

SECTION 3

FINANCIAL SECTION

A Message from the Chief Financial Officer



I am pleased to present the National Archives and Records Administration's (NARA) financial statements for Fiscal Year 2007.

For the second year in a row, NARA has achieved an unqualified audit opinion on its consolidated CFO Act financial statements. We are pleased that the auditor's report presents both our progress and our remaining challenges.

In FY 2007, NARA continued to make significant improvements in financial management, establishing and refining the processes and associated internal controls after conversion in FY 2006 to a new financial services provider. With that accomplished, NARA will continue its efforts on further improvements and refinements in our financial management processes that are on a longer timeframe. Some of these, such as improved management and accounting for property, plant and equipment, require culture changes as appropriate management processes are developed and implemented across the NARA organization.

We are very proud of all NARA staff for the significant achievement of maintaining the unqualified opinion on our financial statements. We extend our appreciation to our financial services provider for their continued efforts and cooperation.

In closing, while challenges remain, I believe, NARA has consistently demonstrated its commitment to improving financial management and its ability to produce accurate and reliable financial statements.

A handwritten signature in black ink that reads "Adrienne C. Thomas". The signature is written in a cursive, flowing style.

Adrienne C. Thomas
Assistant Archivist for Administration and
Chief Financial Officer

Auditor's Reports (FY 2007)

Inspector General's Summary

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
ANNUAL FINANCIAL STATEMENT
FISCAL YEAR 2007

OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the National Archives and Records Administration (NARA) for the fiscal years ended September 30, 2007 and 2006. We contracted with the independent certified public accounting firm of Clifton Gunderson, LLP (CG) to perform the audit. The audit was done in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable provisions of the OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, and the GAO/PCIE *Financial Audit Manual*.

In its audit of NARA's financial statements, CG's opinion states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2007 and 2006, and its net cost, changes in net position, budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CG reported one significant deficiency¹ in internal control over financial reporting in the area of Information Technology. CG reported no material weaknesses² and disclosed no instances of noncompliance with certain provisions of laws and regulations.

In connection with the contract, we reviewed CG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, as we do not express, opinions on NARA's financial statements or conclusions about the effectiveness of internal control; or conclusions on compliance with laws and regulations. CG is responsible for the attached auditor's report dated November 13, 2007 and the conclusions expressed in the report. However, our review disclosed no instances where CG did not comply, in all material respects, with generally accepted government auditing standards.

¹ Significant deficiency is defined as a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

² Material weakness is defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Independent Auditor's Report (FY 2007)



Independent Auditor's Report

To the Inspector General of the
National Archives and Records Administration

We have audited the consolidated balance sheets of National Archives and Records Administration (NARA) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, and combined statement of budgetary resources for the years then ended (hereinafter collectively referred to as the "financial statements"). These financial statements are the responsibility of NARA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NARA as of September 30, 2007 and 2006, and its net cost, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2007 on our consideration of NARA's internal control over financial reporting, and on our tests of NARA's compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Offices in 17 states and Washington, DC



The information in the Management Discussion and Analysis, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the Message from The Archivist, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Clifton Henderson LLP

Calverton, Maryland
November 13, 2007



Independent Auditor's Report on Compliance and Other Matters

To the Inspector General of the
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of, and for the year ended September 30, 2007, and have issued our report thereon dated November 13, 2007. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*.

The management of NARA is responsible for complying with laws and regulations applicable to NARA. As part of obtaining reasonable assurance about whether NARA's financial statements are free of material misstatements, we performed tests of NARA's compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to NARA. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under U.S. generally accepted government auditing standards or OMB guidance.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, GAO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
November 13, 2007

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Independent Auditor's Report on Internal Control

To the Inspector General of the
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of and for the year ended September 30, 2007 and have issued our report thereon dated November 13, 2007. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered NARA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with OMB Bulletin No. 07-04, but not for the purpose of expressing an opinion on the effectiveness of NARA'S internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act* (FMFIA) (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. Accordingly, we do not express an opinion on the effectiveness of NARA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider collectively to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the

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entity's internal control. We consider the deficiencies described below to be collectively a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the second paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described below is a material weakness over financial reporting.

Finally, with respect to internal control related to performance measures reported in the NARA's Performance and Accountability Report as of September 30, 2007, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

SIGNIFICANT DEFICIENCY

I. Information Technology

A. Access Controls

In NARA's highly computerized and interconnected environment, effective access control security is dependent on consistently evaluating and controlling the level of access granted to each system user. Access controls should limit and monitor access to computer resources (i.e., data files, application programs, and computer-related facilities and equipment) to the extent necessary to provide reasonable assurance that these resources are protected against misuse, loss, unauthorized modification, disclosure, or misappropriation. Access controls include logical controls, such as security software programs designed to prevent or detect unauthorized access to sensitive files.

Our testing has identified weaknesses in NARA's information systems environment. These vulnerabilities expose NARA and its computer systems to risks of intrusion, subject sensitive NARA information related to its major applications to potential unauthorized access, modification, and/or disclosure, and increase the risks of fraud and abuse.

Our testing also indicated that logical access controls are not effective to ensure that only authorized users have access to systems. To illustrate:

Logical Access Controls

- NARA contractor personnel are not required to be processed through an exit clearance process upon separation from NARA to ensure system access is removed. **(Repeat Condition)**
- Records Center Program and Billing System (RCPBS) system access is not being removed in a timely manner. We reviewed the current RCPBS user listing, sampled and tested 45 users, and identified two individuals (with access at the "manager" user group level), who separated employment from NARA more than one year ago. Users with the access level of "Manager" have the right to approve billable transactions entered by users. **(New Condition)**
- RCPBS password parameters to limit logon attempts is not configured in accordance with parameters defined within the NARA IT Security handbook, which require no more than five invalid logon attempts before accounts are locked out. Thus, unlimited access attempts could be made to guess RCPBS user passwords without an automated limitation. **(Repeat Condition)**

Recommendations:

1. Implement a contractor exit clearance process that requires formal sign offs by functional managers and Contracting Officer Technical Representatives (COTRs) to ensure logical and physical access is disabled and NARA property returned.
2. Immediately remove/disable RCPBS system access for the two individuals.
3. Enable account lockouts for the RCPBS application in accordance with NARA IT policies.

B. Entity-Wide Security Program

Effective information security management is critical to NARA's ability to ensure the confidentiality, integrity, and availability of its information assets, and thus its ability to perform its mission. If effective information security practices are not in place, NARA's data and systems are at risk of inadvertent or deliberate misuse, fraud, improper disclosure, or destruction—possibly without detection.

The Government Accountability Office (GAO) research of public and private sector organizations recognized as having strong information security programs shows that their programs include: (1) establishing a central focal point with appropriate resources, (2) continually assessing business risks, (3) implementing and maintaining policies and controls, (4) promoting awareness, and (5) monitoring and evaluating policy and control effectiveness. [GAO, Executive Guide: Information Security Management, Learning From Leading Organizations, GAO/AIMD-98-68 (Washington, D.C.: May 1998), and Information Security Risk Assessment: Practices of Leading Organizations, A

Supplement to GAO's May 1998 Executive Guide on Information Security Management, GAO/AIMD-00-33 (Washington, D.C.: November 1999)].

NARA has taken important steps to establish an effective information security program, but some weaknesses still exist. We noted weaknesses in the implementation of the program and instances of noncompliance with Federal regulations (i.e., OMB Circular A-130 and National Institute of Science and Technology (NIST) Publications), as well as other IT directives, policies, procedures, and templates.

Weaknesses that currently exist in NARA's information security program include the following:

- The certification and accreditation process for the RCPBS application was flawed as the security plan, a critical component of the C&A process, was incomplete and in draft. **(New Condition)**
- Employee exit clearance forms were not available for five individuals who separated from NARA during fiscal year (FY) 2007. **(Repeat Condition)**
- Employee background investigations were not initiated or performed on 12 individuals in accordance with OMB and NARA policies. **(Repeat Condition)**

Recommendations:

4. Finalize the RCPBS Security plan, with affirmative evidence of management approval, date and version.
5. Complete incomplete sections in the RCPBS Security Plan, including components as indicated in the NIST 800-18 "*Guide for Developing Security Plans for Federal Information Systems*" standard with sections for all NIST 800-53 "*Guide for Assessing Security Controls in Federal Information Systems*".
6. Perform an internal review to ensure that all security accreditation packages for all major applications and general support systems are supported by a clearly approved, finalized and complete System Security Plan and other documents as required by NIST 800-37 "*Guide for the Security Certification and Accreditation of Federal Information Systems*".
7. Complete exit clearance forms (Form 3009) for all separating employees which include formal sign offs by functional managers and maintain these documents in accordance with NARA document retention policies.
8. Complete background investigations for the 12 NARA employees identified.
9. Ensure out-of-date background investigations for all employees and contractors are re-performed.

10. NARA should be conducting background investigations on new hires prior to accessing NARA systems and implement a process to independently validate on an annual basis that such investigations are being performed in a timely manner.

