739,144	$ 554,870	$ 913,829	$ 154,278	$ 105,519	$ 156,008	$ 774,020	$ 1,297,469
NET OUTLAYS:									
Gross Outlays	$ 9,857,185	$ 3,128,888	$ 1,513,677	$ 1,122,291	$ 241,808	$ 421,072	$ 602,440	$ 305,485	$ 2,521,524
Less: Offsetting Collections	(3,203,947)	(249,148)	(1,665,496)	(1,071)	(361)	(14,293)	(1,344)	(21,429)	(1,250,805)
Less: Distributed Offsetting Receipts	(139,872)	-	-	-	-	-	-	-	(139,872)
NET OUTLAYS	$ 6,513,366	$ 2,879,740	$ (151,819)	$ 1,121,220	$ 241,447	$ 406,779	$ 601,096	$ 284,056	$ 1,130,847

Required Supplementary Stewardship Information

(unaudited)


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Stewardship Information (unaudited)

Stewardship Investments

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

Investments in Non-federal Physical Property:

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

NOAA:

National Estuarine Research Reserves (NERR): The NERR system consists of 27 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2006, encompassed approximately 1.3 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Mission-Aransas, TX, was designated on May 3, 2006. NERRs are state-operated and managed in cooperation with NOAA. The NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 133 such projects.

Coastal Zone Management Fund: The Coastal Zone Management Program is authorized by the Coastal Zone Management Act of 1972, and administered at the federal level by NOAA's Office of Ocean and Coastal Resource Management. The investments in non-federal physical property include incidental expenses of land acquisition, and low-cost construction on behalf of various state and local governments, for the purpose of preservation or restoration of coastal resources and habitats. The NOAA's financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The state and local governments receive funding

for these investments through NOAA grant expenditures, and these grant expenditures also include funding for purposes other than the investments in non-federal physical property. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund.

The NOAA's investments in non-federal physical property for FY 2002 through FY 2006 were as follows:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
National Estuarine Research Reserves	$ 27.5	$ 24.0	$ 0.5	$ 15.4	$ 6.8	$ 74.2
Coastal and Estuarine Land Conservation Program	14.0	3.6	21.8	15.5	18.5	73.4
Total	**$ 41.5**	**$ 27.6**	**$ 22.3**	**$ 30.9**	**$ 25.3**	**$ 147.6**

Economic Development Administration (EDA):

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

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

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

EDA's investments in non-federal physical property for FY 2002 through FY 2006 were as follows:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Public Works	$ 182.5	$ 232.8	$ 194.8	$ 220.1	$ 180.1	$ 1010.3
Economic and Defense Adjustments	109.0	88.7	75.3	75.4	53.1	401.5
Disaster Recovery	36.7	22.5	18.5	10.1	24.2	112.0
Total	**$ 328.2**	**$ 344.0**	**$ 288.6**	**$ 305.6**	**$ 257.4**	**$ 1523.8**

Investments in Human Capital:

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

NOAA:

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA, of 32 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the nation's education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues, to provide information to improve management decisions in coastal, ocean, and Great Lakes policy, and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on Marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. Participants in this program can receive up to three years of funding.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. In FY 2006, 47 Graduate Research Fellowships have been awarded.

Educational Partnership Program: This program provides formal education and internship training opportunities for students attending minority-serving institutions. These funds also support field research and conference attendance where students present their research findings. The Undergraduate Scholarship Program is designed to increase the number of students who undertake course work and graduate with degrees in the targeted areas integral to NOAA's mission. Appointments are for two years, and are made to students who have recently declared or are about to declare a major in atmospheric, oceanic, or environmental science. The students participate in research, training, and development activities at NOAA offices and facilities during two summer internships. There were 15 students that started the program in FY 2006.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. There were 101 students starting the program in 2006, and the first scholarship recipients are expected to complete the program in May 2007.

The following table summarizes NOAA's investments in human capital for FY 2002 through FY 2006:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
National Sea Grant College Program	$ 0.8	$ 0.7	$ 0.6	$ 0.7	$ 0.7	$ 3.5
National Estuarine Research Reserve Program	0.8	0.1	0.8	0.9	0.9	3.5
Educational Partnership Program	N/A[1]	N/A	N/A	7.0	13.9	20.9
Ernest F. Hollings Undergraduate Scholarship Program	N/A	N/A	N/A	0.3	3.8	4.1
Total	**$ 1.6**	**$ 0.8**	**$ 1.4**	**$ 8.9**	**$ 19.3**	**$ 32.0**

[1] *Not applicable*

The following table further summarizes NOAA's human capital investments for FY 2004 to FY 2006 by performance goal:

