



UNITED STATES
DEPARTMENT OF COMMERCE

June 30, 2008

FINANCIAL REPORT



AMERICAN JOBS, AMERICAN VALUES

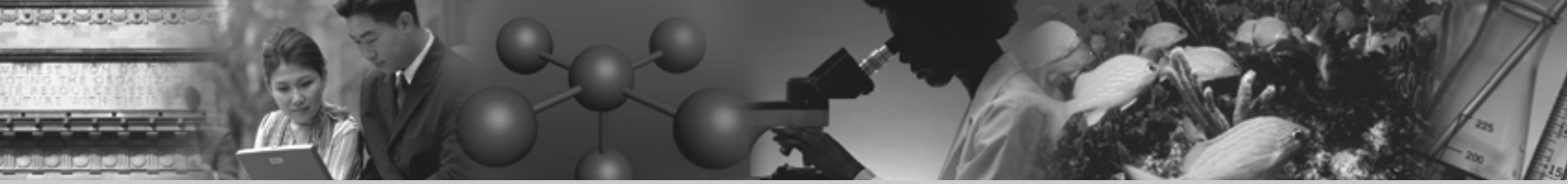


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PRINCIPAL FINANCIAL STATEMENTS



**United States Department of Commerce Consolidated Balance Sheets
As of June 30, 2008 and 2007 (In Thousands)**

	FY 2008	FY 2007
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 28,461,065	\$ 9,372,976
Accounts Receivable (Note 3)	72,538	87,440
Other - Advances and Prepayments	62,202	5,605
Total Intragovernmental	28,595,805	9,466,021
Cash (Note 4)	14,432	5,748
Accounts Receivable, Net (Note 3)	40,966	42,998
Loans Receivable and Related Foreclosed Property, Net (Note 5)	501,565	510,248
Inventory, Materials, and Supplies, Net (Note 6)	100,399	103,204
General Property, Plant, and Equipment, Net (Note 7)	5,962,696	5,473,922
Other (Note 8)	73,919	117,997
TOTAL ASSETS	\$ 35,289,782	\$ 15,720,138
Stewardship, Property, Plant, and Equipment (Note 22)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 25,921	\$ 28,089
Debt to Treasury (Note 10)	1,192,092	532,489
Other		
Spectrum Auction Proceeds Liability to Federal Communications Commission (Note 18)	17,177,707	-
Resources Payable to Treasury	27,880	32,421
Unearned Revenue	354,626	387,750
Other (Note 11)	80,872	142,793
Total Intragovernmental	18,859,098	1,123,542
Accounts Payable	190,284	186,941
Loan Guarantee Liabilities (Notes 5 and 16)	56,660	56,603
Federal Employee Benefits (Note 12)	642,762	599,923
Environmental and Disposal Liabilities (Note 13)	68,004	72,617
Other		
Accrued Payroll and Annual Leave	342,949	423,013
Accrued Grants	415,827	434,082
Capital Lease Liabilities (Note 14)	31,236	15,475
Unearned Revenue	1,051,547	1,031,504
Other (Note 11)	37,244	36,075
TOTAL LIABILITIES	\$ 21,695,611	\$ 3,979,775
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 20)	\$ -	\$ -
Unexpended Appropriations - Other Funds	6,373,071	6,463,907
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 20)	2,093,435	582,962
Cumulative Results of Operations - Other Funds	5,127,665	4,693,494
TOTAL NET POSITION	\$ 13,594,171	\$ 11,740,363
TOTAL LIABILITIES AND NET POSITION	\$ 35,289,782	\$ 15,720,138

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Net Cost
For the Periods Ended June 30, 2008 and 2007 (Note 17) (In Thousands)**

	FY 2008	FY 2007
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers		
Gross Costs	\$ 1,921,467	\$ 1,604,440
Less: Earned Revenue	(229,573)	(217,481)
Net Program Costs	1,691,894	1,386,959
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science		
Gross Costs	2,268,621	2,008,739
Less: Earned Revenue	(1,511,643)	(1,423,370)
Net Program Costs	756,978	585,369
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship		
Gross Costs	3,061,786	2,857,241
Less: Earned Revenue	(180,087)	(203,458)
Net Program Costs	2,881,699	2,653,783
NET COST OF OPERATIONS	\$ 5,330,571	\$ 4,626,111

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Changes in Net Position
For the Periods Ended June 30, 2008 and 2007 (In Thousands)**

	FY 2008			FY 2007		
	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balance	\$ 552,347	\$ 4,891,375	\$ 5,443,722	\$ 620,980	\$ 4,542,101	\$ 5,163,081
Budgetary Financing Sources:						
Appropriations Used	-	5,070,555	5,070,555	-	4,496,864	4,496,864
Non-exchange Revenue	12,435	-	12,435	6,934	36	6,970
Donations and Forfeitures of Cash and Cash Equivalents	-	575	575	-	691	691
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission (Note 18)	1,778,983	-	1,778,983	-	-	-
Transfers In/(Out) Without Reimbursement, Net	12,687	81,000	93,687	20,207	82,000	102,207
Other Budgetary Financing Sources/(Uses), Net	-	465	465	-	(491)	(491)
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	128	128	-	56	56
Transfers In/(Out) Without Reimbursement, Net	-	3,324	3,324	-	(15)	(15)
Imputed Financing Sources from Cost Absorbed by Others	683	139,105	139,788	789	143,144	143,933
Downward Subsidy Reestimates Payable to Treasury	-	-	-	-	1,063	1,063
Loan Modification Savings Paid to Treasury	-	-	-	-	(18,910)	(18,910)
Other Financing Sources/(Uses), Net	9,775	(1,766)	8,009	6,354	764	7,118
Total Financing Sources	1,814,563	5,293,386	7,107,949	34,284	4,705,202	4,739,486
Net Cost of Operations	(273,475)	(5,057,096)	(5,330,571)	(72,302)	(4,553,809)	(4,626,111)
Net Change	1,541,088	236,290	1,777,378	(38,018)	151,393	113,375
Cumulative Results of Operations	2,093,435	5,127,665	7,221,100	582,962	4,693,494	5,276,456
Unexpended Appropriations:						
Beginning Balance	-	4,528,905	4,528,905	27	4,306,394	4,306,421
Budgetary Financing Sources:						
Appropriations Received (Note 18)	-	6,947,948	6,947,948	(27)	6,682,445	6,682,418
Appropriations Transferred In/(Out), Net	-	3,458	3,458	-	8,324	8,324
Other Adjustments (Note 18)	-	(36,685)	(36,685)	-	(36,392)	(36,392)
Appropriations Used	-	(5,070,555)	(5,070,555)	-	(4,496,864)	(4,496,864)
Total Budgetary Financing Sources	-	1,844,166	1,844,166	(27)	2,157,513	2,157,486
Unexpended Appropriations	-	6,373,071	6,373,071	-	6,463,907	6,463,907
NET POSITION	\$ 2,093,435	\$ 11,500,736	\$ 13,594,171	\$ 582,962	\$ 11,157,401	\$ 11,740,363

The accompanying notes are an integral part of these statements.

PRINCIPAL FINANCIAL STATEMENTS

United States Department of Commerce Combined Statements of Budgetary Resources
For the Periods Ended June 30, 2008 and 2007 (Note 18) (In Thousands)

	FY 2008		FY 2007	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	\$ 822,282	\$ 59,011	\$ 799,694	\$ 86,727
Adjustments to Unobligated Balance, Brought Forward	(12)	-	(916)	-
Recoveries of Prior-years Unpaid Obligations	100,019	451	113,711	1,745
Budget Authority				
Appropriations	25,924,994	1	6,692,759	4,933
Borrowing Authority	1,073,075	109,683	1,071,240	98,476
Spending Authority From Offsetting Collections				
Earned				
Collected	2,375,003	61,685	2,294,891	38,206
Change in Receivables	12,493	1,497	(13,543)	2,443
Change in Unfilled Customer Orders				
Advances Received	(62,458)	-	14,616	-
Without Advances	88,707	-	93,963	(350)
Anticipated for Rest of Year, Without Advances	1,186,271	14,791	1,301,686	63,437
Previously Unavailable	1,500	-	1,500	-
Total Budget Authority	30,599,585	187,657	11,457,112	207,145
Nonexpenditure Transfers, Net	97,126	-	114,743	-
Temporarily Not Available Pursuant to Public Law	(13,665)	-	(10,357)	-
Permanently Not Available	(37,347)	(38,117)	(33,601)	(29,805)
TOTAL BUDGETARY RESOURCES	\$ 31,567,988	\$ 209,002	\$ 12,440,386	\$ 265,812
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	\$ 5,297,061	\$ 44,342	\$ 4,192,133	\$ 41,416
Reimbursable	2,101,430	311	2,092,428	33,087
Total Obligations Incurred	7,398,491	44,653	6,284,561	74,503
Unobligated Balance				
Apportioned	4,495,373	98,456	5,429,094	82,175
Exempt From Apportionment	585,310	-	652,583	-
Total Unobligated Balance	5,080,683	98,456	6,081,677	82,175
Unobligated Balance Not Available	19,088,814	65,893	74,148	109,134
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 31,567,988	\$ 209,002	\$ 12,440,386	\$ 265,812
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	\$ 7,007,742	\$ 206,855	\$ 5,763,273	\$ 245,901
Less: Uncollected Customer Payments, Brought Forward	(281,307)	(1,253)	(312,947)	(1,090)
Total Unpaid Obligated Balance, Net, Brought Forward	6,726,435	205,602	5,450,326	244,811
Adjustments to Unpaid Obligations, Brought Forward	1,123	-	-	-
Obligations Incurred	7,398,491	44,653	6,284,561	74,503
Less: Gross Outlays	(7,953,811)	(37,779)	(6,957,782)	(118,036)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(76,625)	(451)	(84,447)	(36)
Change in Uncollected Customer Payments	(101,200)	(1,497)	(80,420)	(2,093)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	5,994,413	210,528	4,612,238	\$ 199,149
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	\$ 6,376,920	\$ 213,278	\$ 5,005,603	\$ 202,332
Less: Uncollected Customer Payments	(382,507)	(2,750)	(393,365)	(3,183)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 5,994,413	\$ 210,528	\$ 4,612,238	\$ 199,149
NET OUTLAYS:				
Gross Outlays	\$ 7,953,811	\$ 37,779	\$ 6,957,782	\$ 118,036
Less: Offsetting Collections	(2,312,545)	(61,685)	(2,309,507)	(38,206)
Less: Distributed Offsetting (Receipts)/Outlays, Net	24,822	-	(3,424)	-
NET OUTLAYS	\$ 5,666,088	\$ (23,906)	\$ 4,644,851	\$ 79,830

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(All Tables are Presented in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

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

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

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

- Departmental Management (DM)
 - Franchise Fund
 - Gifts and Bequests (G&B)
 - Herbert C. Hoover Building Renovation Project (HCHB)
 - Office of Inspector General (OIG)
 - Salaries and Expenses (S&E)
 - Working Capital Fund (WCF)

B *Basis of Accounting and Presentation*

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

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

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

The Department is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, and outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Within the Department, EDA allocates funds, as the parent to the U.S. Department of Agriculture's Rural Development Administration. Therefore, all financial activity related to these funds are reported in the Department's financial statements. NIST, NOAA, EDA, Census Bureau, BEA, NTIS, and USPTO receive allocation transfers, as the child, from the General Services Administration, Environmental Protection Agency, Delta Regional Authority, and Appalachian Regional Commission. Activity relating to these child allocation transfers are not reported in the Department's financial statements.

C Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Earmarked funds include trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. (See Note 20, Earmarked Funds.)

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

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

E Fund Balance with Treasury

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

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

F Accounts Receivable, Net

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

G Advances and Prepayments

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

H *Loans Receivable and Related Foreclosed Property, Net*

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

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

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

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

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

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

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

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

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

I *Inventory, Materials, and Supplies, Net*

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

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

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

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

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

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

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

K *Notes Receivable*

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

L *Non-entity Assets*

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

M *Liabilities*

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



NOTES TO THE FINANCIAL STATEMENTS

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

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

The Department has also borrowed funds from Treasury for its Digital Television Transition and Public Safety Fund. This NTIA fund, which was created by the Digital Television Transition and Public Safety Act of 2005, will receive proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several Departmental programs from these receipts. This Act, as well as the Security and Accountability For Every Port Act of 2006, also provides borrowing authority to the Department to commence specified programs prior to the availability of auction receipts. NTIA shall reimburse Treasury for the borrowings, without interest, as funds are deposited into the Fund. For more information on certain programs under the Digital Television Transition and Public Safety Fund, see Note 18, *Combined Statements of Budgetary Resources*.

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

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

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

Loan Guarantee Liabilities: Post-FY 1991 obligated loan guarantees are governed by the Federal Credit Reform Act of 1990. For a guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate.

Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

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

Federal Employee Benefits:

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

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

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

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be \$72.5 million. This estimated cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the clean-up of the Pribilof



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Island in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than \$25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

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

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

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

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

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

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

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

Debt to Treasury for the Department's Digital Television Transition and Public Safety Fund is considered not covered by budgetary resources in accordance with financial reporting guidance issued by OMB.