C. Configuration Management

Establishing controls over NARA's modification of application software programs helps to ensure that only authorized programs and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques that help make sure all programs and program modifications are properly authorized, tested, and approved and that access to and distribution of programs is carefully controlled. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or "turned off" or that processing irregularities or malicious code could be introduced.

Formalized emergency change control or testing documentation procedures were not available for the RCPBS application.

Recommendation:

11. Strengthen RCPBS change control policies and procedures to include emergency change control and testing documentation procedures.

D. Contingency Plan

Losing the capability to process, and protect information maintained on NARA's computer systems can significantly impact NARA's ability to accomplish its mission to serve the public. The purpose of service continuity controls is to ensure that, when unexpected events occur, critical operations continue without significant interruption or are promptly resumed.

To achieve this objective, NARA should have procedures in place to protect information resources and minimize the risk of unplanned interruptions and a plan to recover critical operations should interruptions occur. These plans should consider activities performed at NARA's general support facilities (e.g. NARA's LAN, WAN, and telecommunications facilities), as well as the activities performed by users of specific applications. To determine whether the disaster recovery plans will work as intended, NARA should establish and periodically test the capability to perform its functions in disaster simulation exercises. NARA should develop and structure disaster recovery plans and continuity of operation plans in accordance with Federal Emergency Management Agency Federal Preparedness Circular No. 65, Presidential Decision Directive 67 "Enduring Constitutional Government and Continuity of Operations", and NIST SP 800-34 "Contingency Planning Guide for Information Technology Systems".

Our review of NARA's service continuity controls identified deficiencies that could affect NARA's ability to respond to a disruption in business operations as a result of a disaster or other long-term emergency. The deficiencies were as follows:

- The NARA Headquarters Continuity of Operations Plan (COOP) does not identify mission-critical systems and related vital files, records and databases necessary to restore essential functions. Testing of the COOP cannot be adequately performed without identification of vital records and databases. Additionally, the COOP includes discontinued systems such as Pegasus and Financial Management Information System (FMIS). (Repeat Condition)
- The RCPBS Disaster Recovery Plan (DRP): 1) does not accurately reflect its current operating environment as references to discontinued systems and interfaces are indicated, 2) does not describe the frequency or content of DRP testing, and 3) no testing of DRP restoration/recovery procedures (other than data files) occurred during FY2007. (New Condition)

Recommendations:

12. Revise the COOP to reflect systems/applications that are currently in use, and specifically identify mission critical applications and related vital files, records and databases necessary to restore essential functions.
13. Develop and document an RCPBS DRP testing schedule. Test the DRP annually to identify planning gaps, ensure recovery assumptions are valid, and prepare recovery personnel for plan activation. Develop test objectives, success criteria, and document lessons learned and incorporate as needed into the plan, and train necessary personnel. In accordance with NIST 800-34 "Contingency Planning Guide for Information Systems" recovery tests should address the following areas:
 - System recovery on an alternate platform from backup media
 - Coordination among recovery teams
 - Internal and external connectivity
 - System performance using alternate equipment
 - Restoration of normal operations
 - Notification procedures

STATUS OF PRIOR YEAR COMMENTS

We have reviewed the status of NARA's corrective actions with respect to the material weakness and reportable conditions from previous year's report on internal control. Details of the status of the recommendations are reported in Appendix A to this report.

NARA management's response to the significant deficiency identified in our report is included in this report. We did not audit NARA's response and, accordingly, we express no opinion on it.

In addition to the significant deficiencies described above, we noted certain matters involving internal control and its operation that we reported to the management of NARA in a separate letter dated November 13, 2007.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, OMB, the Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
November 13, 2007

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
Material Weakness			
1	Inactive network accounts are not being disabled in a timely manner.	Develop and utilize a script or command line command to identify inactive network accounts that have been inactive for more than 90 days and disable them.	Closed
2	NARA does not recertify VPN access on a quarterly basis and documentation to support user access is not readily available.	Institute a process for recertifying network accounts (including system administrators) and remote user access (which are not covered during an application user re-certification process).	Closed
3	Inactive network accounts are not being disabled in a timely manner.	User IDs (other than system ID) not associated with an individual or not designated for testing purposes should be deleted.	Closed
4	Contractor out-processing procedures could be improved.	Develop a contractor exit checklist that will require formal sign offs by functional managers. Additionally, the functional managers should indicate that the contractor's access be removed.	Open
5	Access to the Archives II computer room could be more tightly controlled.	Regularly recertify all physical access to sensitive NARA facilities, and review agreements where contractors may act as an agent on behalf of NARA with third parties (e.g. Iron Mountain, etc.). Documented evidence of these re-certifications should be maintained for future reference.	Closed
6	The RCPBS Password lockout Policy has not been turned on.	Enable account lockouts for the RCPBS application in accordance with NARA IT policies.	Open

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
Material Weakness			
7	Employee clearance record forms are not being maintained for separated employees.	Maintain employee clearance records (Form 3009) for every separating employee.	Open
8	Employee clearance record forms are not being maintained for separated employees.	Require supervisors of departing employees to ensure the Form 3009 is completed no later than an employee's last day of work.	Closed
9	The NARANet Risk Assessment has not been updated to reflect major changes to its operating environment since it was last updated in 2003.	Perform a risk assessment of the NARANet environment to identify risks posed by the upgrade on the NARANet system environment and controls.	Closed
10	The NARANet Security Plan has not been updated to reflect major changes to operating environment since it was last updated in 2003.	Update the NARANet System Security plan to reflect the current status of the system.	Closed
11	The NARANet Risk Assessment has not been updated to reflect major changes to its operating environment since it was last updated in 2003.	Develop a Plan of Actions and Milestones to address the risks identified within the updated NARANet risk assessment.	Closed
12	NARA management has not performed a recent certification and accreditation (C&A) of the NARANet general support.	Officially re-authorize the NARANet general support system to continue processing.	Closed

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
Material Weakness			
13	Employee background investigations are not being conducted in accordance with OMB guidance and NARA policies.	Background investigations should be immediately conducted on the four noted individuals.	Closed
14	Employee background investigations are not being conducted in accordance with OMB guidance and NARA policies	NARA should be conducting background investigations on new hires prior to accessing NARA systems, and implement a process to independently validate on an annual basis that such investigations are being performed in a timely manner.	Open
15	NARA does not have formalized policies and procedures for identifying, selecting, installing and modifying system software on NARANet.	Document and implement patch management procedures for all Novell systems.	Closed
16	Controls over the management of NARA's firewalls could be strengthened.	Implement the milestones and target dates identified in the Plan of Actions and Milestones (POA&M) to address the four open firewall weaknesses identified.	Closed
17	NARA's disaster recovery plan needs updated.	Revise the COOP to reflect systems/applications that are currently in use, and specifically identify mission critical applications and related vital files, records and databases necessary to restore essential functions.	Open

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
Material Weakness			
18	NARA's disaster recovery plan needs updated.	Revise the NARANet and NH disaster recovery plans to reflect the current Novell Groupwise environment, describe procedures to recover Novell Groupwise and identify the storage location of backup tapes (identified as an essential material, data, record or communication).	Closed
Reportable Conditions			
19	Not all open obligations on open items lists sent to office heads showed evidence review.	Consistently implement NARA Interim Guidance 400-6.	Closed
20	Supervisory time and attendance certification reports were not available for review for certain employees selected for testing.	Ensure that documentation supporting payroll transactions is properly maintained and readily available for examination.	Closed
21	Time and Attendance logs did not consistently include the proper validating signatures.	Enforce the policy of signing and dating the Supervisory Time and Attendance Certification Report.	Open – Reported in Management Letter in FY 2007

Management Response to Auditor's Report (FY 2007)



National Archives and Records Administration

700 Pennsylvania Avenue, NW
Washington, DC 20408-0001

Date: November 9, 2007
To: Paul Brachfeld, NARA Inspector General
From: Allen Weinstein, Archivist of the United States
Subject: Response to Draft Independent Auditor's Reports on NARA's Internal Controls and Compliance with Laws and Regulations for FY 2007

Thank you for the opportunity to review and comment on the draft reports entitled Independent Auditor's Report on Internal Control and Independent Auditor's Report on Compliance and Other Matters. We appreciate the efforts of your staff and all parties associated with this audit process.

We generally agree with the auditors' assessment of a significant deficiency in information technology. However, we want to reassure our stakeholders that the risks described are adequately mitigated with compensating controls to prevent a material misstatement of NARA financial statements. At the same time, management will continue to prioritize its efforts, within existing budget constraints, to correct the identified problems in the processes and systems in the most cost-effective manner.

While we continue to face challenges, we strongly believe that NARA has again demonstrated our commitment to improved financial management and our ability to produce accurate and reliable financial information. We would like to again thank the Office of Inspector General and Clifton Gunderson LLP for working in a professional and dedicated manner with NARA staff.

A handwritten signature in cursive script that reads "Allen Weinstein".

ALLEN WEINSTEIN
Archivist of the United States

NARA's web site is <http://www.archives.gov>

Financial Statements and Additional Information (FY 2007)

Limitations of the Financial Statements

The principal statements have been prepared to report the financial position and results of operations of NARA, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from NARA's books and records in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are additional to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

NARA's FY 2007 financial statements were audited by Clifton Gunderson LLP under contract to NARA's Office of the Inspector General.