(In Millions)

Performance Goal	FY 2004	FY 2005	FY 2006
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	$ 1.4	$ 8.9	$ 19.3

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 nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. The NIST Laboratories foster scientific and technological leadership by helping the United States to drive and take advantage of the increased pace of technological change, fostering more efficient transactions in the domestic and global marketplace, and addressing other critical needs assigned to NIST by the Administration and Congress. NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry to compete in the twenty-first century. In this way, the laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

Advanced Technology Program (ATP): ATP is a cost-shared funding program for businesses that was intended to develop new technologies for commercial use. Phase-out of the program was initiated in FY 2006. Although ATP did not issue any new awards in FY 2006 the long-term nature of ATP-funded project results will continue to be realized. In FY 2006, NIST began an effort to ensure that the results of the funded research are available to the private sector for future technology development and commercialization after the program is concluded.

The following table summarizes NIST's R&D investments for FY 2002 through FY 2006 by R&D Category:

(In Millions)

	NIST Laboratories					Advanced Technology Program					Total				
R&D Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Basic Research	$ 63.5	$ 74.2	$ 65.0	$ 66.6	$ 85.2	$ -	$ -	$ -	$ -	$ -	$ 63.5	$ 74.2	$ 65.0	$ 66.6	$ 85.2
Applied Research	288.8	307.9	319.7	325.6	345.8	76.6	86.8	96.9	96.1	58.0	365.4	394.7	416.6	421.7	403.8
Development	19.1	19.4	13.7	14.3	16.7	76.6	86.9	96.9	96.0	58.0	95.7	106.3	110.6	110.3	74.7
Total	**$ 371.4**	**$ 401.5**	**$ 398.4**	**$ 406.5**	**$ 447.7**	**$ 153.2**	**$ 173.7**	**$ 193.8**	**$ 192.1**	**$ 116.0**	**$ 524.6**	**$ 575.2**	**$ 592.2**	**$ 598.6**	**$ 563.7**

The following tables further summarize NIST's R&D investments for FY 2006 and FY 2005 by performance goal:

(In Millions)

FY 2006				
Performance Goal	Basic Research	Applied Research	Development	Total
Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 85.2	$ 345.8	$ 16.7	$ 447.7
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	58.0	58.0	116.0
Total	**$ 85.2**	**$ 403.8**	**$ 74.7**	**$ 563.7**

(In Millions)

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

NOAA:

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

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

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

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

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

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

Fisheries: The NOAA's NMFS is responsible for the management and stewardship of living marine resources and their habitat within the Nation's Exclusive Economic Zone. NMFS manages these resources through science-based conservation and management, and the protection and restoration of healthy ecosystems to ensure their continuation as functioning components of ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed, catch data are collected, and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species. Protection of endangered species, restoration of coastal and estuarine fishery habitats, and enforcement of fishery regulations are primary bureau activities. The research and management of living marine resources is conducted in partnership with states, universities, other countries, and international organizations.

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

research and marine mammal assessment programs. The NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

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

Other Programs: As a national lead for coastal stewardship, National Ocean Service promotes a wide range of research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. The 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 2002 through FY 2006 were as follows:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Environmental and Climate	$ 289.9	$ 351.4	$ 317.9	$ 307.8	$ 324.2	$ 1,591.2
Fisheries	121.7	156.4	70.6	53.5	56.3	458.5
Marine Operations and Maintenance and Aircraft Services	19.3	90.4	51.7	57.5	50.7	269.6
Weather Service	11.0	20.4	17.6	26.9	15.1	91.0
Other	132.4	83.3	116.5	124.9	124.1	581.2
Total	**$ 574.3**	**$ 701.9**	**$ 574.3**	**$ 570.6**	**$ 570.4**	**$ 2,991.5**

The following table summarizes NOAA's R&D investments for FY 2002 through FY 2006 by R&D category:

(In Millions)

R&D Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Applied Research	$ 546.0	$ 680.8	$ 546.7	$ 514.8	$ 523.1	$ 2,811.4
Development	28.3	21.1	27.6	55.8	47.3	180.1
Total	**$ 574.3**	**$ 701.9**	**$ 574.3**	**$ 570.6**	**$ 570.4**	**$ 2,991.5**

The following tables further summarize NOAA's R&D investments for FY 2006 and FY 2005 by performance goal:

(In Millions)

FY 2006			
Performance Goal	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	$ 250.7	$ 14.0	$ 264.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	160.2	12.3	172.5
Serve Society's Needs for Weather and Water Information	109.0	20.9	129.9
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	3.2	0.1	3.3
Total	**$ 523.1**	**$ 47.3**	**$ 570.4**

(In Millions)

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