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

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

N *Commitments*

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

O *Net Position*

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

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

P *Revenues and Other Financing Sources*

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

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

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical

charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

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

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

① Employee Retirement Benefits

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

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

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

For FERS-covered regular employees, the Department was required to make contributions of 11.2 percent (since FY 2005) of basic pay. Employees contributed .8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration. For both FY 2008 and FY 2007, this plan was fully funded by the Department and its employees.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of June 30, 2008, included 291 active duty officers, 331 nondisability retiree annuitants, 20 disability retiree annuitants, and 47 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

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

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. Beginning in January 2007, FERS and CSRS covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2008 may not exceed the IRS limit of \$15.5 thousand. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar amount limits.

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

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

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

R Use of Estimates

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

S Tax Status

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

NOTE 2. FUND BALANCE WITH TREASURY

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

	<u>FY 2008</u>	<u>FY 2007</u>
General Funds	\$ 8,052,824	\$ 8,320,216
Revolving Funds	673,618	629,089
Special Funds		
Patent and Trademark Surcharge Fund	233,529	233,529
Digital Television Transition and Public Safety Fund	19,342,019	-
Others	56,859	67,425
Deposit Funds	122,490	107,783
Trust Funds	614	406
Other Fund Types	(20,888)	14,528
Total	<u>\$ 28,461,065</u>	<u>\$ 9,372,976</u>

Status of Fund Balance with Treasury is as follows:

	<u>FY 2008</u>	<u>FY 2007</u>
Temporarily Not Available Pursuant to Public Law	\$ 563,006	\$ 553,843
Unobligated Balance		
Available	3,405,513	3,709,233
Unavailable	19,230,460	124,365
Obligated Balance Not Yet Disbursed	4,926,973	4,629,768
Non-budgetary	335,113	355,767
Total	<u>\$ 28,461,065</u>	<u>\$ 9,372,976</u>

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2008 and FY 2007.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2008			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 72,538	\$ -	\$ 72,538
With the Public	\$ 51,275	\$ (10,309)	\$ 40,966
FY 2007			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 87,440	\$ -	\$ 87,440
With the Public	\$ 50,252	\$ (7,254)	\$ 42,998

NOTE 4. CASH

	FY 2008	FY 2007
Cash Not Yet Deposited with Treasury	\$ 13,960	\$ 4,481
Imprest Funds	472	385
Other Cash	-	882
Total	\$ 14,432	\$ 5,748

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of June 30, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities, and for environments that do not permit the use of electronic payments.

NOTE 5. LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET

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

Direct Loan Programs:

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

¹ No loans have been issued under these programs as of June 30, 2008.

Loan Guarantee Programs:

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

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

	<u>FY 2008</u>	<u>FY 2007</u>
Direct Loans Obligated Prior to FY 1992	\$ 33,489	\$ 33,074
Direct Loans Obligated After FY 1991	464,332	468,042
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	3,740	9,128
Total	<u>\$ 501,565</u>	<u>\$ 510,248</u>

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2008				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 21,144	\$ 4,943	\$ (17,400)	\$ 8,687
Drought Loan Portfolio	16,560	594	(171)	16,983
Economic Development Revolving Fund	7,816	81	(78)	7,819
Fisheries Loan Fund	354	39	(393)	-
Total	\$ 45,874	\$ 5,657	\$ (18,042)	\$ 33,489

FY 2007				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 21,357	\$ 4,908	\$ (20,875)	\$ 5,390
Drought Loan Portfolio	18,153	646	(187)	18,612
Economic Development Revolving Fund	9,083	80	(91)	9,072
Fisheries Loan Fund	354	39	(393)	-
Total	\$ 48,947	\$ 5,673	\$ (21,546)	\$ 33,074

NOTES TO THE FINANCIAL STATEMENTS

Direct Loans Obligated After FY 1991 consist of:

FY 2008				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 35,000	\$ 999	\$ 4	\$ 36,003
Bering Sea Pollock Fishery Buyback	52,552	775	3,670	56,997
Crab Buyback Loans	96,334	3,007	10,690	110,031
Fisheries Finance IFQ Loans	18,083	196	2,779	21,058
Fisheries Finance Traditional Loans	160,971	1,742	24,960	187,673
Fisheries Finance Tuna Fleet Loans	6,540	35	792	7,367
Pacific Groundfish Buyback Loans	35,089	1,026	9,088	45,203
Total	\$ 404,569	\$ 7,780	\$ 51,983	\$ 464,332

FY 2007				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 35,000	\$ 210	\$ 698	\$ 35,908
Bering Sea Pollock Fishery Buyback	55,321	655	4,846	60,822
Crab Buyback Loans	97,163	3,113	28,313	128,589
Fisheries Finance IFQ Loans	16,732	158	2,670	19,560
Fisheries Finance Traditional Loans	153,887	1,348	19,947	175,182
Fisheries Finance Tuna Fleet Loans	9,563	103	1,184	10,850
Pacific Groundfish Buyback Loans	35,350	1,110	671	37,131
Total	\$ 403,016	\$ 6,697	\$ 58,329	\$ 468,042

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

Direct Loan Program	FY 2008	FY 2007
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ 35,000
Fisheries Finance IFQ Loans	2,440	1,107
Fisheries Finance Traditional Loans	11,963	30,791
Total	\$ 14,403	\$ 66,898

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2008					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ -	\$ -	\$ -	\$ -
Fisheries Finance IFQ Loans	(454)	11	(17)	222	(238)
Fisheries Finance Traditional Loans	(1,541)	28	(83)	592	(1,004)
Total	\$ (1,995)	\$ 39	\$ (100)	\$ 814	\$ (1,242)

FY 2007					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ -	\$ -	\$ 350	\$ 350
Fisheries Finance IFQ Loans	(218)	13	(8)	69	(144)
Fisheries Finance Traditional Loans	(3,950)	76	(212)	1,218	(2,868)
Total	\$ (4,168)	\$ 89	\$ (220)	\$ 1,637	\$ (2,662)

Modifications and Reestimates:

FY 2008		FY 2008		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ -	\$ 8,118	\$ 8,118
Bering Sea Pollock Fishery Buyback Crab Buyback Loans	-	-	77	77
Fisheries Finance IFQ Loans	-	-	609	609
Fisheries Finance Traditional Loans	-	-	7,519	7,519
Fisheries Finance Tuna Fleet Loans	-	-	-	-
Pacific Groundfish Buyback Loans	-	-	-	-
Total	\$ -	\$ -	\$ 16,323	\$ 16,323

FY 2007		FY 2007		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyback Crab Buyback Loans	\$ -	\$ -	\$ -	\$ -
Fisheries Finance IFQ Loans	-	-	-	-
Fisheries Finance Traditional Loans	-	-	-	-
Fisheries Finance Tuna Fleet Loans	-	-	-	-
Pacific Groundfish Buyback Loans	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

NOTES TO THE FINANCIAL STATEMENTS

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2008	FY 2007
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 8,118	\$ 350
Bering Sea Pollock Fishery Buyback	77	-
Crab Buyback Loans	-	-
Fisheries Finance IFQ Loans	371	(144)
Fisheries Finance Traditional Loans	6,515	(2,868)
Fisheries Finance Tuna Fleet Loans	-	-
Pacific Groundfish Buyback Loans	-	-
Total	\$ 15,081	\$ (2,662)

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2008					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(17.66) %	0.38 %	(0.68) %	7.38 %	(10.58) %
Fisheries Finance Traditional Loans	(13.95) %	0.15 %	(0.57) %	9.73 %	(4.64) %
Alaska Purse Seine Fishery Buyback Loans	(9.63) %	10.63 %	- %	- %	1.00 %

FY 2007					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(16.00) %	0.54 %	(0.69) %	8.07 %	(8.08) %
Fisheries Finance Traditional Loans	(13.56) %	0.23 %	(0.70) %	6.02 %	(8.01) %

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

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

	<u>FY 2008</u>	<u>FY 2007</u>
Beginning Balance of the Allowance for Subsidy Cost	\$ 72,028	\$ 59,403
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	1,995	4,168
Default Costs (Net of Recoveries)	(39)	(89)
Fees and Other Collections	100	220
Other Subsidy Costs	(814)	(1,637)
Total of the above Subsidy Expense Components	<u>1,242</u>	<u>2,662</u>
Adjustments:		
Fees Received	(44)	(238)
Subsidy Allowance Amortization	(4,920)	(485)
Other	-	(3,013)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	<u>68,306</u>	<u>58,329</u>
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	-	-
Technical/Default Reestimates	(16,323)	-
Total of the above Reestimate Components	<u>-</u>	<u>-</u>
Ending Balance of the Allowance for Subsidy Cost	<u><u>\$ 51,983</u></u>	<u><u>\$ 58,329</u></u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2008				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	<u>\$ 11,997</u>	<u>\$ 4</u>	<u>\$ (11,997)</u>	<u>\$ 4</u>
FY 2007				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	<u>\$ 12,209</u>	<u>\$ 5</u>	<u>\$ (12,210)</u>	<u>\$ 4</u>

NOTES TO THE FINANCIAL STATEMENTS

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2008					
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 17,485	\$ 1,254	\$ -	\$ (14,999)	\$ 3,740

FY 2007					
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Emergency Steel Loan Guarantee Program	\$ 500	\$ 73	\$ -	\$ 1,400	\$ 1,973
FVOG Program	15,132	1,254	3,045	(12,276)	7,155
Total	\$ 15,632	\$ 1,327	\$ 3,045	\$ (10,876)	\$ 9,128

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of June 30, 2008 and 2007, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	FY 2008		FY 2007	
	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	\$ -	\$ -	\$ 149,900	\$ 131,912
Emergency Oil and Gas Loan Guarantee Program	-	-	353	300
FVOG Program	11,479	11,479	13,445	13,445
Total	\$ 11,479	\$ 11,479	\$ 163,698	\$ 145,657

New Guaranteed Loans Disbursed:

There were no new guaranteed loans disbursed during FY 2008 and FY 2007.

Loan Guarantee Liabilities:

	FY 2008	FY 2007
Loan Guarantee Program	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ 254
Emergency Steel Loan Guarantee Program	55,961	54,328
FVOG Program	699	2,021
Total	\$ 56,660	\$ 56,603

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees Disbursed:

As there were no new loan guarantees disbursed during FY 2008 and FY 2007, there is not any related subsidy expense.

Modifications and Reestimates:

FY 2008		FY 2008		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ -	\$ -
Emergency Steel Loan Guarantee Program	1,152	-	-	-
FVOG Program	-	-	-	-
Total	\$ 1,152	\$ -	\$ -	\$ -

FY 2007		FY 2007		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ -	\$ -
Emergency Steel Loan Guarantee Program	(18,910)	-	-	-
FVOG Program	-	-	-	-
Total	\$ (18,910)	\$ -	\$ -	\$ -

NOTES TO THE FINANCIAL STATEMENTS

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2008	FY 2007
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -
Emergency Steel Loan Guarantee Program	1,152	(18,910)
FVOG Program	-	-
Total	\$ 1,152	\$ (18,910)

Subsidy Rates for Loan Guarantees by Program and Component:

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

There were no new cohorts of guaranteed loans during FY 2008 and FY 2007.

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

	FY 2008	FY 2007
Beginning Balance of Loan Guarantee Liabilities	\$ 55,732	\$ 73,675
Adjustments:		
Loan Guarantee Modifications	1,152	(18,910)
Fees Received	32	49
Interest Accumulation on the Liabilities Balance	132	(487)
Other	(388)	4,934
Ending Balance of Loan Guarantee Liabilities Before Reestimates	56,660	59,261
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	-	-
Total of the above Reestimate Components	-	-
Transfer of Subsidy Cost for Defaulted Guaranteed Loans to Loans Receivable and Related Foreclosed Property, Net	-	(2,658)
Ending Balance of Loan Guarantee Liabilities	\$ 56,660	\$ 56,603

Administrative Expenses:

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

Direct Loan Program	FY 2008	FY 2007
Drought Loan Portfolio and Economic Development Revolving Fund	\$ 668	\$ 679
NOAA Direct Loan Programs	1,907	2,057
Total	\$ 2,575	\$ 2,736
Loan Guarantee Program	FY 2008	FY 2007
Emergency Oil and Gas Loan Guarantee Program	\$ 20	\$ -
Emergency Steel Loan Guarantee Program	218	393
FVOG Program	188	200
Total	\$ 426	\$ 593

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2008	FY 2007
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	\$ 21,444	\$ 20,756
Other	Various	243	655
Allowance for Excess, Obsolete, and Unserviceable Items		(87)	(301)
Total Inventory, Net		21,600	21,110
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	\$ 51,460	\$ 53,199
NOAA's National Reconditioning Center	Weighted-average	38,625	44,480
Other	Various	4,461	2,340
Allowance for Excess, Obsolete, and Unserviceable Items		(15,747)	(17,925)
Total Materials and Supplies, Net		78,799	82,094
Total		\$ 100,399	\$ 103,204

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

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

FY 2008				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,771	\$ -	\$ 16,771
Land Improvements	30-40	2,996	(1,079)	1,917
Structures, Facilities, and Leasehold Improvements	2-60	1,219,117	(423,540)	795,577
Satellites/Weather Systems Personal Property	3-20	4,258,318	(3,528,211)	730,107
Other Personal Property	2-30	1,839,654	(1,212,019)	627,635
Assets Under Capital Lease	3-40	51,348	(26,258)	25,090
Construction-in-progress	N/A	3,765,599	-	3,765,599
Total		\$ 11,153,803	\$ (5,191,107)	\$ 5,962,696

FY 2007				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,690	\$ -	\$ 16,690
Land Improvements	30-40	2,996	(986)	2,010
Structures, Facilities, and Leasehold Improvements	2-60	1,118,650	(387,121)	731,529
Satellites/Weather Systems Personal Property	3-20	4,613,303	(3,668,342)	944,961
Other Personal Property	2-30	1,724,315	(1,099,141)	625,174
Assets Under Capital Lease	3-40	30,384	(20,508)	9,876
Construction-in-progress	N/A	3,143,682	-	3,143,682
Total		\$ 10,650,020	\$ (5,176,098)	\$ 5,473,922

NOTE 8. OTHER ASSETS

	<u>FY 2008</u>	<u>FY 2007</u>
With the Public		
Advances and Prepayments	\$ 66,466	\$ 110,916
Notes Receivable	1,848	1,872
Bibliographic Database	5,601	5,205
Other	4	4
Total	<u>\$ 73,919</u>	<u>\$ 117,997</u>

As of June 30, 2008 and 2007, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balances include accrued interest. This note is considered fully collectible.