Principal Statements

Consolidated Balance Sheet

*As of September 30, 2007 and September 30, 2006
(in thousands)*

	2007	2006
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 176,004	174,683
Investments (Note 3)	8,342	7,631
Accounts receivable (Note 4)	9,789	12,486
Total intragovernmental	194,135	194,800
Cash	51	49
Investments (Note 3)	21,972	20,869
Accounts receivable, net (Note 4)	554	653
Inventory, net (Note 5)	1,027	1,110
General property, plant and equipment, net (Note 6)	377,871	339,746
Other Assets	925	977
Total assets	\$ 596,535	\$ 558,204
Stewardship PP&E (Note 7)		
Liabilities		
Intragovernmental		
Accounts payable	\$ 3,296	\$ 2,657
Other (Note 8, 9, 10)	5,237	5,917
Total intragovernmental	8,533	8,574
Accounts payable	32,542	32,949
Debt held by the public (Note 8, 9)	216,841	226,938
Other (Note 8, 10)	29,665	30,333
Total liabilities	287,581	298,794
Commitments and Contingencies (Note 12)		
Net Position		
Unexpended appropriations - other funds	108,649	108,887
Cumulative results of operations - earmarked funds (Note 13)	30,952	29,174
Cumulative results of operations - other funds	169,353	121,349
Total net position	\$ 308,954	\$ 259,410
Total liabilities and net position	\$ 596,535	\$ 558,204

The accompanying notes are an integral part of these statements

National Archives and Records Administration
Performance and Accountability Report, FY 2007

Consolidated Statement of Net Cost
For the years ended September 30, 2007 and 2006

(in thousands)

	2007	2006
Program Costs		
Records and archives-related services		
Gross costs (Note 14)	\$ 282,894	\$ 285,250
Less: Earned revenues	(545)	(1,244)
Total net records and archives-related services program costs	282,349	284,006
Trust and Gift Funds		
Gross costs (excluding heritage asset renovation)	14,997	13,497
Heritage asset renovation costs (Note 15)	1,200	634
Less: Earned revenues	(18,094)	(16,923)
Total net trust and gift fund costs	(1,897)	(2,792)
Electronic records archives		
Gross costs	7,091	6,411
Less: Earned revenues	-	-
Total net electronic records archives program costs	7,091	6,411
National historical publications and records commission grants		
Gross costs	5,681	7,014
Less: Earned revenues	-	-
Total net national historical publications and records commission grants program costs	5,681	7,014
Archives facilities and presidential libraries repairs and restoration		
Gross costs (excluding heritage asset renovation)	888	544
Heritage asset renovation costs (Note 15)	3,667	11,942
Less: Earned revenues	-	-
Total net archives facilities and presidential libraries repairs and restoration program costs	4,555	12,486
Revolving fund records center storage and services		
Gross costs	144,836	143,350
Less: Earned revenues	(136,015)	(135,561)
Total net revolving fund records center storage and services program costs	8,821	7,789
Net Cost of Operations	\$ 306,600	\$ 314,914

The accompanying notes are an integral part of these statements

Consolidated Statement of Changes in Net Position
For the year ended September 30, 2007
(in thousands)

	2007		Consolidated Total
	Earmarked Funds	All Other Funds	
Cumulative Results of Operations			
Beginning Balance	\$ 29,174	\$ 121,349	\$ 150,523
Budgetary Financing Sources			
Appropriations Used	-	335,779	335,779
Nonexchange Revenue	821	-	821
Donations and forfeitures of cash and cash equivalents	1,724	-	1,724
Other	398	-	398
Other Financing Sources (Non-Exchange)			
Imputed financing	522	17,381	17,903
Other	(243)	-	(243)
Total Financing Sources	3,222	353,160	356,382
Net Cost of Operations	1,444	305,156	306,600
Net Changes	1,778	48,004	49,782
Cumulative Results of Operations	30,952	169,353	200,305
Unexpended Appropriations			
Beginning Balance	-	108,887	108,887
Budgetary Financing Sources			
Appropriations received	-	341,137	341,137
Other adjustments	-	(5,596)	(5,596)
Appropriations used	-	(335,779)	(335,779)
Total Budgetary Financing Sources	-	(238)	(238)
Total Unexpended Appropriations	-	108,649	108,649
Net Position	\$ 30,952	\$ 278,002	\$ 308,954

The elimination column was omitted because there was no elimination activity.

The accompanying notes are an integral part of these statements

Consolidated Statement of Changes in Net Position
For the year ended September 30, 2006
(in thousands)

	2006		
	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations			
Beginning Balance	\$ 28,743	\$ 78,873	\$ 107,616
Budgetary Financing Sources			
Appropriations Used	-	338,887	338,887
Nonexchange Revenue	746	-	746
Donations and forfeitures of cash and cash equivalents	405	-	405
Other	(7)	-	(7)
Other Financing Sources (Non-Exchange)			
Imputed financing	466	17,497	17,963
Other	(173)	-	(173)
Total Financing Sources	1,437	356,384	357,821
Net Cost of Operations	1,006	313,908	314,914
Net Changes	431	42,476	42,907
Cumulative Results of Operations	29,174	121,349	150,523
Unexpended Appropriations			
Beginning Balance	-	117,554	117,554
Budgetary Financing Sources			
Appropriations received	-	338,141	338,141
Other adjustments	-	(7,921)	(7,921)
Appropriations used	-	(338,887)	(338,887)
Total Budgetary Financing Sources	-	(8,667)	(8,667)
Total Unexpended Appropriations	-	108,887	108,887
Net Position	\$ 29,174	\$ 230,236	\$ 259,410

The elimination column is omitted as no elimination activity impacts this statement.

The accompanying notes are an integral part of these statements

Combined Statement of Budgetary Resources
For the years ended September 30, 2007 and 2006
(in thousands)

	<u>2007</u>	<u>2006</u>
Budgetary Resources		
Unobligated balance brought forward, October 1:	\$64,518	\$74,714
Recoveries of prior year unpaid obligations	10,251	7,590
Budget Authority		
Appropriation	356,893	339,906
Spending authority from offsetting collections		
Earned		
Collected	173,921	166,952
Change in receivables from Federal sources	(2,731)	2,733
Change in unfilled customer orders		
Advance received	(181)	526
Without advance from Federal sources	(11)	8,557
Subtotal	527,891	518,674
Permanently not available	15,622	17,145
Total budgetary resources	<u>587,038</u>	<u>583,833</u>
Status of Budgetary Resources		
Obligations Incurred		
Direct	363,392	346,146
Reimbursable	159,833	173,169
Subtotal	523,225	519,315
Unobligated Balance		
Apportioned	45,773	47,098
Exempt from apportionment	4,993	3,342
Subtotal	50,766	50,440
Unobligated balance not available	13,047	14,078
Total status of budgetary resources	<u>587,038</u>	<u>583,833</u>
Change in Obligated Balance		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	139,068	117,240
Less: Uncollected customer payments from Federal sources, brought forward October 1	(21,224)	(9,935)
Total unpaid obligated balance, net	117,844	107,305
Obligations incurred net	523,225	519,315
Less: Gross outlays	(512,979)	(489,897)
Less: Recoveries of prior year unpaid obligations, actual	(10,251)	(7,590)
Change in uncollected customer payments from Federal sources	2,742	(11,289)
Obligated balance, net, end of period		
Unpaid obligations	139,064	139,068
Less: Uncollected customer payments from Federal sources	(18,483)	(21,224)
Total, unpaid obligated balance, net, end of period	120,581	117,844
Net Outlays		
Gross outlays	512,979	489,897
Less: Offsetting collections	(173,740)	(167,479)
Less: Distributed offsetting receipts	(13,913)	(99)
Net Outlays	<u>\$325,326</u>	<u>\$322,319</u>

The accompanying notes are an integral part of these statements

Notes to Principal Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The National Archives was created by statute as an independent agency in 1934. On September 30, 1949, the Federal Property and Administrative Services Act transferred the National Archives to the General Services Administration (GSA), and its name was changed to National Archives and Records Services. It attained independence again as an agency in October 1984 (effective April 1, 1985) and became known as the National Archives and Records Administration (NARA).

NARA is our nation's records keeper. NARA safeguards records of all three branches of the Federal Government. NARA's mission is to ensure continuing access to the essential documentation of the rights of American citizens and the actions of their government, and to facilitate historical understanding of our national experience.

NARA is administered under the supervision of the Archivist of the United States. It comprises various Operating Administrations, each having its own management and organizational structure, which collectively provide services and access to the essential documentation. NARA's accompanying financial statements include accounts of all funds under NARA's control.

General Funds

- Operating Expenses
 - Records Services—Provides for selecting, preserving, describing, and making available to the general public, scholars, and Federal agencies the permanently valuable historical records of the Federal Government and the historical materials and Presidential records in Presidential Libraries; for preparing related publications and exhibit programs; and for conducting the appraisal of all Federal records.
 - Archives Related Services—Provides for the publication of the Federal Register, the Code of Federal Regulations, the U.S. Statutes-at-Large, and Presidential documents, and for a program to improve the quality of regulations and the public's access to them. This activity also includes the administration and reference service portions for the National Historical Publications and Records Commission.
 - The National Archives at College Park—Provides for construction and related services of the archival facility which opened to the public at the end of 1993.
- Electronic Records Archives—Provides for research, analysis, design, development and program management to build an Electronic Records Archive (ERA) that will ensure the preservation of and access to Government electronic records.
- Repairs and Restoration—Provides for the repair, alteration, and improvement of Archives facilities and Presidential Libraries nationwide. It funds the National Archives' efforts to provide adequate storage for holdings, to maintain its facilities in proper condition for public visitors, researchers, and employees in NARA facilities, and maintain the structural integrity of the buildings.
- National Historical Publications and Records Commission Grants—Provides for grants funding that the Commission makes, to local, state, and private institutions nationwide, to preserve and publish records that document American history.

Intragovernmental Fund

- Records Center Revolving Fund – Utilizes customer funding effectively to provide services on a standard price basis to Federal agency customers. The fund maintains low cost, quality storage and transfers, reference, re-file, and disposal services for records stored in regional service facilities. The program office develops transaction billing rates annually for the upcoming fiscal year. The rates are developed to ensure full cost recovery for the delivery of storage and services of records held by the fund for its customer agencies. The rate development process is reviewed for reasonableness by the revolving fund office and receives final approval from the Archivist. Adjustments, changes or additions to the rates are submitted to the Archivist for approval before implementation.

Trust Funds

- National Archives Gift Fund – The National Archives Trust Board solicits and accepts gifts or bequests of money, securities, or other personal property for the benefit of or in connection with the national archival and records activities administered by the National Archives and Records Administration (44 U.S.C. 2305).
- National Archives Trust Fund – The Archivist of the United States furnishes, for a fee, copies of unrestricted records in the custody of the National Archives (44 U.S.C. 2116). Proceeds from the sale of copies of microfilm publications, reproductions, special works and other publications, and admission fees to Presidential Library museums are deposited in this fund.

B. Basis of Accounting and Presentation

These statements have been prepared from the accounting records of NARA in conformity with accounting principles (GAAP) generally accepted in the United States, and the requirements of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. These statements are, therefore, different from the financial reports prepared by NARA, also subject to OMB directives, for the purposes of reporting and monitoring NARA's status of budget resources.

Transactions are recorded on both an accrual and budgetary basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and control over the use of Federal funds.

C. Funds with the U.S. Treasury and Cash

Funds with the U.S. Treasury primarily represent appropriated, revolving and trust funds. These funds may be used by NARA to finance expenditures. NARA's cash receipts and disbursements are processed by the U.S. Treasury.

Cash consists of petty cash imprest funds at Presidential Libraries and the National Archives regional and headquarters store locations, used to finance the cashiers' start-up cash.

D. Accounts Receivable

Majority of accounts receivable consist of amounts due from Federal agencies, which are expected to be collected, and therefore are not considered for allowance for uncollectible accounts. For amounts due from the public NARA changed its policy in FY 2007 to directly write off uncollectible receivables. In FY 2006, amounts due from the public are presented net of an allowance for uncollectible accounts. The allowance is based on an analysis of the outstanding balances.

E. Investments in Securities

Investments in Federal securities are made daily and are reported at cost.

NARA also employs the services of a third party capital management firm to monitor and manage the endowments, received pursuant to Title 44 U.S.C. section 2112, for the George Bush Library and Clinton Library. The purpose of the endowment is to provide income to offset the operations and maintenance costs of the corresponding Presidential library. Each endowment is reflected as a separate investment account. During FY 2006, all shares in the Lehman Aggregate Bond Index were sold and shares were repurchased in a Collective Fund. NARA also exercised its authority under Title 44 U.S.C. section 2306, to move a portion of federally held investments for the Presidential Libraries to a third party investment firm, The Vanguard Group. All third party investments will be recorded at fair value and interest income earned will be recognized on a monthly basis.

F. Inventories

The National Archives Trust Fund inventories, which consist of merchandise, held for sale, are stated at the lower of cost or market, with cost determined using the average cost method. An allowance for damaged and obsolete goods is based on historical analysis and an evaluation of inventory turnover from year to year. Expenses are recorded when the inventories are sold.

G. Property, Plant and Equipment

NARA capitalizes property with a cost exceeding \$50 thousand and a useful life exceeding two years. Depreciation expense is calculated using the straight-line method over the useful life. Property items not meeting the capitalization criteria are recorded as operating expenses.

NARA's PP&E falls into two categories: general PP&E and heritage assets. General PP&E items are used to provide general government goods and services. Heritage assets are defined as possessing significant educational, cultural or natural characteristics (see Note 7).

H. Internal Use Software

NARA capitalizes internal-use software development projects, where the total cost is \$250 thousand or greater. Internal-use software includes commercial off-the-shelf (COTS) software and internally developed or contractor developed software. The estimated useful life is 5 years.

I. Federal Employee Benefits

Employee Health and Life Insurance Benefits

All permanent NARA employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP) and may continue to participate after retirement. Both of these programs require contributions from the employee based on the coverage options selected by the employee. NARA makes contributions for the required employer share through the Office of Personnel Management (OPM) to FEHBP and FEGLIP, which are recognized as operating expenses.

The Office of Personnel Management (OPM) administers and reports the liabilities for the post-retirement portion of these benefits. These costs are financed by OPM and imputed to all Federal agencies, including NARA. Using the cost factors supplied by OPM, NARA recognizes an expense for the future cost of postretirement health benefits and life insurance for its employees as imputed cost on the Statement of Net Costs and imputed financing sources on the Statement of Changes in Net Position.

Employee Retirement Benefits

All permanent NARA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). NARA makes the required employer contributions to CSRS and FERS and matches certain employee contributions to the thrift savings component of FERS. All of these payments are recognized as operating expenses. The pension expense recognized in the financial statements equals the current service cost for NARA's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of these plans, supplies NARA with factors to apply in the calculation of

the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by NARA and its employees represents the amount being financed directly by OPM and is considered imputed financing to NARA, appearing as an imputed cost on the Statement of Net Cost and an imputed financing source on the Statement of Changes in Net Position.

Workers' Compensation Program

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

Actuarial FECA liability represents the liability for expected future workers' compensation benefits, which includes the liability for death, disability, medical, and miscellaneous costs for approved cases. The actuarial 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, wage inflation factors, medical inflation factors and other variables. These actuarially computed projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. NARA computes its actuarial FECA liability based on the model provided by DOL and presents it as a liability to the public because neither the costs nor reimbursements have been recognized by DOL (see Notes 8 and 10).

J. Accrued Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. Current or prior year appropriations are not available to fund annual leave earned but not taken. This liability is not covered by budgetary resources, as detailed in Note 8. Funding occurs in the year the leave is taken and payment is made for the appropriated funds. The trust and revolving funds beginning in FY 2006, are fully funding the annual leave earned but not taken, and are including it in the total liabilities covered by budgetary resources.

Sick leave and other types of non-vested leave are expensed as taken. (See Notes 8 and 10).

K. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

L. Contingencies and Commitments

NARA generally recognizes an unfunded liability for those legal actions where unfavorable decisions are considered "probable" and an estimate for the liability can be made. Contingent liabilities that are considered "possible" are disclosed in the notes to the financial statements. Liabilities that are deemed "remote" are not recognized or disclosed in the financial statements.

M. Allocation of Program Management Cost

NARA comprises various Operating Administrations, each having its own management and organizational structure. NARA allocates its general management and administrative support to its major components, Records and archives-related services and Revolving fund. General management costs are not allocated to the Trust and Gift Funds, since they are administered by the National Archives Trust Fund Board, which is an organization independent of, and not funded by, NARA (see Note 14). All other programs appearing on the Statement of Net Cost, such as Electronic Records Archives and National Historic Publications and Records Commission Grants are, in essence, a part of the Records and Archives-related services, which

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funds the related administrative costs. These sub-programs are shown separately for the purpose of demonstrating accountability and custodial responsibility for the funds received for these programs.

N. Earmarked Funds

NARA implemented the Statement of Federal Financial Accounting Standards (SFFAS) Number 27, *Identifying and Reporting Earmarked Funds*, in FY 2006. SFFAS 27 requires separate identification of the earmarked funds on the Balance Sheet, Statement of Changes in Net Position, and further disclosures in a footnote (see Note 13). Earmarked funds are defined when the following three criteria are met: (1) a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits, or purposes; (2) explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

Note 2 – Fund Balance with Treasury

Fund balances (in thousands)	2007	2006
Appropriated funds	\$ 142,654	\$ 144,881
Revolving fund	32,629	29,306
Trust fund	516	292
Gift fund	101	14
Other funds	104	190
Total	\$ 176,004	\$ 174,683

Status of Fund Balances with Treasury

Unobligated Balance		
Available	42,375	42,761
Unavailable	13,047	14,078
Obligated Balance not yet disbursed	120,478	117,654
Other funds	104	190
Total	\$ 176,004	\$ 174,683

Unavailable unobligated balance includes the following

Allotments - Expired Authority	\$ 13,047	\$ 14,078
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Restricted donations, included in the available unobligated and obligated balance above, are obligated in accordance with the terms of the donor. All donations to Presidential Libraries and the National Archives with specific requirements are considered restricted as to purpose. The endowments for the Presidential Libraries are restricted and have been obligated and invested in non-federal investments. The restricted balance as of September 30, 2007 is \$12,493 thousand (of which \$798 thousand is unobligated) and \$12,483 thousand as of September 30, 2006 (of which \$852 thousand is unobligated).