The bibliographic database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of \$55.6 million and \$52.6 million, less accumulated amortization of \$50.0 million and \$47.0 million, at June 30, 2008 and 2007, respectively.

NOTE 9. NON-ENTITY ASSETS

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

	<u>FY 2008</u>	<u>FY 2007</u>
Intragovernmental		
Fund Balance with Treasury	\$ 143,581	\$ 142,077
Accounts Receivable	-	-
Total Intragovernmental	<u>143,581</u>	<u>142,077</u>
With the Public		
Cash	2,445	38
Accounts Receivable, Net	599	4,127
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	16,983	18,612
Total	<u>\$ 163,608</u>	<u>\$ 164,854</u>

NOTE 10. DEBT TO TREASURY

Loan Program	FY 2008		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 469,526	\$ 44,632	\$ 514,158
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	2,551	(118)	2,433
FVOG Program	9,431	1,381	10,812
Digital Television Transition and Public Safety Fund			
	164,489	500,200	664,689
Total	\$ 645,997	\$ 546,095	\$ 1,192,092

For the Direct Loan and Loan Guarantee Programs, maturity dates range from September 2008 to September 2037, and interest rates range from 3.26 to 6.07 percent.

The funds borrowed for the Digital Television Transition and Public Safety Fund shall be reimbursed to Treasury, without interest, as funds are deposited into the Digital Television Transition and Public Safety Fund. The maturity date for these borrowings is September 30, 2008.

Loan Program	FY 2007		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 406,568	\$ 84,223	\$ 490,791
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	3,231	79	3,310
FVOG Program	12,272	(1,637)	10,635
Digital Television Transition and Public Safety Fund			
	-	27,753	27,753
Total	\$ 422,071	\$ 110,418	\$ 532,489

For the Direct Loan and Loan Guarantee Programs, maturity dates ranges from September 2007 to September 2036, and interest rates range from 3.26 to 7.17 percent.

The funds borrowed for the Digital Television Transition and Public Safety Fund shall be reimbursed to Treasury, without interest, as funds are deposited into the Digital Television Transition and Public Safety Fund. The maturity date for these borrowings is September 30, 2008.

NOTE 11. OTHER LIABILITIES

	FY 2008			FY 2007
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	\$ 20,202	\$ 8,984	\$ 29,186	\$ 31,925
Accrued Benefits	21,527	-	21,527	38,921
Custodial Activity	6,263	-	6,263	19,323
Downward Subsidy Reestimates Payable to Treasury	22,346	-	22,346	29,121
Other	1,550	-	1,550	4,593
Loan Modification Savings Payable to Treasury	-	-	-	18,910
Total	\$ 71,888	\$ 8,984	\$ 80,872	\$ 142,793
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 2,170	\$ 7,380	\$ 9,550	\$ 9,435
Contingent Liabilities	13,806	-	13,806	10,883
Employment-related	4,541	-	4,541	3,238
Other	9,347	-	9,347	12,519
Total	\$ 29,864	\$ 7,380	\$ 37,244	\$ 36,075

The Current Portion represents liabilities expected to be paid by June 30, 2009, while the Non-current Portion represents liabilities expected to be paid after June 30, 2009.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	<u>FY 2008</u>	<u>FY 2007</u>
Actuarial FECA Liability	\$ 164,420	\$ 170,201
NOAA Corps Retirement System Liability	433,255	380,503
NOAA Corps Post-retirement Health Benefits Liability	45,087	49,219
Total	<u>\$ 642,762</u>	<u>\$ 599,923</u>

Actuarial FECA Liability:

Actuarial FECA liability is calculated annually, as of September 30¹. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	<u>FY 2007</u>	<u>FY 2006</u>
Year 1	4.93%	5.17%
Year 2 and Thereafter	5.08%	5.31%

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

FY 2007		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2008	2.63%	3.74%
2009	2.90%	4.04%
2010	2.47%	4.00%
2011	2.37%	3.94%
2012	2.30%	3.94%

FY 2006		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2007	3.50%	4.00%
2008	3.13%	4.01%
2009	2.40%	4.01%
2010	2.40%	4.03%
2011	2.43%	4.09%

(1) The most current interest rate assumptions, wage inflation factors, and medical inflation factors available are as of September 30, 2007 for FY 2008, and as of September 30, 2006 for FY 2007, as shown below.

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30¹. The September 30, 2007 and 2006 actuarial calculations used the following U.S. Department of Defense Retirement Board of Actuaries economic assumptions:

	<u>FY 2007</u>	<u>FY 2006</u>
Investment Earnings on Federal Securities	6.00%	6.25%
Annual Basic Pay Scale Increases	3.75%	3.75%
Annual Inflation	3.00%	3.00%

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

	<u>FY 2008</u>	<u>FY 2007</u>
Normal Cost	\$ 17,255	\$ 9,903
Interest on the Unfunded Liability	-	-
Prior and Past Service Cost from Plan Amendments	-	-
Actuarial (Gains)/Losses, Net		
Impact of New Investment Return	-	-
Impact of Updated Data for Active Duty Members, Retirees, and Survivors	-	-
Impact of New Demographic Assumptions	-	-
Total Pension Costs	<u>\$ 17,255</u>	<u>\$ 9,903</u>

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the same U.S. Department of Defense Retirement Board of Actuaries economic assumptions as used for the NOAA Corps Retirement System actuarial calculations.

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

	<u>FY 2008</u>	<u>FY 2007</u>
Normal Cost	\$ (313)	\$ 19
Interest on the Unfunded Liability	-	-
Actuarial (Gains)/Losses, Net	-	-
Total Post-retirement Health Benefits Costs	<u>\$ (313)</u>	<u>\$ 19</u>

(1) The most current economic assumptions available are as of September 30, 2007 for FY 2008, and as of September 30, 2006 for FY 2007, as shown below.

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	<u>FY 2008</u>	<u>FY 2007</u>
Pribilof Island Cleanup	\$ 13,579	\$ 21,122
Nuclear Reactor	51,458	48,376
Other	2,967	3,119
Total	<u>\$ 68,004</u>	<u>\$ 72,617</u>

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	<u>FY 2008</u>	<u>FY 2007</u>
Structures, Facilities, and Leasehold Improvements	\$ 28,852	\$ 27,194
Equipment	22,496	3,190
Less: Accumulated Depreciation	(26,258)	(20,508)
Net Assets Under Capital Leases	<u>\$ 25,090</u>	<u>\$ 9,876</u>

Capital Lease Liabilities are primarily related to NOAA. NOAA has real property capital leases covering both land and buildings. The majority of these leases are for weather forecasting offices, but the leases are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases range from 10 to 40 years.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2008			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
July 1, 2008 - September 30, 2008	\$ 1,231	\$ 481	\$ 1,712
2009	4,020	19,391	23,411
2010	3,991	10	4,001
2011	4,018	-	4,018
2012	3,799	-	3,799
Thereafter	19,711	-	19,711
Total Future Lease Payments	36,770	19,882	56,652
Less: Imputed Interest	(15,619)	(921)	(16,540)
Less: Executory Costs	(6,796)	(2,080)	(8,876)
Net Capital Lease Liabilities	<u>\$ 14,355</u>	<u>\$ 16,881</u>	<u>\$ 31,236</u>
FY 2007			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
July 1, 2007 - September 30, 2007	\$ 987	\$ -	\$ 987
2008	3,985	1,839	5,824
2009	3,961	1,887	5,848
2010	3,971	-	3,971
2011	4,007	-	4,007
Thereafter	23,393	-	23,393
Total Future Lease Payments	40,304	3,726	40,030
Less: Imputed Interest	(17,882)	(237)	(18,119)
Less: Executory Costs	(7,137)	(3,299)	(10,436)
Net Capital Lease Liabilities	<u>\$ 15,285</u>	<u>\$ 190</u>	<u>\$ 15,475</u>

NOTES TO THE FINANCIAL STATEMENTS

Operating Leases:

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

The Department's (1) estimated real property rent payments to GSA for FY 2008 through FY 2012; and (2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

Fiscal Year	FY 2008	
	General PP&E Category	
	GSA Real Property	Non-GSA Real Property
July 1, 2008 - September 30, 2008	\$ 58,810	\$ 5,005
2009	256,465	17,337
2010	259,462	15,221
2011	250,619	14,384
2012	254,044	13,490
Thereafter	¹	60,368
Total Future Lease Payments		\$ 125,805

¹ Not estimated.

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	<u>FY 2008</u>	<u>FY 2007</u>
Intragovernmental		
Debt to Treasury - Digital Television and Transition Public Safety Fund	\$ 664,689	\$ 27,753
Accrued FECA Liability	29,107	28,732
Other	296	1,645
Total Intragovernmental	<u>694,092</u>	<u>58,130</u>
Accrued Payroll	-	-
Accrued Annual Leave	239,597	224,228
Federal Employee Benefits	642,762	599,923
Environmental and Disposal Liabilities	68,004	72,617
Contingent Liabilities	13,806	10,883
Capital Lease Liabilities	16,669	-
Unearned Revenue	731,125	766,560
ITA Foreign Service Nationals' Voluntary Separation Pay	9,550	9,435
Other	1,899	1,633
Total	<u>\$ 2,417,504</u>	<u>\$ 1,743,409</u>

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

NOTE 16. COMMITMENTS AND CONTINGENCIES

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments as of June 30, 2008 is shown below.

Major Long-term Commitments:

Description	FY 2008						Total
	FY 2008*	FY 2009	FY 2010	FY 2011	FY 2012	Thereafter	
Geostationary Operational Environmental Satellites	\$ 67,900	\$ 550,200	\$ 794,600	\$ 897,500	\$ 871,900	\$ 3,995,100	\$ 7,177,200
Convergence Satellites	118,000	287,900	381,800	420,300	415,800	2,532,400	4,156,200
Polar Operational Environmental Satellites	36,500	65,400	43,100	40,800	40,800	148,500	375,100
Other Weather Service	48,962	108,652	112,446	110,162	118,380	152,665	651,267
Other	1,825	-	-	-	-	-	1,825
Total	\$ 273,187	\$ 1,012,152	\$ 1,331,946	\$ 1,468,762	\$ 1,446,880	\$ 6,828,665	\$ 12,361,592

*July 1, 2008 - September 30, 2008

Legal Contingencies:

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

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately \$13.8 million and \$10.9 million as of June 30, 2008 and 2007, respectively. Accordingly, \$13.8 million and \$10.9 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of June 30, 2008 and 2007, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed \$260.3 million as of June 30, 2008. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the

U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed \$141.8 million as of June 30, 2008. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of June 30, 2008 and 2007, with outstanding principal balances totaling \$11.5 million and \$13.4 million, respectively. A loan guarantee liability of \$699 thousand and \$2.0 million is recorded for the outstanding guarantees at June 30, 2008 and 2007, respectively.

Emergency Steel Loan Guarantee Program: This program has no outstanding non-acquired guaranteed loan as of June 30, 2008 and one outstanding non-acquired guaranteed loan as of June 30, 2007. The guaranteed portion of the outstanding principal balance totaled \$131.9 million as of June 30, 2007. The Department's guarantee percentage is 88% for this loan as of June 30, 2007. A loan guarantee liability of \$55.9 million and \$54.3 million is recorded for the outstanding guarantee at June 30, 2008 and 2007, respectively.

Contingent Loss Related to the National Polar-orbiting Operational Environmental Satellite System (NPOESS) Program:

In a joint effort with the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA), NOAA is developing the NPOESS. NPOESS is expected to be a state-of-the-art environment-monitoring satellite system that will replace two existing polar-orbiting satellite systems. NOAA and DOD share the costs of funding NPOESS, while NASA funds specific technology projects and studies. Over the last several years, the NPOESS program has experienced schedule delays, cost increases and technical challenges. In FY 2006, the NPOESS program underwent a statutorily required review, known as a Nunn-McCurdy review. Under the law, any DOD-funded program that is more than 25 percent over budget must be reviewed to see if it should be continued, and if so, in what manner. As a result of the review, the NPOESS program will be continued, however the number of satellites and their capabilities will be scaled back. Additionally, NOAA, NASA and DOD agreed to restructure the NPOESS program from a three-orbit to a two-orbit program and to renegotiation of the contracts for the construction of the NPOESS program. The process may take several years.