Other Funds represent clearing fund accounts and non-entity FBWT funds. The clearing fund accounts include transactions awaiting determination of proper accounting disposition. The non-entity FBWT funds consist of revenue collected and due to the Reagan and Clinton Foundations, subject to revenue sharing agreement with the Trust Fund. It is offset by an equal liability in Other Liabilities.

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The unused fund balance of \$5,596 thousand in canceled appropriation for FY 2002 was returned to Treasury at the end of the fiscal year.

Note 3 – Investments

Investments as of September 30, 2007 and September 30, 2006 consist of the following (in thousands):

Amounts for 2007 Balance Sheet Reporting			
	Cost	Other Adjustments	Market value disclosure
Intragovernmental Securities			
Non-Marketable	\$ 8,340	\$ -	\$ 8,340
Accrued Income	2	-	2
Total Intragovernmental	\$ 8,342	\$ -	\$ 8,342
Other securities			
Vanguard Intermediate Term Investment - Admiral	11,773	(127)	11,646
Emerging Markets Stock Index Fund	504	55	559
Vanguard Developed Markets Index Fund	898	193	1,091
Vanguard Total Bond Market Index Fund-Admiral	6,008	116	6,124
Vanguard Total Stock Market Index Fund-Admiral	1,316	150	1,466
Vanguard PRIMECAP Core Fund	910	146	1,056
Accrued Interest	30	-	30
Total Other	21,439	533	21,972
Total Investments	\$ 29,781	\$ 533	\$ 30,314

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Amounts for 2006 Balance Sheet Reporting

	Cost	Other Adjustments	Market value disclosure
Intragovernmental Securities			
Marketable	\$ 7,630	-	\$ 7,630
Accrued Income	1	-	1
Total Intragovernmental	\$ 7,631	-	\$ 7,631
Other securities			
Money Market Funds	57	-	57
Focused Core Fund	11,245	190	11,435
Vanguard Developed Markets Index Fund	891	(2)	889
Vanguard Total Bond Market Index Fund- Admiral	6,357	129	6,486
Vanguard Total Stock Market Index Fund- Admiral	898	19	917
Vanguard PRIMECAP Core Fund	892	18	910
Accrued Interest	175	-	175
Total Other	20,515	354	20,869
Total Investments	\$ 28,146	\$ 354	\$ 28,500

Other securities represent investments in short-term investment funds and fixed-income securities.

Intra-governmental Investments in Treasury Securities-Investments for Earmarked Funds

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Gift and Trust funds as evidence of its receipts. Treasury securities are an asset to the Gift and Trust funds and a liability to the U.S. Treasury. Since the Gift and Trust funds and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Gift and Trust funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Gift and Trust funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Note 4 – Accounts Receivable, Net

Accounts receivable and allowances for uncollectible accounts consisted of the following:

(in thousands)

	2007		2006	
	Intra- governmental	With the public	Intra- governmental	With the public
Accounts receivable	\$ 9,789	\$ 554	\$ 12,486	\$ 656
Allowance for uncollectible accounts	-	-	-	(3)
Accounts receivable, net	\$ 9,789	\$ 554	\$ 12,486	\$ 653

Note 5 – Inventories

Inventories consist of merchandise held available for current sale at gift shops in the Presidential Libraries and the National Archives buildings.

(in thousands)

	2007	2006
Inventory held for sale	\$ 1,290	\$ 1,373
Allowance for damaged and obsolete goods	(263)	(263)
Net realizable value	\$ 1,027	\$ 1,110

Note 6 - General Property, Plant and Equipment, Net

The following components comprise Property, Plant and Equipment as of September 30, 2007 and September 30, 2006 (in thousands):

Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/ amortization	2007	2006
				Net book value	Net book value
Land	N/A	\$ 6,159	\$ -	\$ 6,159	\$ 6,159
Buildings and structures	30	387,189	(169,166)	218,023	230,971
Construction and shelving in progress	N/A	16,061	-	16,061	7,782
Equipment & Shelving	3 to 20	64,891	(42,489)	22,402	22,032
Leasehold Improvements	5	3,430	(638)	2,792	2,986
Assets under capital lease	20	5,284	(2,962)	2,322	2,586
Internal-use software	5	50,047	(32,974)	17,073	16,577
Software development in progress	N/A	93,039	-	93,039	50,653
Total property, plant and equipment		\$ 626,100	\$ (248,229)	\$ 377,871	\$ 339,746

Buildings and structures presented on the balance sheet include the National Archives at College Park and the Southeast Regional Archival Facility in Atlanta, GA which are multiuse heritage assets. All other buildings are deemed to be heritage assets and are not included in the general PP&E. They are described further in Note 7.

Note 7 - Stewardship PP&E

NARA is a custodian to multiple assets classified as heritage, including the National Archives Building in Washington, DC, all Presidential Libraries, as well as all artifacts, and traditional and electronic holdings. These heritage assets are integral to the mission of the National Archives and Records Administration to safeguard, preserve, and ensure continuing access to the records of our Government. Heritage assets are not included on the Balance Sheet, as no financial value is, nor can be, placed on these assets.

Two of NARA's buildings, National Archives facility at College Park and the Southeast Regional Archival facility in Atlanta, GA, are classified as multi-use heritage assets. Multi-use heritage assets are heritage assets that are used predominantly for general government operations. The costs of acquisition, significant betterment or reconstruction of multi-use heritage assets are capitalized as general PP&E and depreciated, and are included on the balance sheet.

Physical quantity of heritage and multi-use assets, the current condition of general and heritage assets PP&E and estimated cost of deferred maintenance are reported in Required Supplementary Information. The costs of repairs and renovations to the heritage asset buildings are presented separately on the Statement of Net Cost as "Heritage asset renovation costs", and detailed in Note 15.

Note 8 - Liabilities not covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities that are not funded by direct budgetary authority in the current fiscal year and result from the receipt of goods and services, or the occurrence of eligible events, for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriation. Liabilities not covered by budgetary resources as of September 30, 2007 and September 30, 2006, consist of the following:

(in thousands)

	<u>2007</u>	<u>2006</u>
Intragovernmental		
Workers' compensation	\$ 434	\$ 339
Total intragovernmental	434	339
Debt held by the public	216,841	226,938
Accrued unfunded leave	8,649	9,018
Workers' compensation-actuarial liability	10,666	10,220
Total liabilities not covered by budgetary resources	236,590	246,515
Total liabilities covered by budgetary resources	50,991	52,279
Total liabilities	<u>\$ 287,581</u>	<u>\$ 298,794</u>

Note 9 - Debt Held by the Public

Public Law 100-440 authorized NARA to "enter into a contract for construction and related services for a new National Archives facility. . . . The contract shall provide, by lease or installment payments payable out of annual appropriations over a period not to exceed thirty years."

In 1989, NARA entered into an installment sale and trust agreement with the trustee, United States Trust Company of New York. Under terms of this agreement, the trustee obtained financing for the construction of the National Archives at College Park through the sale of certificates representing proportionate shares of ownership. NARA is paying off the debt in semiannual installments.

Although the full amount financed of \$301,702 thousand was included (scored) for U.S. budget estimation purposes in fiscal year 1989, NARA requires a congressional appropriation to pay the

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redemption of debt (principal) and interest costs of \$28,971 thousand, annually. The 25-year semiannual payments of \$14,486 thousand began in 1994 and will be completed in 2019.

<i>(in thousands)</i>	2007	2006
Beginning balance - Principal	225,342	234,567
Less : Debt repayment	10,026	9,225
Ending balance - Principal	215,316	225,342
Accrued interest payable	1,525	1,596
Total Debt at September 30	216,841	226,938

Note 10 – Other Liabilities

Other Liabilities as of September 30, 2007 and September 30, 2006, consists of the following:

<i>(in thousands)</i>	2007		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment compensation	1,385	1,151	2,536
Capital lease liability	661	133	794
Accrued payroll	-	1,399	1,399
Advances from others	-	508	508
Total Intragovernmental	2,046	3,191	5,237
Workers' compensation	10,666	-	10,666
Accrued funded payroll and leave	-	9,976	9,976
Unfunded leave	8,649	-	8,649
Other liabilities	-	109	109
Advances from others	-	265	265
Due to others	-	-	-
Total other liabilities	\$ 21,361	\$ 13,541	\$ 34,902
	2006		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment compensation	1,460	1,061	2,521
Capital lease liability	794	274	1,068
Accrued payroll	-	1,476	1,476
Advances from others	-	852	852
Total Intragovernmental	2,254	3,663	5,917
Workers' compensation	10,220	-	10,220
Accrued funded payroll and leave	-	10,529	10,529
Unfunded leave	9,018	-	9,018
Other liabilities	-	268	268
Advances from others	-	99	99
Due to others	-	199	199
Total other liabilities	\$ 21,492	\$ 14,758	\$ 36,250

Note 11 – Leases

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NARA leases office space, vehicles, copiers, and equipment under annual operating leases. These leases are cancelable or renewable on an annual basis at the option of NARA.

The NARA Revolving Fund conducts the major part of its operation from leased facilities. Most of the leases are cancelable operating leases. These leases may be cancelled with four months notice, or, in the case of the new Atlanta lease, may be terminated for convenience by NARA, under the provisions of the Federal Acquisitions Regulations.

One lease is classified as a capital lease. The capital lease represents the liability for shelving leased through GSA at the Philadelphia records facility. It expires in December 2014. A similar capital lease at the Dayton facility expired in September 2007, with no future payments due. Net capital lease liability is covered by budgetary resources, and included in Intragovernmental Liabilities, Other.

The schedule below shows the future minimum payments under the capital lease with the present value of the future minimum lease payments (in thousands):

Capital Lease - NARA as lessee	2007	2006
Summary of assets under capital lease:		
Shelving	\$ 5,284	\$ 5,284
Accumulated amortization	(2,962)	(2,698)

Description of Lease Arrangements

Future payments due		
<u>Fiscal year</u>		
2008	\$	146
2009		146
2010		146
2011		146
2012		146
After 2012		317
Total future lease payments		1,047
Less: imputed interest		253
Net capital lease liability	\$	794

NARA also has the following non-cancelable operating leases with GSA, which include no renewal options:

Records facility	Lease Period
Pittsfield, Massachusetts	January 5, 1994 through January 4, 2014
Dayton (Kingsridge), Ohio	September 1, 2004 through December 31, 2022
Lenexa, Kansas	February 1, 2003 through January 31, 2023

Other non-cancelable operating leases are with public corporations which cover the Perris, CA and Atlanta, GA records facilities. The lease periods for Perris, CA are December 1, 2004 through December 1, 2024 and for Atlanta, GA is October 1, 2004 through September 30, 2024. Both leases have three ten year renewal options after the initial period. NARA also has a non-cancelable operating lease with a public corporation which covers the Ft. Worth, Texas records facility. The lease period is October 1, 2006 through September 30, 2026.

Both, GSA and public corporations leases, include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. The minimum future lease payments detailed below reflect estimated escalations for such increases. These amounts will be adjusted to the actual costs incurred by the lessor.

In addition, NARA has a non-cancelable operating lease with Potomac Electric Power Company for a parcel of land used for a parking lot at National Archives II, College Park. The lease is for 20 years, from May 2003 thru April 2023, and contains a set schedule of payments due.

The schedule below shows the total future non-cancelable lease payments by asset class (in thousands):

Non-cancelable Operating Leases -
NARA as lessee

Future payments due:	Asset Category	
<u>Fiscal year</u>	<u>Land</u>	<u>Buildings</u>
2008	\$ 123	\$ 12,285
2009	126	12,444
2010	129	12,629
2011	132	12,748
2012	135	12,922
After 2012	1,658	138,410
Total future lease payments	\$ 2,303	\$ 201,438

Note 12 – Commitments and Contingencies

NARA has incurred claims in the normal course of business. As of September 30, 2007, in the opinion of General Counsel, NARA has no material outstanding claims. The aggregate potential loss to NARA on all outstanding claims, with a reasonable possibility of an unfavorable outcome is estimated not to exceed \$7 thousand. This amount reflects the fact that any settlements or awards on a tort claim over \$2,500, are payable by the U.S. Treasury Judgment Fund, and not by NARA.

Note 13 - Earmarked Funds

Earmarked funds are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, or purposes, and must be accounted for separately from the Government’s general revenues. NARA has two funds that are considered earmarked funds; National Archives Trust Fund (NATF) and National Archives Gift Fund (NAGF), which are administered by the National Archives Trust Fund Board.

Congress established the National Archives Trust Fund Board to receive and administer gifts and bequests and to receive monies from the sale of reproductions of historical documents and publications for activities approved by the Board and in the interest of NARA and the Presidential Libraries.

The members of the Board are the Archivist of the United States, who serves as chairman; the Secretary of the Treasury; and the chairman of the National Endowment for the Humanities. Membership on the board is not an office within the meaning of the statutes of the United States. The membership, functions, powers and duties of the National Archives Trust Fund Board shall be as prescribed in the National Archives Trust Fund Board Act of July 9, 1941, as amended (44 U.S. C. 2301-2308). These bylaws are adopted pursuant to the authority vested in the Board by 44 U.S. C. 2303 (3) to adopt bylaws, rules and regulations necessary for the administration of its function under this chapter.

NATF finances and administers the reproduction or publication of records and other historical materials. NAGF accepts, receives, holds and administers, in accordance with the terms of the donor, gifts, or bequests of money, securities, or other personal property for the benefit of NARA activities. The major areas of activity for these funds are Presidential Libraries, the Office of Regional Records Services, and the National Historical Publications and Records Commission.

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Financial Information for NATF and NAGF as of September 30, 2007 and 2006 consists of the following: (in thousands)

	2007		
	NATF	NAGF	Total Earmarked Funds
Balance Sheet as of September 30, 2007			
Assets			
Fund balance with Treasury	619	101	720
Cash	51	-	51
Investments, net	14,526	15,788	30,314
Accounts receivable	366	-	366
Inventory	1,027	-	1,027
Property, plant and equipment	32	-	32
Total assets	16,621	15,889	32,510
Liabilities			
Accounts payable	556	16	572
Other liabilities	986	-	986
Total liabilities	1,542	16	1,558
Net position			
Cumulative results of operations			
Restricted	-	12,493	12,493
Unrestricted	15,079	3,380	18,459
Total net position	15,079	15,873	30,952
Total liabilities and net position	16,621	15,889	32,510
Statement of Net Cost for the Period Ended September 30, 2007			
Gross Program Costs	16,918	2,620	19,538
Less Earned Revenues	18,094	-	18,094
Net Costs of Operations	(1,176)	2,620	1,444
Statement of Changes in Net Position For the Period Ended September 30, 2007			
Net position, Beginning of fiscal year	13,380	15,794	29,174
Non-exchange revenue	-	821	821
Donations	-	1,724	1,724
Other Budgetary Financing Sources	-	398	398
Imputed financing from costs absorbed by others	522	-	522
Other Financing Sources	-	(243)	(243)
Total financing sources	522	2,700	3,222
Net cost of operations	(1,176)	2,620	1,444
Change in Net Position	1,698	80	1,778
Net Position, End of fiscal year	\$ 15,078	\$ 15,874	\$ 30,952

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	2006		
	NATF	NAGF	Total Earmarked Funds
Balance Sheet as of September 30, 2006			
Assets			
Fund balance with Treasury	\$ 482	\$ 14	\$ 496
Cash	49	-	49
Investments, net	12,586	15,914	28,500
Accounts receivable	529	6	535
Inventory	1,110	-	1,110
Property, plant and equipment	76	-	76
Total assets	14,832	15,934	30,766
Liabilities			
Accounts payable	540	140	680
Other liabilities	912	-	912
Total liabilities	1,452	140	1,592
Net position			
Cumulative results of operations			
Restricted	-	12,483	12,483
Unrestricted	13,380	3,311	16,691
Total net position	13,380	15,794	29,174
Total liabilities and net position	14,832	15,934	30,766
Statement of Net Cost for the Period Ended September 30			
Gross Program Costs	16,264	1,665	17,929
Less Earned Revenues	16,923	-	16,923
Net Costs of Operations	<u>(659)</u>	<u>1,665</u>	<u>1,006</u>
Statement of Changes in Net Position For the Period Ended September 30			
Net position, Beginning of fiscal year	\$ 12,251	\$ 16,492	\$ 28,743
Non-exchange revenue	4	742	746
Donations	-	405	405
Other Budgetary Financing Sources	-	(7)	(7)
Imputed financing from costs absorbed by others	466	-	466
Other Financing Sources	-	(173)	(173)
Total financing sources	470	967	1,437
Net cost of operations	(659)	1,665	1,006
Change in Net Position	1,129	(698)	431
Net Position, End of fiscal year	\$ 13,380	\$ 15,794	\$ 29,174

The elimination column was omitted because there was no elimination activity.