As of June 30, 2008, the Department of Commerce Balance Sheet includes approximately \$1.81 billion construction-in-progress general property, plant and equipment related to the NPOESS program. This balance is net of a \$17.0 million write-off that NOAA recorded in FY 2007, based on a determination that certain sensors were going to be eliminated from the program, thus triggering an impairment to the property value. The potential impairment for one additional sensor, currently recorded at \$108.0 million in the construction-in-progress account, will not be determinable until a new contract for that sensor is in place.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

FY 2008 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 259,118	\$ 1	\$ 155,810	\$ 49,772	\$ 464,701	\$ (54,778)	\$ 409,923
Gross Costs With the Public	-	-	900,280	84,159	495,062	32,043	1,511,544	-	1,511,544
Total Gross Costs	-	-	1,159,398	84,160	650,872	81,815	1,976,245	(54,778)	1,921,467
Intragovernmental Earned Revenue	-	-	(179,422)	-	(24,256)	(61,067)	(264,745)	54,778	(209,967)
Earned Revenue From the Public	-	-	(12,314)	-	(7,292)	-	(19,606)	-	(19,606)
Total Earned Revenue	-	-	(191,736)	-	(31,548)	(61,067)	(284,351)	54,778	(229,573)
Net Program Costs	-	-	967,662	84,160	619,324	20,748	1,691,894	-	1,691,894
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	268,924	-	99,719	16,556	49,769	434,968	(64,878)	370,090
Gross Costs With the Public	-	1,103,540	-	507,252	255,694	32,045	1,898,531	-	1,898,531
Total Gross Costs	-	1,372,464	-	606,971	272,250	81,814	2,333,499	(64,878)	2,268,621
Intragovernmental Earned Revenue	-	(5,372)	-	(100,185)	(22,510)	(61,067)	(189,134)	64,878	(124,256)
Earned Revenue From the Public	-	(1,336,611)	-	(51,443)	667	-	(1,387,387)	-	(1,387,387)
Total Earned Revenue	-	(1,341,983)	-	(151,628)	(21,843)	(61,067)	(1,576,521)	64,878	(1,511,643)
Net Program Costs	-	30,481	-	455,343	250,407	20,747	756,978	-	756,978
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	473,864	-	-	-	-	49,783	523,647	(52,560)	471,087
Gross Costs With the Public	2,558,644	-	-	-	-	32,055	2,590,699	-	2,590,699
Total Gross Costs	3,032,508	-	-	-	-	81,838	3,114,346	(52,560)	3,061,786
Intragovernmental Earned Revenue	(118,224)	-	-	-	-	(61,085)	(179,309)	52,560	(126,749)
Earned Revenue From the Public	(53,338)	-	-	-	-	-	(53,338)	-	(53,338)
Total Earned Revenue	(171,562)	-	-	-	-	(61,085)	(232,647)	52,560	(180,087)
Net Program Costs	2,860,946	-	-	-	-	20,753	2,881,699	-	2,881,699
NET COST OF OPERATIONS	\$ 2,860,946	\$ 30,481	\$ 967,662	\$ 539,503	\$ 869,731	\$ 62,248	\$ 5,330,571	\$ -	\$ 5,330,571

FY 2007 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 248,482	\$ -	\$ 138,136	\$ 52,758	\$ 439,376	\$ (64,850)	\$ 374,526
Gross Costs With the Public	-	-	723,290	-	474,878	31,746	1,229,914	-	1,229,914
Total Gross Costs	-	-	971,772	-	613,014	84,504	1,669,290	(64,850)	1,604,440
Intragovernmental Earned Revenue	-	-	(178,039)	-	(19,809)	(65,616)	(263,464)	64,850	(198,614)
Earned Revenue From the Public	-	-	(11,757)	-	(7,110)	-	(18,867)	-	(18,867)
Total Earned Revenue	-	-	(189,796)	-	(26,919)	(65,616)	(282,331)	64,850	(217,481)
Net Program Costs	-	-	781,976	-	586,095	18,888	1,386,959	-	1,386,959
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	254,226	-	92,057	11,492	52,757	410,532	(62,022)	348,510
Gross Costs With the Public	-	1,037,978	-	544,402	46,103	31,746	1,660,229	-	1,660,229
Total Gross Costs	-	1,292,204	-	636,459	57,595	84,503	2,070,761	(62,022)	2,008,739
Intragovernmental Earned Revenue	-	(6,041)	-	(93,088)	(20,910)	(65,616)	(185,655)	62,022	(123,633)
Earned Revenue From the Public	-	(1,232,496)	-	(67,215)	(26)	-	(1,299,737)	-	(1,299,737)
Total Earned Revenue	-	(1,238,537)	-	(160,303)	(20,936)	(65,616)	(1,485,392)	62,022	(1,423,370)
Net Program Costs	-	53,667	-	476,156	36,659	18,887	585,369	-	585,369
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	480,254	-	-	-	-	52,773	533,027	(55,801)	477,226
Gross Costs With the Public	2,348,260	-	-	-	-	31,755	2,380,015	-	2,380,015
Total Gross Costs	2,828,514	-	-	-	-	84,528	2,913,042	(55,801)	2,857,241
Intragovernmental Earned Revenue	(139,227)	-	-	-	-	(65,635)	(204,862)	55,801	(149,061)
Earned Revenue From the Public	(54,397)	-	-	-	-	-	(54,397)	-	(54,397)
Total Earned Revenue	(193,624)	-	-	-	-	(65,635)	(259,259)	55,801	(203,458)
Net Program Costs	2,634,890	-	-	-	-	18,893	2,653,783	-	2,653,783
NET COST OF OPERATIONS	\$ 2,634,890	\$ 53,667	\$ 781,976	\$ 476,156	\$ 622,754	\$ 56,668	\$ 4,626,111	\$ -	\$ 4,626,111

NOTES TO THE FINANCIAL STATEMENTS

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

FY 2008 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Gross Costs	\$ -	\$ 429,831	\$ -	\$ -	\$ -	\$ 429,831
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	429,831	-	-	-	429,831
<i>Other Programs</i>						
Gross Costs	-	664,681	-	-	881,733	1,546,414
Less: Earned Revenue	-	(188,217)	-	-	(96,134)	(284,351)
Net Program Costs	-	476,464	-	-	785,599	1,262,063
Net Program Costs for Strategic Goal 1	-	906,295	-	-	785,599	1,691,894
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Gross Costs	-	-	490,418	-	-	490,418
Less: Earned Revenue	-	-	(98,068)	-	-	(98,068)
Net Program Costs	-	-	392,350	-	-	392,350
<i>Patents</i>						
Gross Costs	-	-	-	1,196,745	-	1,196,745
Less: Earned Revenue	-	-	-	(1,168,041)	-	(1,168,041)
Net Program Costs	-	-	-	28,704	-	28,704
<i>Trademarks</i>						
Gross Costs	-	-	-	142,997	-	142,997
Less: Earned Revenue	-	-	-	(173,942)	-	(173,942)
Net Program Costs	-	-	-	(30,945)	-	(30,945)
<i>Other Programs</i>						
Gross Costs	-	-	181,236	32,722	289,381	503,339
Less: Earned Revenue	-	-	(36,285)	-	(100,185)	(136,470)
Net Program Costs	-	-	144,951	32,722	189,196	366,869
Net Program Costs for Strategic Goal 2	-	-	537,301	30,481	189,196	756,978
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
<i>Ecosystems</i>						
Gross Costs	1,144,808	-	-	-	-	1,144,808
Less: Earned Revenue	(48,142)	-	-	-	-	(48,142)
Net Program Costs	1,096,666	-	-	-	-	1,096,666
<i>Other Programs</i>						
Gross Costs	1,887,700	-	-	-	81,838	1,969,538
Less: Earned Revenue	(123,420)	-	-	-	(61,085)	(184,505)
Net Program Costs	1,764,280	-	-	-	20,753	1,785,033
Net Program Costs for Strategic Goal 3	2,860,946	-	-	-	20,753	2,881,699
NET COST OF OPERATIONS	\$ 2,860,946	\$ 906,295	\$ 537,301	\$ 30,481	\$ 995,548	\$ 5,330,571

FY 2007 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Gross Costs	\$ -	\$ 177,519	\$ -	\$ -	\$ -	\$ 177,519
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	177,519	-	-	-	177,519
<i>Other Programs</i>						
Gross Costs	-	728,558	-	-	763,213	1,491,771
Less: Earned Revenue	-	(186,634)	-	-	(95,697)	(282,331)
Net Program Costs	-	541,924	-	-	667,516	1,209,440
Net Program Costs for Strategic Goal 1	-	719,443	-	-	667,516	1,386,959
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Gross Costs	-	-	452,183	-	-	452,183
Less: Earned Revenue	-	-	(105,408)	-	-	(105,408)
Net Program Costs	-	-	346,775	-	-	346,775
<i>Patents</i>						
Gross Costs	-	-	-	1,133,698	-	1,133,698
Less: Earned Revenue	-	-	-	(1,073,112)	-	(1,073,112)
Net Program Costs	-	-	-	60,586	-	60,586
<i>Trademarks</i>						
Gross Costs	-	-	-	158,506	-	158,506
Less: Earned Revenue	-	-	-	(165,425)	-	(165,425)
Net Program Costs	-	-	-	(6,919)	-	(6,919)
<i>Other Programs</i>						
Gross Costs	-	-	164,331	-	162,043	326,374
Less: Earned Revenue	-	-	(38,307)	-	(103,140)	(141,447)
Net Program Costs	-	-	126,024	-	58,903	184,927
Net Program Costs for Strategic Goal 2	-	-	472,799	53,667	58,903	585,369
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
<i>Ecosystems</i>						
Gross Costs	1,070,108	-	-	-	-	1,070,108
Less: Earned Revenue	(80,620)	-	-	-	-	(80,620)
Net Program Costs	989,488	-	-	-	-	989,488
<i>Other Programs</i>						
Gross Costs	1,758,406	-	-	-	84,528	1,842,934
Less: Earned Revenue	(113,004)	-	-	-	(65,635)	(178,639)
Net Program Costs	1,645,402	-	-	-	18,893	1,664,295
Net Program Costs for Strategic Goal 3	2,634,890	-	-	-	18,893	2,653,783
NET COST OF OPERATIONS	\$2,634,890	\$ 719,443	\$ 472,799	\$ 53,667	\$ 745,312	\$ 4,626,111

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

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

	<u>FY 2008</u>	<u>FY 2007</u>
Budget Authority, Appropriations (SBR)	\$ 25,924,995	\$ 6,697,692
Less:		
Anticipated Appropriations for NOAA	(14,434)	(11,825)
Other Special Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(4,327)	(4,362)
Other Special Receipts for NTIA Digital Television and Transition Public Safety Fund, Classified as:		
● Spectrum Auction Proceeds liability to Federal Communications Commission	(17,177,707)	-
● Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	(1,778,983)	-
Other	(1,596)	913
Budgetary Financing Sources, Appropriations Received (SCNP)	<u>\$ 6,947,948</u>	<u>\$ 6,682,418</u>

Total borrowing authority available for NTIA's Digital Television Transition and Public Safety Fund amounted to \$1.49 billion and \$1.04 billion at June 30, 2008 and 2007, respectively, while total borrowing authority available for NOAA's loan programs amounted to \$283.9 million and \$257.2 million at June 30, 2008 and 2007, respectively. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the fiscal year being reported. See Note 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

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

Reductions to the Department's appropriations under Public Law 110-161 amounted to \$36.7 million for FY 2008, while reductions for FY 2007 under Public Law 110-05 amounted to \$42.4 million. These reductions are included in the SBR Budgetary Resources line Permanently Not Available. These reductions are also part of the amounts reported on the line Other Adjustments in the Unexpended Appropriations section, Budgetary Financing Sources subsection of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2008 and FY 2007 include the following:

- The Department's Deposits Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2, *Fund Balance with Treasury*, on the line Non-budgetary (breakdown by status).

- The Department's Fund Balance with Treasury as of June 30, 2008 and 2007 includes \$528.7 and \$516.5 million, respectively, of USPTO offsetting collections exceeding prior years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines General Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (breakdown by status).
- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through the end of FY 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of June 30, 2008 and 2007, \$233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines Special Fund (Patent and Trademark Surcharge Fund) (breakdown by type), and Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of June 30, 2008 and 2007 includes \$24.9 and \$26.6 million, respectively, of funds temporarily not available for the Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines Revolving Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on June 30, or require that the borrowing authority be cancelled on June 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on June 30.

There are no material differences between the amounts reported in the Combined Statement of Budgetary Resources for the year ended September 30, 2007 and the actual amounts reported in the FY 2009 budget of the U.S. government.