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Note 14 – Intragovernmental Costs and Exchange Revenues by Program

<i>(in thousands)</i>	<u>2007</u>	<u>2006</u>
Records and Archives Related Services		
Intragovernmental gross costs	48,049	51,511
Public costs	234,845	233,739
Total Records and Archives-Related Service Costs	282,894	285,250
Intragovernmental earned revenue	545	1,244
Public earned revenue	-	-
Total Records and Archives-Related Service Earned Revenue	545	1,244
Trust and Gift Funds		
Intragovernmental gross costs	4,375	2,863
Public costs	10,621	10,634
Heritage asset renovation costs (Note 15)	1,200	634
Total Trust and Gift Funds Costs	16,196	14,131
Intragovernmental earned revenue	1,270	1,064
Public earned revenue	16,824	15,859
Total Trust and Gift Funds Earned Revenue	18,094	16,923
Electronic Records Archives		
Intragovernmental gross costs	3,873	4,656
Public costs	3,218	1,755
Total Electronics Records Archives Costs	7,091	6,411
National Historical Publications and Records Commission Grants		
Intragovernmental gross costs	-	-
Public costs	5,681	7,014
Total National Historical Publications and Records Commission Grants Costs	5,681	7,014
Archives Facilities and Presidential Libraries Repairs and Restoration		
Intragovernmental gross costs	-	162
Public costs	888	382
Heritage asset renovation costs (Note 15)	3,667	11,942
Total Archives Facilities and Presidential Libraries Repairs and Restoration Costs	4,555	12,486
Revolving Fund Records Center Storage and Services		
Intragovernmental gross costs	68,847	67,609
Public costs	75,989	75,741
Total Revolving Fund Records Center Storage and Service Costs	144,836	143,350
Intragovernmental earned revenue	135,144	134,582
Public earned revenue	871	979
Total Revolving Fund Records Earned Revenue	\$ 136,015	\$ 135,561

Gross costs are classified on the basis of the sources of goods and services. Intragovernmental gross costs are expenses related to purchases from a Federal entity. Intragovernmental earned revenue represents exchange transactions between NARA and other Federal entities.

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Public costs are expenses related to purchases from a non-Federal entity, and the exchange revenue is classified as "public earned revenue" where the buyer of the goods or services is a non-Federal entity.

Note 15 – Cost of Stewardship PP&E

Stewardship assets consist of heritage assets as defined in Note 7. The Consolidated Statement of Net Cost includes the following costs to renovate heritage assets buildings, as of September 30, 2007 and September 30, 2006:

<i>(in thousands)</i>	2007		2006		
	<u>Gift</u>	<u>Appropriation</u>	<u>Gift</u>	<u>Trust</u>	<u>Appropriation</u>
Asset					
National Archives Building	\$ 1,200	\$ 1,448	\$ 300	-	\$ 5,973
<u>Libraries:</u>					
Roosevelt	-	151	-	-	449
Hoover	-	651	-	-	930
Truman	-	50	-	-	55
Eisenhower	-	18	-	-	141
Kennedy	-	163	66	43	468
Johnson	-	572	-	-	2,553
Nixon	-	26	-	-	510
Ford	-	89	-	-	234
Carter	-	22	-	-	386
Reagan	-	72	-	225	227
Bush	-	397	-	-	7
Clinton	-	8	-	-	9
Total	\$ 1,200	\$ 3,667	\$ 366	\$ 268	\$ 11,942

The Nixon Library was transferred to the National Archives on July 11, 2007. The costs incurred prior to this date were for efforts to evaluate the condition of the building prior to acceptance of the library. For additional information about NARA's Stewardship Assets see Note 7 and Required Supplementary Information.

Note 16 – Stewardship PP&E Acquired Through Transfer, Donation or Devise

Other than permanent records accessioned from other Federal Agencies, NARA may gain ownership of heritage assets received through gifts of money, security or other property. The National Archives Gift fund receives and accepts, holds and administers in accordance with the terms of the donor, gifts or bequests for the benefit of the National Archives Gift Fund activities or Presidential Libraries. Additional information about heritage assets is presented in Note 7, and detailed by the type and quantity of heritage assets added during the fiscal year in the Required Supplementary Information.

Note 17 - Apportionment Categories of Obligations Incurred

OMB typically uses one of two categories to distribute budgetary resources subject to apportionment in a fund. Apportionments that are distributed by fiscal quarters are classified as category A. Category B apportionments usually distribute budgetary resources by activities, project, objects or a combination of these categories. At the end of FY2006, OMB retroactively designated NARA's Revolving and Gift funds as subject to apportionment, which is indicated below by a shift from Exempt to Category B for September 30, 2007. NARA's Trust fund remains exempt from apportionment.

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The amounts of direct and reimbursable obligations incurred.

<i>(in thousands)</i>	Category A		Category B		Exempt		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Direct	\$302,106	\$319,136	\$ 61,286	\$27,010	\$ -	\$ -	\$363,392	\$ 346,146
Reimbursable	1,534	2,896	141,458	146,223	16,841	24,050	159,833	173,169
Total	<u>\$303,640</u>	<u>\$322,032</u>	<u>\$202,744</u>	<u>\$173,233</u>	<u>\$16,841</u>	<u>\$24,050</u>	<u>\$523,225</u>	<u>\$ 519,315</u>

Note 18 - Legal Arrangements Affecting Use of Unobligated Balances

Public Law 108-447, December 8, 2004, Division H, Title V, Section 511 authorized that up to 50 percent of NARA's unobligated balances remaining available at the end of fiscal year 2006 to be available through the end of FY2007. During FY 2007, \$ 445 thousand was transferred to 2007 appropriation account.

Note 19 - Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* calls for explanations of material differences between budgetary resources available, status of those resources and outlays as presented in the Statement of Budgetary Resources (SBR) to the related actual balances published in the *Budget of the United States Government* (President's Budget). However, the President's Budget that will include FY 2007 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2008. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

Instead, NARA FY 2006 SBR balances and the related President's Budget are shown in a table below for each major budget account in which a difference exists. The differences are primarily due to reporting requirement differences for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations.

<i>(in millions)</i>	2006		
	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	584	520	323
Difference-Expired appropriations	(16)	(2)	-
Budget of the U.S. Government	<u>568</u>	<u>518</u>	<u>323</u>

Note 20 - Undelivered orders at the end of the period

The amount of budgetary resources obligated for undelivered orders at September 30, 2007 and 2006 is \$88,851 thousand and \$87,744 thousand, respectively.

Note 21 - Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

Reconciling budgetary resources obligated during the period to the Net Cost of Operations explains the relationship between the obligation basis of budgetary accounting and the accrual

basis of financial (proprietary) accounting. Prior to FY 2007, this reconciliation appeared as the Statement of Financing.

The reconciliation starts with the net obligations incurred during the period. Net obligations incurred are amounts of new orders placed, contracts awarded, services received and other similar transactions that will require payments during the same or a future period. To arrive at the total resources used to finance operations, non-budgetary resources must be added to net obligations incurred. Non-budgetary resources include financing imputed for cost subsidies and unrealized gains and losses from non-federal securities being held by the Gift fund. Resources that do not fund net costs of operations are primarily the change in amount of goods, services and benefits ordered but not yet received, amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred for goods or services that have been capitalized on the balance sheet. These are deducted from the total resources. Costs that do not require resources in the current period consist of depreciation and asset revaluations. Financing sources yet to be provided are the financing amounts needed in a future period to cover costs incurred in the current period, such as unfunded annual leave and unfunded workers compensation. The costs that do not require resources in the current period and the financing sources yet to be provided are added to the total resources used to finance operations, to arrive at the net cost of operations for the current period.

<i>(in thousands)</i>	2007	2006
Net obligations incurred	\$328,064	\$332,858
Nonbudgetary Resources	17,659	17,789
Total resources used to finance activities	345,723	350,647
Resources that do not fund net cost of operations	(64,456)	(60,695)
Cost that do not require resources in the current period	23,011	21,658
Financing sources yet to be provided	2,322	3,304
Net cost of operations	<u>\$306,600</u>	<u>\$314,914</u>

Required Supplementary Information

Stewardship PP&E

As described in Note 7, major categories of heritage assets for NARA are buildings designated as heritage or multi-use heritage assets, and NARA archival holdings, detailed below.

	Balance 9-30-06	Additions	Deletions	Balance 9-30-07
Record types				
Artifacts (# of items)				
Presidential Libraries	542,056			542,056
Office of Regional Records Services Washington, DC	20		20	0
	1,488			1,488
Total	543,564	0	20	543,544
Traditional Holdings (in cubic feet)				
Presidential Libraries	232,835	1,772		234,607
Office of Regional Records Services	684,569	23,043		707,612
Washington, DC	2,369,515	24,829		2,394,344
Affiliated archives	12,425			12,425
Total	3,299,344	49,644	0	3,348,988
Electronic Holdings (in logical data records)				
Presidential Libraries	35,308,040			35,308,040
Washington, DC ¹	4,575,733,048	125,871,141		4,701,604,189
Total	4,611,041,088	125,871,141	0	4,736,912,229
Non-record types				
Buildings and structures (in units)				
Presidential Libraries - structures	18	1		19
National Archives Building	1			1
Multi-use heritage asset-building	2			2
Total	21	1	0	22
Land in pieces, multi-use	2			2

¹ During FY 2007 NARA has refined the unit of measure for our electronic records from physical records in files to true logical data records (LDR). Our holdings have not decreased, but the change resulted in restatement of the FY 2006 ending balance of 10,511,709,254 physical records to 4,575,733,048 LDR for the same records. (See Section 3.1 of the Performance Section for more details).