Apportionment Categories of Obligations Incurred:

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

	FY 2008		
	Direct	Reimbursable	Total
Category A	\$ 1,880,180	\$ 1,502,574	\$ 3,382,754
Category B	3,369,135	32,765	3,401,900
Exempt from Apportionment	92,088	566,402	658,490
Total	\$ 5,341,403	\$ 2,101,741	\$ 7,443,144

NOTES TO THE FINANCIAL STATEMENTS

	FY 2007		
	Direct	Reimbursable	Total
Category A	\$ 3,926,150	\$ 1,483,652	\$ 5,409,802
Category B	191,373	99,515	290,888
Exempt from Apportionment	116,026	542,348	658,374
Total	\$ 4,233,549	\$ 2,125,515	\$ 6,359,064

Undelivered Orders:

Undelivered orders were \$5.96 billion and \$4.43 billion at June 30, 2008 and 2007, respectively.

Digital Television Transition and Public Safety Fund:

The Digital Television Transition and Public Safety Fund (Fund) was created by the Digital Television Transition and Public Safety Act of 2005. This NTIA fund receives proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several programs from these receipts. Funding for these programs, prior to the availability of auction receipts, is also provided by Treasury borrowings, as discussed in Note 1, *Summary of Significant Accounting Policies*.

The Federal Communications Commission (FCC) completed the auction of the licenses for recovered analog spectrum in March 2008. The auction resulted in proceeds of \$18.96 billion, which were deposited to the Fund by the FCC on June 30, 2008. The auction proceeds of \$18.96 billion are included as a budgetary resource on the SBR (Budget Authority, Appropriations) for the period ended June 30, 2008. These auction proceeds have not been apportioned by OMB at June 30, 2008; accordingly, the budgetary status of the \$18.96 billion of auction proceeds is included on the SBR for the period ended June 30, 2008 on the line Unobligated Balance Not Available. For the proprietary financial statements, an auction proceed is considered a liability to the FCC until the FCC grants the license. When the license is granted, a budgetary financing source (Transfers In of Spectrum Auction Proceeds from FCC) is recognized on the SCNP. A liability to the FCC of \$17.18 billion, representing the auction proceeds for which licenses have not yet been granted by the FCC as of June 30, 2008, is reported on the Consolidated Balance Sheet as of June 30, 2008. A financing source of \$1.78 billion, representing the auction proceeds for which licenses have been granted by the FCC for the period ended June 30, 2008, has been recorded on the SCNP for the period ended June 30, 2008.

As of June 30, 2008, payments for the programs under this Fund may not exceed \$2.82 billion, while Treasury borrowings under this Fund may not exceed \$2.69 billion.

On September 30, 2009, the Fund shall transfer \$7.36 billion to the general fund of the Treasury. The Department understands that Congress' intent is for the Fund to further transfer funds beyond the needs of its programs to the general fund of the Treasury.

Below is a brief summary of the three largest programs under this Fund, and significant financial activity recorded for the period ended June 30, 2008 and FY 2007 SBR for each program:

Public Safety Interoperable Communications (PSIC): This is a grant program to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems that can utilize reallocated public safety spectrum for radio communication. The Fund may make payments not to exceed \$1.00 billion through FY 2010. The Department has in place a Memorandum of Understanding with the Federal Emergency Management Agency (FEMA), in which FEMA administers the PSIC grant program. NTIA provides FEMA with funds for the grants under the program, and for the charges for FEMA's management and administrative services. NTIA records budgetary obligations with FEMA, while FEMA records the grants activity under the program.

Budgetary obligations for the period ended June 30, 2008 and FY 2007 to FEMA under the PSIC program amounted to \$1.2 million and \$974.7 million, respectively, while Treasury borrowings during the period ended June 30, 2008 and FY 2007 amounted to \$100.0 million and \$56.0 million, respectively. As of September 30, 2007, FEMA executed all of the grant awards, totaling \$968.4 million.

Digital-to-Analog Converter Box Program: This program is to provide households in the U.S. with forty dollar coupons (two per-household maximum) that can be applied toward the purchase of digital-to-analog converter boxes. The Fund may make payments not to exceed \$1.50 billion through FY 2009. Budgetary obligations for the period ended June 30, 2008 and FY 2007 for this program amounted to \$635.3 million and \$87.3 million, respectively, while Treasury borrowings during the period ended June 30, 2008 and FY 2007 amounted to \$400.0 million and \$89.6 million, respectively.

National Alert and Tsunami Warning Program: This program is to implement a unified national alert system capable of alerting the public, on a national, regional, or local basis to emergency situations by using a variety of communications technologies. The Fund may make payments not to exceed \$156.0 million during FY 2007 through FY 2012. The Department shall use \$50.0 million of such amounts to implement a tsunami warning and coastal vulnerability program. Budgetary obligations for the period ended June 30, 2008 and FY 2007 for this program amounted to \$14.7 million and \$0.0 million, respectively, while Treasury borrowings during the period ending June 30, 2008 and FY 2007 amounted to \$0.0 million and \$10.0 million, respectively.

The Department is working collaboratively with FCC, OMB, and Treasury to finalize the government-wide accounting and financial reporting treatment for the spectrum auction proceeds.

NOTE 19. CUSTODIAL NONEXCHANGE ACTIVITY

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury. For the period ended June 30, 2008, the Department had custodial nonexchange revenue of \$3.5 million; custodial nonexchange revenue of \$4.5 million was payable to Treasury at June 30, 2008. For the period ended June 30, 2007, the Department had custodial nonexchange revenue of \$11.5 million; custodial nonexchange revenue of \$15.6 million was payable to Treasury.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. EARMARKED FUNDS

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

**United States Department of Commerce Consolidated Balance Sheet
As of June 30, 2008 (In Thousands)**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS							
Fund Balance with Treasury	\$ 1,282,657	\$ 19,342,019	\$ 24,939	\$ 23,417	\$ 42,452	\$ 56,859	\$ 20,772,343
Cash	11,322	-	-	-	-	-	11,322
Accounts Receivable, Net	399	-	-	1,099	11	6,041	7,550
Loans Receivable and Related Foreclosed Property, Net	-	-	8,687	-	-	-	8,687
Inventory, Materials, and Supplies, Net	-	-	-	191	-	-	191
General Property, Plant, and Equipment, Net	192,665	-	-	243	-	-	192,908
Other	8,047	14,278	-	6,070	-	119	28,514
TOTAL ASSETS	\$ 1,495,090	\$ 19,356,297	\$ 33,626	\$ 31,020	\$ 42,463	\$ 63,019	\$ 21,021,515
LIABILITIES							
Accounts Payable	\$ 91,256	\$ 4,548	\$ 13	\$ 7,553	\$ 83	\$ 26	\$ 103,479
Debt to Treasury	-	664,690	-	-	-	-	664,690
Federal Employee Benefits	7,929	-	-	574	-	-	8,503
Other							
Accrued Payroll and Annual Leave	80,484	23	-	1,135	113	88	81,843
Accrued Grants	-	874	-	-	-	736	1,610
Spectrum Auction Proceeds Liability to Federal Communications Commission (Note 18)	-	17,177,707	-	-	-	-	17,177,707
Unearned Revenue	875,253	-	-	7,178	-	-	882,431
Other	7,629	-	-	141	47	-	7,817
TOTAL LIABILITIES	\$ 1,062,551	\$ 17,847,842	\$ 13	\$ 16,581	\$ 243	\$ 850	\$ 18,928,080
NET POSITION							
Unexpended Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Results of Operations	432,539	1,508,455	33,613	14,439	42,220	62,169	2,093,435
TOTAL NET POSITION	\$ 432,539	\$ 1,508,455	\$ 33,613	\$ 14,439	\$ 42,220	\$ 62,169	\$ 2,093,435
TOTAL LIABILITIES AND NET POSITION	\$ 1,495,090	\$ 19,356,297	\$ 33,626	\$ 31,020	\$ 42,463	\$ 63,019	\$ 21,021,515

**United States Department of Commerce Consolidated Balance Sheet
As of June 30, 2007 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS						
Fund Balance with Treasury	\$ 1,333,421	\$ 26,670	\$ 21,951	\$ 38,067	\$ 49,236	\$ 1,469,345
Cash	4,362	881	-	-	-	5,243
Accounts Receivable, Net	3,850	-	1,109	23	3,593	8,575
Loans Receivable and Related Foreclosed Property, Net	-	5,390	-	-	-	5,390
Inventory, Materials, and Supplies, Net	-	-	287	-	-	287
General Property, Plant, and Equipment, Net	195,258	-	178	-	-	195,436
Other	7,561	-	5,834	245	490	14,130
TOTAL ASSETS	\$ 1,544,452	\$ 32,941	\$ 29,359	\$ 38,335	\$ 53,319	\$ 1,698,406
LIABILITIES						
Accounts Payable	\$ 112,166	\$ 12	\$ 7,880	\$ 131	\$ 6	\$ 120,195
Federal Employee Benefits	7,471	-	610	-	-	8,081
Other						
Accrued Payroll and Annual Leave	100,212	-	1,377	64	81	101,734
Accrued Grants	-	-	-	636	636	1,272
Unearned Revenue	866,457	-	3,627	-	-	870,084
Other	13,841	-	225	12	-	14,078
TOTAL LIABILITIES	\$ 1,100,147	\$ 12	\$ 13,719	\$ 843	\$ 723	\$ 1,115,444
NET POSITION						
Unexpended Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Results of Operations	444,305	32,929	15,640	37,492	52,596	582,962
TOTAL NET POSITION	\$ 444,305	\$ 32,929	\$ 15,640	\$ 37,492	\$ 52,596	\$ 582,962
TOTAL LIABILITIES AND NET POSITION	\$ 1,544,452	\$ 32,941	\$ 29,359	\$ 38,335	\$ 53,319	\$ 1,698,406

NOTES TO THE FINANCIAL STATEMENTS

**United States Department of Commerce Consolidated Statement of Net Cost
For the Period Ended June 30, 2008 (In Thousands)**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers							
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Earned Revenue	-	-	-	-	-	-	-
Net Program Costs	-	-	-	-	-	-	-
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science							
Gross Costs	1,372,464	224,139	-	18,927	-	-	1,615,530
Less: Earned Revenue	(1,341,983)	-	-	(17,148)	-	-	(1,359,131)
Net Program Costs	30,481	224,139	-	1,779	-	-	256,399
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship							
Gross Costs	-	-	-	-	6,958	10,270	17,228
Less: Earned Revenue	-	-	(152)	-	-	-	(152)
Net Program Costs	-	-	(152)	-	6,958	10,270	17,076
NET COST OF OPERATIONS	\$ 30,481	\$ 224,139	\$ (152)	\$ 1,779	\$ 6,958	\$ 10,270	\$ 273,475

**United States Department of Commerce Consolidated Statement of Net Cost
For the Period Ended June 30, 2007 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	-	-	-	-	-
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Gross Costs	1,292,204	-	18,106	-	-	1,310,310
Less: Earned Revenue	(1,238,537)	-	(16,573)	-	-	(1,255,110)
Net Program Costs	53,667	-	1,533	-	-	55,200
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Gross Costs	-	(183)	-	10,211	8,243	18,271
Less: Earned Revenue	-	(1,169)	-	-	-	(1,169)
Net Program Costs	-	(1,352)	-	10,211	8,243	17,102
NET COST OF OPERATIONS	\$ 53,667	\$ (1,352)	\$ 1,533	\$ 10,211	\$ 8,243	\$ 72,302

**United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Period Ended June 30, 2008 (In Thousands)**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:							
Beginning Balance	\$ 464,020	\$ (46,389)	\$ 36,461	\$ 15,535	\$ 33,042	\$ 49,678	\$ 552,347
Budgetary Financing Sources:							
Non-exchange Revenue	-	-	-	-	12,375	60	12,435
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	-	1,778,983	-	-	-	-	1,778,983
Transfers In/(Out) Without Reimbursement, Net	(1,000)	-	(3,000)	-	3,761	12,926	12,687
Other Financing Sources (Non-exchange):							
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	683	-	-	683
Other Financing Sources/(Uses), Net	-	-	-	-	-	9,775	9,775
Total Financing Sources	(1,000)	1,778,983	(3,000)	683	16,136	22,761	1,814,563
Net Cost of Operations	(30,481)	(224,139)	152	(1,779)	(6,958)	(10,270)	(273,475)
Net Change	(31,481)	1,554,844	(2,848)	(1,096)	9,178	12,491	1,541,088
Cumulative Results of Operations	432,539	1,508,455	33,613	14,439	42,220	62,169	2,093,435
Unexpended Appropriations:							
Beginning Balance	-	-	-	-	-	-	-
Budgetary Financing Sources	-	-	-	-	-	-	-
Unexpended Appropriations	-	-	-	-	-	-	-
NET POSITION	\$ 432,539	\$ 1,508,455	\$ 33,613	\$ 14,439	\$ 42,220	\$ 62,169	\$ 2,093,435

NOTES TO THE FINANCIAL STATEMENTS

**United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Period Ended June 30, 2007 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:						
Beginning Balance	\$ 497,972	\$ 34,577	\$ 16,384	\$ 27,626	\$ 44,421	\$ 620,980
Budgetary Financing Sources:						
Non-exchange Revenue	-	-	-	6,019	915	6,934
Transfers In/(Out) Without Reimbursement, Net	-	(3,000)	-	14,058	9,149	20,207
Other Financing Sources (Non-exchange):						
Transfers In/(Out) Without Reimbursement, Net	-	-	-	-	-	-
Imputed Financing Sources from Cost Absorbed by Others	-	-	789	-	-	789
Other Financing Sources/(Uses), Net	-	-	-	-	6,354	6,354
Total Financing Sources	-	(3,000)	789	20,077	16,418	34,284
Net Cost of Operations	(53,667)	1,352	(1,533)	(10,211)	(8,243)	(72,302)
Net Change	(53,667)	(1,648)	(744)	9,866	8,175	(38,018)
Cumulative Results of Operations	444,305	32,929	15,640	37,492	52,596	582,962
Unexpended Appropriations:						
Beginning Balance	27	-	-	-	-	27
Budgetary Financing Sources	(27)	-	-	-	-	(27)
Unexpended Appropriations	-	-	-	-	-	-
NET POSITION	\$ 444,305	\$ 32,929	\$ 15,640	\$ 37,492	\$ 52,596	\$ 582,962

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

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

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

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. The USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of June 30, 2008, \$233.5 million is held in this fund.

The **NTIA Digital Television Transition and Public Safety Fund** makes digital television available to every home in America, improves communications between local, State, and federal agencies, assists in moving satellites that were once on the World Trade Centers,

allows smaller television stations to broadcast digital television, and improves how warnings are received when disasters occur. NTIA receives funding from borrowings from the Bureau of Public Debt, and will repay the Bureau of Public Debt through the sale of Analog Spectrum which were auctioned March 18, 2008. The additional funds from the auction will be used to reduce the National Deficit. The law establishing this program can be found in Deficit Reduction Act of 2005, P.L. 109-171 Section 3001-3014.

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

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

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

NOTE 21. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

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

In accordance with Revised OMB Circular No. A-136, *Financial Reporting Requirements*, dated June 29, 2007, the reconciliation is presented as a footnote disclosure and is no longer a basic financial statement, as had been presented in prior years. The reconciliation of net cost of operations to budget for FY 2008 and FY 2007 is as follows:

NOTES TO THE FINANCIAL STATEMENTS

	FY 2008	FY 2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 7,443,144	\$ 6,359,064
Less: Spending Authority From Offsetting Collections and Recoveries	(2,555,503)	(2,516,209)
Obligations Net of Offsetting Collections and Recoveries	4,887,641	3,842,855
Less: Distributed Offsetting (Receipts)/Outlays, Net	24,822	(3,424)
Net Obligations	4,912,463	3,839,431
Other Resources		
Donations and Forfeitures of Property	128	56
Transfers In/(Out) Without Reimbursement, Net	3,324	(15)
Imputed Financing From Costs Absorbed by Others	139,788	143,933
Downward Subsidy Reestimates Payable to Treasury	-	1,063
Loan Modification Savings Paid to Treasury	-	(18,910)
Other Financing Sources/(Uses), Net	8,009	7,118
Net Other Resources Used to Finance Activities	151,249	133,245
Total Resources Used to Finance Activities	5,063,712	3,972,676
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	453,911	805,526
Resources that Fund Expenses Recognized in Prior Periods	(32,858)	(22,592)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	-	(27,871)
Budgetary Obligation for Loan Modification Savings Payable to Treasury	-	(18,910)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	(24,822)	3,424
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	41,323	24,404
Budgetary Financing Sources/(Uses), Net	12,689	7,762
Resources that Finance the Acquisition of Assets	(623,505)	(588,919)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	26,249	108,229
Donations and Forfeitures of Property	(128)	(56)
Transfers In/(Out) Without Reimbursement, Net	(3,324)	15
Downward Subsidy Reestimates Payable to Treasury	-	(1,063)
Loan Modification Savings Paid to Treasury	-	18,910
Other Financing Sources/(Uses), Net	(8,009)	(7,118)
Other	-	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(158,474)	301,741
Total Resources Used to Finance Net Cost of Operations	4,905,238	4,274,417
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual Leave Liability	25,182	22,616
Increases in NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability	16,942	9,922
Increase (Decrease) in Contingent Liabilities	5,089	(2,180)
Reestimates of Credit Subsidy Expense	(28,128)	(14,827)
Other	10,839	1,635
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	29,924	17,166
Components Not Requiring or Generating Resources		
Depreciation and Amortization	366,641	323,941
NOAA Issuances of Materials and Supplies	14,437	15,752
Revaluation of Assets or Liabilities	14,256	22
Loan Modification Savings	-	(18,910)
Other	75	13,723
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	395,409	334,528
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	425,333	351,694
NET COST OF OPERATIONS	\$ 5,330,571	\$ 4,626,111

The accompanying notes are an integral part of these statements.

NOTE 22. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT

This note provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. The physical properties of stewardship property, plant, and equipment (Stewardship PP&E) resemble those of the General PP&E that is capitalized traditionally in the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA, NIST, and Census are the only entities within the Department that have Stewardship PP&E.

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

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

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate discrete areas as National Marine Sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of June 30, 2008, 13 National Marine Sanctuaries, which include near-shore coral reefs and open ocean, have been designated, covering a total area of 19 thousand square miles. Each individual sanctuary site (Monterey Bay, the Florida Keys, the Olympic Coast, and Channel Island are the largest four) conducts research and monitoring activities to characterize existing resources and document changes.

Papahānaumokuākea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The NWHI Coral Reef Ecosystem Reserve is the nation's largest marine protected area, and was established by Executive Orders in December 2000 and January 2001, in accordance with the National Marine Sanctuaries Amendments Act of 2000. On June 15, 2006, the President created the world's second largest marine conservation area off the coast of the northern Hawaiian Islands. This conservation area, designated the Northwestern Papahānaumokuākea Marine National Monument, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by NOAA, with the Department of the Interior, and the State of Hawaii.

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

Additional information on the above Stewardship PP&E is presented in the Required Supplementary Information section. Written policy statements or permit guidelines for the National Marine Sanctuaries and the Papahānaumokuākea Marine National Monument have been developed for the areas of acoustic impacts, artificial reefs, and climate change. In development are policy positions or management approaches for alternative energy, aquaculture, cruise ship discharge, invasive species, marine debris, and underwater cables.

Heritage Assets:

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

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

NIST currently maintains the Museum and History Program, which collects, conserves, and exhibits artifacts, such as scientific instruments, equipment, objects, and records of significance to NIST and predecessor agencies. This program provides institutional memory and demonstrates the contributions of NIST to the development of standards measurement, technology, and science. The Information Services Division (ISD) maintains the historical archives, rare book collection, and oversees the oral history program. The historical archive and rare book collection contains titles that are considered "classics" of historical scientific interest, books by prominent contemporary scientists, and books by NIST authors or about NIST work. Titles are recommended for inclusion by ISD staff and customers. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Photos and manuscripts include images of NIST staff, facilities, and artifacts that demonstrate NIST accomplishments.

NIST's Museum Program has policies in place for acquisition and loan. Objects are either on display or in storage and are not used by visitors. Archives including the historical book collection are used according to established research library policies and procedures. When considering artifacts for accession, the following criteria are considered:

- Direct connection to NIST program activity
- Direct connection to a NIST prominent person
- Physical size
- Safety considerations

Archive material is not loaned. Artifacts are rarely loaned but can be loaned within established policies and procedures for educational purposes, scholarly research, and limited public exhibition to qualified institutions. The loan policy packet for these artifacts include an introduction to the NIST Loan Program, Borrower Checklist, Artifact Loan Request, NIST Loan Policy, Insurance Requirements, Facilities Report, Outgoing Loan Agreement, Condition Report Form, and Outgoing Loan Process.

The Information Services Division (ISD) preserves and promotes the history of the NIST through a program that collects, organizes, and preserves records of enduring value and encourages and supports their use by researchers. The policies and procedures cover such topics as submitting reference inquiries, regulations for use of the archives collection, scope of archives collection, criteria for accepting archival material, providing physical and bibliographic access, preservation, and reviewing the collection.

Heritage assets at the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. They help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts. Some examples of these historical artifacts include:

1900 Hollerith Key Punch: Census Bureau clerks used the key punch during the 1900 to punch round holes into cards for tabulation by electric tabulating machines housed at the Census Bureau. The key punch increased the speed that clerks could transfer data entered on census schedules to the punch cards used to tabulate census results.

Hollerith Tabulator (dial): Hollerith Tabulator dial was manufactured by the Tabulating Machine Company for the Census Bureau and it has been in the agency's possession since. The Hollerith Tabulator dial mechanically illustrated the data being "read" from punched paper cards entered into the tabulator. The holes punched in cards were sensed by pins or pointers making contact through the holes to a drum. The completion of an electric circuit through a hole advanced the counter on this dial representing data tabulated for a specific population, economic, or agriculture inquiry on the census schedule.

Gang Punch: The Gang punch was manufactured by the Tabulating Machine Company for the Census Bureau and it has been in the agency's possession since. The gang punch was used for recording facts common to a number of punch cards, such as the month, day, year, etc. It is equipped with a number of moveable punches, which can easily be changed and set for any desired combination. Using the gang punch, clerks could punch a number of cards at once, thus speeding the transcription of data.

Pantograph: Pantograph was manufactured by the Tabulating Machine Company for the Census Bureau and it has been in the agency's possession since. Census clerks used the pantograph, or keyboard punch, to transfer information on the census schedule to punch cards. To operate the pantograph, the clerk guided one end of the lever over a board showing the categories of information from the census (age, sex, place of birth, etc.) and depressed the lever at the appropriate position, punching a hole in the punch card. With the information found on the schedule translated into punch holes on cards, the data could then be read and the results tallied by tabulators designed to read the punch cards.

Census Enumerators Badge: The Census Bureau provided enumerators with badges during the 1900 and later censuses and recipients were instructed to wear them when on duty. The 1900 instructions to enumerators noted that the badge offered additional evidence of the bearer's authority to ask the question required by the census act. Furthermore, enumerators were instructed to wear the badge attached to the vest under the coat and should be exhibited only when it may aid the enumerator in obtaining the information they sought. Upon completion of the census, the Census Bureau permitted enumerators to keep the badge as a souvenir of their service.

Data Stewardship Button: The data stewardship button served as a visible reminder to employees that the Census Bureau complies with all federal legal requirements affecting the collection, handling, and dissemination of personal and business information. In addition, the Census Bureau believes that individuals and businesses have fundamental rights to be treated fairly and ethically when asked to provide their personal information to the government for statistical purposes.

Steel Hand Bander: The steel hand bander is used to secure paper, boxes, and other goods to pallets via ribbons of steel, for shipment. The Census Bureau has used similar banders since the early 20th century to secure boxes of questionnaires, publications, etc., for shipment to census offices throughout the United States, Puerto Rico, and the Island Areas.

Unisys Tape and Reel: It is assumed that Unisys Corporation manufactured this tape and reel in the 1980s and it has been in the Census Bureau's possession since new. This tape technology, released in 1964, introduced what is now generally known as 9-track tape. The magnetic tape is 1/2 inch wide, with 8 data tracks and one parity track for a total of 9 parallel tracks. Data is stored as 8-bit characters, spanning the full width of the tape (including the parity bit). Various recording methods are used to place the data on tape, depending on the tape speed and data density, including PE (phase encoding), GCR (group code recording) and NRZI (non-return-to-zero, inverted).

Film Optical Sensing Device for Input to Computers (FOSDIC): This 1980s file cabinet-sized version of FOSDIC was manufactured by the Census Bureau for the 1990 census and it has been in the agency's possession since new. During the 1950s, the Census Bureau

and the National Bureau of Standards developed a system called Film Optical Sensing Device for Input to Computers (FOSDIC), which took census and survey questionnaires that had been photographed onto microfilm, "read" blackened dots opposite the appropriate answers and transferred that data to magnetic tape. These tapes constituted the input for the Census Bureau's computers. One important result of this process was the elimination of most discrepancies in data records sent for processing. First used to process 1960 census results, FOSDIC played an integral part in the Census Bureau's data processing system into the mid-1990s.

Artwork and Gifts: Census Bureau's artwork and gifts include items bequeathed to, given to, or commissioned by the agency, such as posters, paintings, sculptures, postage stamps, photographs, antiques, memorial plaques, cultural artifacts from other statistical agencies and countries, awards, time capsules, buttons and badges, and more.

Written policies to guide the acquisition, maintenance, use, and disposal of the above heritage assets at Census Bureau are currently being developed.

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

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

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

NOAA maintains the following Heritage Assets:

Galveston Laboratory: Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, an army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. This facility is undergoing a renovation in three phases. Phases I and II are complete.

Phase III commenced in October 2004, and is subdivided into four different projects. Phase III-A, renovation of Building 306 and mechanical/electrical site work, was completed in January 2006. Phase III-B, renovation of Buildings 301, 305, and 307, was completed at the end of April 2007. Phase III-C-1, renovation of Building 303, and site work, was completed in May 2007. Phase

III-C-2, New SS Cooling Tower and HVAC Control for the Galveston laboratory campus, was completed in December 2007. The Boat Barn Building is the only active project remaining, with an estimated completion date of July 2008. The overall renovation for the Galveston Laboratory is 98 percent complete as of June 30, 2008.