Archival holdings consist of the following record types:

- Artifacts are objects whose archival value lies in the items themselves rather than in any information recorded upon them. The unit of measure for artifacts is the number of artifact items.
- Traditional Textual (paper) are records on paper whose intellectual content is primarily textual. The unit of measure for traditional textual is cubic feet.
- Traditional Non-textual (all media) category includes all records not classified as textual (paper), artifacts, or electronic records. It includes still pictures on paper and film; posters; architectural drawings, charts, maps and other cartographic records on paper; textual records on microfilm; as well as motion pictures, video, sound recordings, and other clearly non-textual records. The unit of measure for traditional non-textual is cubic feet.
- Electronic records are records on electronic storage media. The unit of measure for electronic records is the logical data record.

The Archivist determines, through the formal scheduling and appraisal process, whether records have sufficient administrative, legal, research or other value to warrant their continued preservation by the Government and for how long (44 USC 3303a). When in the public interest, the Archivist may accept Government records for historical preservation (44 USC 2107) and accept non-Government papers and other historical materials for deposit (44 U.S.C. 2111). The archivist also administers Presidential and Vice Presidential records in accordance with 44 U.S.C. Chapter 22. Methods of acquisition and disposal are according to the guidelines established through the legal authority granted to NARA.

Multi-use heritage assets are comprised of National Archives facility at College Park and the Southeast Regional Archival facility in Atlanta, GA, and two pieces of land, which are sites for current or future multi-use regional archival facility. These are also included in general PP&E on the Balance Sheet (Note 6).

Information about the condition and deferred maintenance on NARA's buildings and structures is contained in the Deferred Maintenance section of the Required Supplementary Information.

Deferred Maintenance

NARA owns, builds, purchases and manages assets including the National Archives Building, the National Archives at College Park, MD, the Southeast Regional Archives building in Atlanta, GA the Presidential Libraries, and land for a future regional archive building in Alaska. All of these support the stated mission of NARA. Recent major renovations have been completed at the National Archives Building and many of the Presidential Libraries.

NARA uses the condition assessment method to determine the condition of fixed assets, including stewardship PP&E facilities. The condition assessment surveys (CAS) at NARA are conducted by a professional architectural firm, who perform Building Condition Reports (BCR) for all NARA owned facilities, using a five year cycle schedule. Facility managers will continue to perform condition assessments annually to identify critical needs between BCRs. Maintenance required to bring fixed assets to acceptable condition, which is not scheduled or performed when needed, is included in the deferred maintenance estimate below.

Due to the scope, nature and variety of the assets and the nature of the deferred maintenance, exact estimates are very difficult to determine. Current estimates include correcting deficiencies that relate to the safety or the protection of valuable materials, modifications to provide safety and public accessibility to the facility, and electrical upgrades to prevent loss of critical data. The estimates generally exclude vehicles and other categories of operating equipment.

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At the end of FY 2007, needed maintenance projects for thirteen locations, including twelve Presidential Libraries, have been identified from current BCR reports, and are included in the deferred maintenance estimate.

<u>Category</u>	<u>Method</u>	<u>Acceptable Asset Condition</u>	<u>Estimated Deferred Maintenance</u>
Heritage assets – Buildings	CAS	Good	\$41 to 42 million
Multi-use assets – Buildings	CAS	Good	\$7 to 8 million

NARA categorizes facilities and equipment according to condition using terms such as those shown below:

- *Good.* Facilities/equipment condition meets established maintenance standards, operating efficiently and has a normal life expectancy. Scheduled maintenance should be sufficient to maintain the current condition. There is no critical deferred maintenance on building and equipment in good condition.
- *Fair.* Facilities/equipment condition meets minimum standards, but requires additional maintenance or repairs to prevent further deterioration, increase operating efficiency and to achieve normal life expectancy.
- *Poor/Unsatisfactory.* Facilities/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function.

It is NARA’s mission to safeguard and preserve numerous heritage asset holdings in our custody. NARA makes tremendous daily efforts to ensure their continued preservation. The costs, identified by BCR’s, to address serious deficiencies of the buildings related to safety and protection of valuable materials are reflected in the estimate, above.

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Required Supplementary Information

Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

Fiscal Year 2007	Records and Archives -Related Services	Gift Fund	Trust Fund	Electronic Records Archives	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources								
Unobligated Balance brought forward, October 1:	14,389	2,365	3,342	9,002	1,048	8,509	25,863	64,518
Recoveries of prior year unpaid obligations	6,292	1	635	897	440	574	1,412	10,251
Budgetary appropriations received	279,338	15,756	-	45,254	7,425	9,120	-	356,893
Spending authority from offsetting collections	11,506	-	17,856	-	-	-	141,636	170,998
Nonexpenditure transfers, net, anticipated and actual	2,000	-	-	-	(2,000)	-	-	-
Permanently not available	15,622	-	-	-	-	-	-	15,622
Total Budgetary Resources	297,903	18,122	21,833	55,153	6,913	18,203	168,911	587,038
Status of Budgetary Resources								
Obligations Incurred	286,154	15,847	16,840	48,941	5,706	8,408	141,329	523,225
Unobligated Balance-available	417	2,275	4,993	4,497	1,207	9,795	27,582	50,766
Unobligated balance not available	11,332	-	-	1,715	-	-	-	13,047
Total Status of Budgetary Resources	297,903	18,122	21,833	55,153	6,913	18,203	168,911	587,038
Change in Obligated Balance								
Obligated balance, net, beginning of period	56,688	140	2,328	29,323	9,148	16,775	3,442	117,844
Obligations incurred net	286,154	15,847	16,840	48,941	5,706	8,408	141,329	523,225
Less: Gross outlays	(272,258)	(15,957)	(16,837)	(53,016)	(6,184)	(7,797)	(140,930)	(512,979)
Less: Recoveries of prior year unpaid obligations, actual	(6,292)	(1)	(635)	(897)	(440)	(574)	(1,412)	(10,251)
Change in uncollected customer payments from Federal sources	8	-	117	-	-	-	2,617	2,742
Obligated balance, net, end of period	64,300	29	1,813	24,351	8,230	16,812	5,046	120,581
Net Outlays								
Gross outlays	272,258	15,957	16,837	53,016	6,184	7,797	140,930	512,979
Less: Offsetting collections	(11,514)	-	(17,973)	-	-	-	(144,253)	(173,740)
Less: Distributed Offsetting receipts	(11)	(13,902)	-	-	-	-	-	(13,913)
Net Outlays	260,733	2,055	(1,136)	53,016	6,184	7,797	(3,323)	325,326

Required Supplementary Information

Schedule of Budgetary Resources by Major Budget Accounts

Fiscal Year 2006	Records and Archives-Related Services	Gift Fund	Trust Fund	Electronic Records Archives	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources								
Unobligated Balance brought forward, October 1:	15,135	4,622	10,965	3,684	492	19,392	20,424	74,714
Recoveries of prior year unpaid obligations	4,563	7	183	631	137	387	1,682	7,590
Budgetary appropriations received	283,045	1,765	-	37,914	7,500	9,682	-	339,906
Spending authority from offsetting collections	13,120	-	16,244	-	-	127	149,277	178,768
Nonexpenditure transfers, net	2,000	-	-	-	(2,000)	-	-	-
Permanently not available	16,594	-	-	379	75	97	-	17,145
Total Budgetary Resources	301,269	6,394	27,392	41,850	6,054	29,491	171,383	583,833
Status of Budgetary Resources								
Obligations Incurred	286,880	4,030	24,050	32,848	5,006	20,982	145,519	519,315
Unobligated Balance-available	1,224	2,364	3,342	8,089	1,048	8,509	25,864	50,440
Unobligated balance not available	13,165	-	-	913	-	-	-	14,078
Total Status of Budgetary Resources	301,269	6,394	27,392	41,850	6,054	29,491	171,383	583,833
Change in Obligated Balance								
Obligated balance, net, beginning of period	47,179	5	1,179	38,847	10,983	6,124	2,988	107,305
Obligations incurred net	286,880	4,030	24,050	32,848	5,006	20,982	145,519	519,315
Less: Gross outlays	(272,908)	(3,887)	(23,185)	(41,741)	(6,703)	(9,945)	(131,528)	(489,894)
Less: Recoveries of prior year unpaid obligations, actual	(4,563)	(7)	(183)	(631)	(137)	(387)	(1,682)	(7,590)
Change in uncollected customer payments from Federal sources	100	-	467	-	-	-	(11,856)	(11,289)
Obligated balance, net, end of period	56,688	140	2,328	29,323	9,148	16,775	3,442	117,844
Net Outlays								
Gross outlays	272,908	3,887	23,185	41,741	6,703	9,945	131,528	489,897
Less: Offsetting collections	(13,220)	-	(16,711)	-	-	(127)	(137,421)	(167,479)
Less: Distributed Offsetting receipts	(99)	-	-	-	-	-	-	(99)
Net Outlays	259,589	3,887	6,474	41,741	6,703	9,818	(5,893)	322,319