National Marine Fisheries Service (NMFS) St. George Sealing Plant: On St. George Island, in the Pribilof Islands group, Alaska is the only remaining northern fur seal pelt processing building in the world. In 1986, the building was listed on the National Register of Historic Properties, within the Seal Islands National Historic Landmark. The Pribilof Island commercial fur seal harvest was an extremely profitable business for the U.S. government, and, by the early 1900's, had covered the purchase price of Alaska. The building is the largest on the island, and is comprised of four distinct work areas from the seal pelt processing area. In 1950, the original wood-framed pelt processing plant was destroyed in a fire and rebuilt in 1951 with concrete walls on remnants of the original foundation. Harsh weather and a lack of maintenance funding after the expiration of the Northern Fur Seal Convention in 1985 resulted in significant deterioration of the building by the early 1990s.

In November 1999, after numerous site surveys and assessments, the building's crumbling foundation was stabilized and the building's exterior was painted. This effort allowed for NOAA's continued, but limited, use of the building by the NMFS Alaska Region and Alaska Fisheries Science Center to achieve NOAA's mission on St. George Island. In addition, the U.S. Fish and Wildlife Service (USFWS) Alaska Maritime National Wildlife Refuge has used the building as a bunkhouse until 2006 when NOAA's Safety Officer and the USFWS Safety Officer both determined the bunkhouse portion of the building lacked sufficient means of egress in the event of fire, and deemed it to be unsafe for habitation. It was determined by USFWS that the cost of making the necessary modifications to the space was not fiscally justifiable. NOAA's Preserve America program funded an interpretive display project in the Seal Plant to promote public outreach and education for the modest tourism program on St. George.

NMFS Cottage M, St. George: The last remnants of the United States commercial harvest of northern fur seals can be found on St. George Island, in the Pribilof Islands group, Alaska. In 1986, Cottage M (locally known as Cottage C), was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. The Pribilof Island commercial fur seal harvest was an extremely profitable business for the U.S. government and by the early 1900's had covered the purchase price of Alaska. This building was constructed in the 1930s, and was the residence of the island doctor and hospital through 1955, when the current clinic/hospital was built. Later, the construction of a health clinic on St. George Cottage M provided housing for government scientists and managers. In recent years, USFWS Alaska Maritime National Wildlife Refuge staff also use the building. The NMFS Cottage M is considered a multi-use heritage asset because of the critical housing for NOAA's research and management staff, along with USFWS staff.

NMFS St. Paul Old Clinic/Hospital: On St. Paul Island, in the Pribilof Islands group, Alaska, fewer historic structures remain than on St. George Island. In 1986, the clinic/hospital was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. The old clinic/hospital is the combination of three historic buildings (physician's house, 1929; dispensary, 1929; and hospital, 1934) connected in 1974 with an addition. The building was used as a clinic/hospital under a Memorandum of Agreement between NMFS and the Department of Health, Education and Welfare, and later, the Indian Health Service/Bureau of Indian Affairs (IHS/BIA) through 2006. A new health center was constructed on St. Paul Island in 2006, though a closeout procedure and custody transfer between NMFS and IHS/BIA was never completed. The NMFS has not used the building to meet its mission for at least the past 20 years.

NMFS Aquarium: In Woods Hole, Massachusetts, this aquarium was established in 1885 by Spencer Baird, the originator of NMFS. In addition to being part of the first laboratory of today's NMFS, this aquarium is the oldest marine research display aquarium in the world. It is used to educate the public, raise public awareness of NMFS activities, and accommodate in-house research for the Northeast Fisheries Science Center, part of NOAA's mission. The aquarium houses 16 permanent exhibition tanks and

approximately 12 free standing aquaria and touch tanks holding more than 140 species of fish and invertebrates. The tanks range in size from 75 to 2,800 gallons. The aquarium's outdoor habitat for resident seals has been completely renovated and is expected to reopen to the public in July 2008. The general condition of the aquarium is good. The NMFS Aquarium is considered a multi-use heritage asset because it is also used for NOAA's scientific research, which is part of its mission.

Office of Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory (GLERL), Lake Michigan Field Station (LMFS):

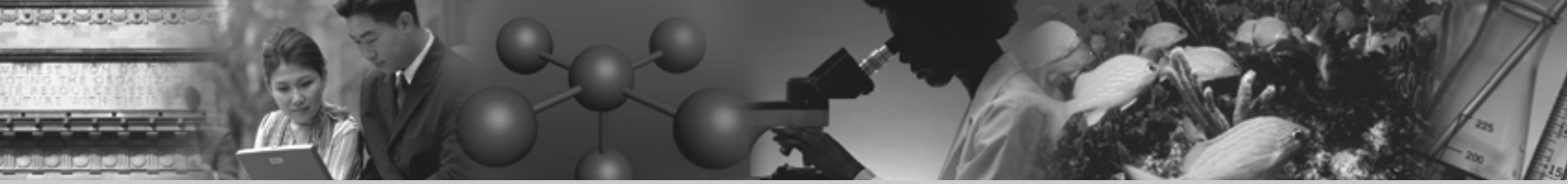
In Muskegon, Michigan, the GLERL main building, constructed in 1904 by the U.S. Life Saving Service, is eligible for National Register designation and has been recognized by state and local historical societies for its maritime significance. With the creation of the U.S. Coast Guard in 1915, the facility was transferred and served as a base for search and rescue operations for 75 years. In 2004, a renovation project was completed that restored the exterior to its original architecture and color scheme – a style that is considered rare. Today, GLERL carries out research and provides scientific products, expertise, and services required for effective management and protection of Great Lakes and coastal ecosystems. GLERL/LMFS includes three buildings and a research vessel dockage. The function of the field station is to provide a base of operations for GLERL's primary research vessel, which is presently the Research Vessel Laurentian, and to provide a focal point for GLERL's research on Lake Michigan. Due to its historic significance, exterior architectural features, and predominant use in government operations, GLERL/LMFS is considered a multi-use heritage asset.

Collection-type Heritage Assets: The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). The Library has an extensive collection of historical Coast and Geodetic Survey materials (from 1807) and Weather Bureau materials (from the 1830s), including foreign and historical meteorological data, information on instruments, and metadata. As evidenced by a search of international catalogs, 35 to 50 percent of the Library's collection is unique. Historically, 40 percent of the items catalogued are not found anywhere else. Many older books cannot be replaced. The works include 17th century works of Francis Bacon and Robert Boyle, 18th century works of Daniel Bernouilli, Daniel Defoe, and Pierre Bouguer, and 19th and 20th century works of Benjamin Franklin and George Washington Carver. Collections of the Library include a) the Charles Fitzhugh Talman Special Collections Room – approximately 3 thousand titles and over 5 thousand items; b) the Coast and Geodetic Survey Collection – approximately 35 thousand items; and c) the Weather Bureau Collections – approximately 75,000 items. NOAA is currently reviewing the Library's total inventory of approximately 2 million items to determine additional items that should be classified as heritage assets. Many Library items are contemporary documents that are not expected to qualify as heritage assets. The Library's Regular Collection consists of over 700 thousand journal items (pre-1970 and current) and approximately 200 thousand books. Many Regular Collection items that are from pre-NOAA organizations are expected to be designated as additional heritage assets. The overall review of these assets is 65 percent complete as of June 30, 2008.

The NOAA's collection-type heritage assets also include items in the Thunder Bay Sanctuary Research Collection (Collection). In 2004, the Thunder Bay National Marine Sanctuary (jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources) established an agreement with the Alpena County George N. Fletcher Public Library to jointly manage this Collection. Amassed over a period of more than 40 years by historian C. Patrick Labadie, the Collection includes information about such diverse subjects as Great Lakes ports and waterways, docks, cargoes, ships, shipbuilders, owners and fleets, machinery and rigging, notable maritime personalities, and shipwrecks. Special features of the Collection are extensive collections of a) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships. Heritage assets also include copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

Collection-type Heritage Assets					
Category	Description of Assets	Quantity of Items Held September 30, 2007	FY 2008 Additions	FY 2008 Withdrawals	Quantity of Items Held June 30, 2008
NOAA Central Library	Publications acquired or issued by the Coast and Geodetic Survey from 1807 to 1970	35,000	-	-	35,000
	Weather Bureau Collection	75,000	-	-	75,000
	Black and White Photographs	40,000	-	-	40,000
	Other	4,888	795	-	5,683
NOAA National Ocean Service- Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	108,179	-	-	108,179
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	4,386	195	795	3,786
Census Bureau Collectable Assets	Publication, books, manuscripts, photographs, and maps	85	-	-	85
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	452	-	-	452
NIST Artifacts and Scientific Measures	National Bureau of Standards (NBS)/NIST scientific instruments, equipment, and objects	1,475	-	-	1,475
NIST Historical Books	Books of historical scientific interest, books by prominent contemporary scientists, and books by NBS/NIST authors	1,963	-	-	1,963
NIST Photos, Manuscripts (number of file drawers)	File drawers of photos and manuscripts of NBS/NIST staff, facilities, and artifacts	6	-	-	6
Total		271,434	990	795	271,629

Additional information of the condition on the above Heritage Assets is presented in the Required Supplementary Information section.



NOTES TO THE FINANCIAL STATEMENTS



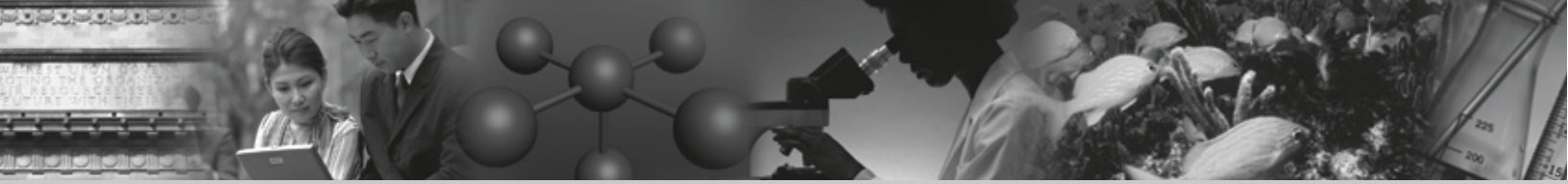
CONSOLIDATING BALANCE SHEET



United States Department of Commerce Consolidating Balance Sheet As of June 30, 2008 (In Thousands)

	Intra-Departmental Eliminations													USPTO								
	Consolidating Total	BIS	Consensus Bureau	DM/G88	DM/SSE	DM/WCF	EDA	ELGP	ESM/BEA	Franchise Fund	HCHB	ITA	MBDA		NIPC	NIST	NOAA	NTIA	NTIS	OIG	TA	
ASSETS																						
Intragovernmental:																						
Fund Balance with Treasury	\$ 28,461,065	\$ -	\$ 41,078	\$ 794,745	\$ 614	\$ 45,281	\$ 26,337	\$ 882,887	\$ 107,875	\$ 34,050	\$ 3,575	\$ 203,769	\$ 20,324	\$ 315	\$ 933,370	\$ 4,490,670	\$ 19,449,462	\$ 24,768	\$ 8,033	\$ 1,982	\$ 1,388,299	
Accounts Receivable	72,538	(8,191)	931	11,373	-	8,587	3,659	586	520	5	552	3,824	(1)	-	1,041	48,911	19	722	-	-	-	
Other - Advances and Payments	62,202	(7,867)	2,244	9,735	-	3,415	3,464	920	-	1,833	1,094	-	827	6	17,373	69,243	16,908	422	935	41	2,580	
Total Intragovernmental	28,595,805	(86,058)	44,253	815,853	614	57,283	33,460	884,393	108,395	35,888	5,221	216,622	21,150	321	951,784	4,608,824	19,466,389	25,912	8,968	2,023	1,390,879	
Cash	14,432	-	-	-	-	-	-	-	-	-	-	193	1	-	-	471	-	51	-	-	13,716	
Accounts Receivable, Net	40,966	-	340	5,158	-	17	8	69	-	5	-	271	13	-	5,615	28,443	12	377	1	-	637	
Loans Receivable and Related	501,565	-	-	-	-	-	-	24,802	-	-	-	-	-	-	-	476,763	-	-	-	-	-	
Foreclosed Property, Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inventory, Materials, and Supplies, Net	100,399	-	-	390	-	-	-	-	-	-	-	-	-	-	-	74,339	-	191	-	-	-	
General Property, Plant, and Equipment, Net	5,962,696	-	271	118,900	8,774	886	12,254	-	-	464	-	11,025	69	-	583,965	5,023,131	10,049	243	-	-	192,665	
Other	73,919	-	-	37	3	10	4	240	-	-	-	18	-	-	57	62,433	2	5,648	-	-	5,467	
TOTAL ASSETS	\$ 35,289,782	\$ (86,058)	\$ 44,864	\$ 940,338	\$ 9,391	\$ 58,196	\$ 45,738	\$ 909,504	\$ 108,395	\$ 35,893	\$ 5,685	\$ 228,129	\$ 21,232	\$ 321	\$ 1,566,889	\$ 10,274,404	\$ 19,476,452	\$ 32,422	\$ 8,969	\$ 2,023	\$ 1,603,364	
LIABILITIES																						
Intragovernmental:																						
Accounts Payable	\$ 25,921	\$ (8,127)	\$ 668	\$ 7,408	-	\$ 285	\$ 190	\$ 657	\$ -	\$ 1,046	\$ -	\$ 1,018	\$ 55	\$ -	\$ 968	\$ 10,348	\$ 378	\$ 6,343	\$ 55	\$ 1	\$ 4,628	
Debt to Treasury	1,192,092	-	-	-	-	-	-	-	2,432	-	-	-	-	-	-	524,971	664,689	-	-	-	-	
Other	17,177,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,177,707	-	-	-	-	
Auction Proceeds Liability to Federal Communications Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Resources Payable to Treasury	27,880	-	-	-	-	-	-	25,870	-	-	-	-	1	-	-	2,009	-	-	-	-	-	
Unearned Revenue	354,626	(77,867)	3,156	94,854	-	23,034	36,698	67,451	-	235	1,964	117	213	-	118,437	40,196	38,704	3,445	30	8	3,951	
Other	80,872	(64)	4,351	17,519	-	598	962	1,995	642	283	8	2,086	519	-	2,796	41,819	437	141	221	-	6,559	
Total Intragovernmental	18,859,098	(86,058)	8,175	119,781	-	23,917	37,850	95,973	3,074	1,564	1,972	3,221	788	-	122,201	619,343	17,881,915	9,929	306	9	15,138	
Accounts Payable	190,284	-	206	39,472	18	3,649	543	210	5	126	23	9,085	(24)	-	7,302	37,651	4,206	1,210	(47)	21	86,628	
Loan Guarantee Liabilities	56,660	-	-	-	-	-	-	55,960	-	-	-	-	1	-	-	699	-	-	-	-	-	
Federal Employee Benefits	642,762	-	1,962	61,402	-	1,720	3,912	1,216	-	15	97	7,881	2,473	-	8,985	541,451	1,664	574	1,481	-	7,929	
Environmental and Disposal Liabilities	68,004	-	-	-	-	-	-	-	-	-	-	-	-	-	51,458	16,546	-	-	-	-	-	
Other	342,949	-	5,507	57,356	-	2,567	5,738	1,894	1	5,367	225	18,490	809	-	28,544	130,482	2,887	1,135	1,463	-	80,484	
Accrued Payroll and Annual Leave	415,827	-	-	-	-	-	-	298,410	-	-	-	-	2,152	-	25,322	73,497	16,446	-	-	-	-	
Capital Lease Liabilities	31,236	-	-	16,669	-	-	-	-	-	-	-	-	1	-	59	14,507	-	-	-	-	-	
Unearned Revenue	1,051,547	-	1,498	5,356	-	-	-	7	-	675	103	11,356	1	-	5,144	42,123	573	5,135	-	-	979,576	
Other	37,244	-	245	2,582	-	8,148	2,083	1	-	2	1	11,475	(8)	-	2,556	9,089	1	-	-	(1)	1,070	
TOTAL LIABILITIES	\$ 21,695,611	\$ (86,058)	\$ 17,593	\$ 302,618	\$ 18	\$ 40,001	\$ 50,126	\$ 397,711	\$ 59,040	\$ 7,749	\$ 2,421	\$ 61,508	\$ 6,193	\$ -	\$ 251,571	\$ 1,485,388	\$ 17,907,692	\$ 17,983	\$ 3,203	\$ 29	\$ 1,170,825	
NET POSITION																						
Unexpended Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unexpended Appropriations - Earmarked Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unexpended Appropriations - Other Funds	6,373,071	-	32,053	512,735	-	27,462	-	514,739	52,094	31,500	-	184,263	18,586	321	687,822	4,242,784	54,448	-	8,639	1,994	-	
Cumulative Results of Operations	2,093,435	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,670	1,508,455	-	-	-	432,539
Cumulative Results of Operations - Earmarked Funds	-	-	(4,782)	124,985	9,373	(9,267)	(4,388)	(2,946)	(2,739)	(3,356)	3,264	(22,974)	(3,547)	-	627,496	4,413,562	5,857	-	(2,873)	-	-	
Cumulative Results of Operations - Other Funds	5,127,665	-	27,271	637,720	9,373	18,195	(4,388)	511,793	40,355	28,144	3,264	166,621	15,039	321	1,315,318	8,789,016	1,568,760	14,439	5,766	1,994	432,539	
TOTAL NET POSITION	\$ 13,594,171	\$ -	\$ 27,271	\$ 637,720	\$ 9,373	\$ 18,195	\$ (4,388)	\$ 511,793	\$ 40,355	\$ 28,144	\$ 3,264	\$ 166,621	\$ 15,039	\$ 321	\$ 1,315,318	\$ 8,789,016	\$ 1,568,760	\$ 14,439	\$ 5,766	\$ 1,994	\$ 432,539	
TOTAL LIABILITIES AND NET POSITION	\$ 35,289,782	\$ (86,058)	\$ 44,864	\$ 940,338	\$ 9,391	\$ 58,196	\$ 45,738	\$ 909,504	\$ 108,395	\$ 35,893	\$ 5,685	\$ 228,129	\$ 21,232	\$ 321	\$ 1,566,889	\$ 10,274,404	\$ 19,476,452	\$ 32,422	\$ 8,969	\$ 2,023	\$ 1,603,364	

See accompanying independent auditors' report.





REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)



Required Supplementary Information (unaudited)

A *Deferred Maintenance*

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. Critical maintenance is defined as those projects where the required maintenance will have a critical impact on the public access, functionality and mission support, health and safety, and life cycle cost of a facility if the maintenance is not performed. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST (see below for abbreviations). These two entities represent 94 percent of the Department's General PP&E, Net balance as of June 30, 2008.

National Oceanic and Atmospheric Administration (NOAA):

NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's \$200 thousand capitalization threshold. The CAS method employs a periodic inspection of real property and heritage assets to determine its current condition and to estimate costs to correct any deficiencies. Estimated costs reflect potential cost variance of +/- 10%.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than \$50 thousand, as of June 30, 2008:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	4	\$ 6,050 to \$ 7,395
Heritage Assets	4, 3	11,760 to 14,370
Total		\$ 17,810 to \$ 21,765

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

National Institute of Standards and Technology (NIST):

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of June 30, 2008:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	\$ 375,000 to \$ 460,400
Buildings (Internal Structures)	4	54,300 to 73,200
Buildings (External Structures)	4	39,300 to 50,300
Total		\$ 468,600 to \$ 583,900

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

NOAA maintains the following sanctuaries, Marine National Monument, and conservation area, which are similar in nature to stewardship land and which are more fully described in Note 22, Stewardship Property, Plant and Equipment, of the Notes to the Financial Statements.

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

Papahānaumokuākea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The Papahānaumokuākea Marine National Monument, located off the coast of NWHI, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by the NOAA National Marine Sanctuary, with the Department of the Interior, and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: This conservation area in Alaska, which covers 279,114 square nautical miles, may harbor among the highest diversity of deep-water corals in the world, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities.

Written policy statements or permit guidelines for the National Marine Sanctuaries and the Papahānaumokuākea Marine National Monument have been developed for the areas of acoustic impacts, artificial reefs, and climate change. In development are policy positions or management approaches for alternative energy, aquaculture, cruise ship discharge, invasive species, marine debris, and underwater cables.

C Collection-type Heritage Assets

The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). NOAA is currently reviewing the Library's total inventory of approximately 2 million items to determine additional items that should be classified as heritage assets. Many Library items are contemporary documents that are not expected to qualify as heritage assets. The Library's Regular Collection consists of over 700 thousand journal items (pre-1970 and current) and approximately 200 thousand books. Many Regular Collection items that are from pre-NOAA organizations are expected to be designated as additional heritage assets. NOAA expects to complete this review in FY 2008.

The NOAA's collection-type heritage assets also include items in the Thunder Bay Sanctuary Research Collection, comprised primarily of a) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships.

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

NIST currently maintains the Museum and History Program, which collects, conserves, and exhibits artifacts, such as scientific instruments, equipment, objects and records of significance to NIST and the National Bureau of Standards (NBS). This program provides institutional memory and demonstrates the contributions of NIST to the development of standards, measurement, technology, and science. Conditions of these artifacts are listed in the Registrar's database and are generally fair.

The NIST Information Services Division (ISD) maintains the historical archives, rare book collection, and oversees the oral history program. The historical collection contains titles that are considered "classics" of historical scientific interest, books by prominent contemporary scientists, and books by NIST authors or about NIST work. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Conditions of these books are generally fair. The photos and manuscripts maintained include images of NIST staff, facilities, and artifacts that demonstrate NIST accomplishments. These images are in good condition.

Heritage assets at the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. These assets help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items, because of their age or obvious historical significance, are inherently historical artifacts. These historical artifacts include but are not limited to: Hollerith Key Punch, Hollerith Tabulator, Gang Punch, Pantograph Census Enumerators Badge, Steel Hand Bander, Unisys Tape and Reel, Film Optical Sensing Device, and any items which represent the uniqueness of the mission of the Census Bureau. The heritage assets at Census are classified as being in good condition.

D Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Departments budgetary resources by major budget account. The 'Other Programs' column refers to the Department's reporting entities and their budget accounts that are not listed.

SCHEDULE OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Period Ended June 30, 2008 (In Thousands)

	Combining Total	NOAA Operations, Research, and Facilities	USFTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NTA Digital Television Transition and Public Safety Fund	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Other Programs
BUDGETARY RESOURCES:									
Unobligated Balance, Brought Forward, October 1	\$ 881,293	\$ 193,506	\$ 28,036	\$ 40,738	\$ 13,892	\$ 9,539	\$ 6,247	\$ 9,439	\$ 579,896
Adjustments to Unobligated Balance, Brought Forward	(12)	-	-	-	-	-	-	-	(12)
Recoveries of Prior-years Unpaid Obligations	100,470	17,715	4,000	9,561	1	6,499	3,271	30,000	29,423
Budget Authority									
Appropriations	25,924,995	2,879,397	1	979,207	18,956,690	405,172	1,027,406	249,100	1,428,022
Borrowing Authority	1,182,758	-	-	-	1,073,075	-	-	-	109,683
Spending Authority From Offsetting Collections Earned									
Collected	2,436,688	151,075	1,340,323	409	-	8,455	210	21,411	914,805
Change in Receivables	13,990	3,214	(272)	-	-	3,452	-	-	7,596
Change in Unfilled Customer Orders									
Advances Received	(62,458)	(13,444)	44,148	-	-	165	-	(15,995)	(77,332)
Without Advances	88,707	16,888	-	-	-	1,627	-	-	70,192
Anticipated for Rest of Year, Without Advances	1,201,082	122,922	540,297	1,260	-	8,406	-	24,584	503,593
Previously Unavailable	1,500	-	-	-	-	-	-	-	1,500
Total Budget Authority	30,787,242	3,160,052	1,924,497	980,876	20,029,765	427,277	1,027,616	279,100	2,958,059
Nonexpenditure Transfers, Net	97,126	80,811	(1,000)	(979)	-	-	-	-	18,294
Temporarily Not Available Pursuant to Public Law	(13,665)	(6,946)	-	(5,065)	-	-	-	-	(1,654)
Permanently Not Available	(75,464)	(5,108)	-	(6,264)	-	-	(1)	(5,700)	(58,391)
TOTAL BUDGETARY RESOURCES	\$ 31,776,990	\$ 3,440,030	\$ 1,955,533	\$ 1,018,867	\$ 20,043,658	\$ 443,315	\$ 1,037,133	\$ 312,839	\$ 3,525,615
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	\$ 5,341,403	\$ 1,823,307	\$ -	\$ 684,238	\$ 694,301	\$ 292,411	\$ 742,258	\$ 116,353	\$ 988,535
Reimbursable	2,101,741	127,651	1,278,689	-	-	11,285	-	(10)	684,126
Total Obligations Incurred	7,443,144	1,950,958	1,278,689	684,238	694,301	303,696	742,258	116,343	1,672,661
Unobligated Balance									
Appropriated	4,593,829	1,447,332	676,844	330,328	392,665	135,182	289,373	196,496	1,125,609
Exempt From Apportionment	585,310	-	-	-	-	-	-	-	585,310
Total Unobligated Balance	5,179,139	1,447,332	676,844	330,328	392,665	135,182	289,373	196,496	1,710,919
Unobligated Balance Not Available	19,154,707	41,740	-	4,301	18,956,692	4,437	5,502	-	142,035
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 31,776,990	\$ 3,440,030	\$ 1,955,533	\$ 1,018,867	\$ 20,043,658	\$ 443,315	\$ 1,037,133	\$ 312,839	\$ 3,525,615
CHANGE IN UNPAID OBLIGATED BALANCE, NET:									
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 7,214,597	\$ 2,112,736	\$ 511,466	\$ 1,072,168	\$ 1,010,288	\$ 96,992	\$ 142,986	\$ 786,046	\$ 1,481,915
Unpaid Obligations, Brought Forward	(282,560)	(208,537)	584	-	-	(3,504)	-	-	(71,103)
Less: Unpaid Customer Payments, Brought Forward									
Total Unpaid Obligated Balance, Net, Brought Forward	6,932,037	1,904,199	512,050	1,072,168	1,010,288	93,488	142,986	786,046	1,410,812
Adjustments to Unpaid Obligations, Brought Forward									
Obligations Incurred	1,123	1,123	-	-	1	-	-	-	(1)
Less: Gross Outlays	7,443,144	1,950,958	1,278,689	684,238	694,301	303,696	742,258	116,343	1,672,661
Less: Actual Recoveries of Prior-years Unpaid Obligations	(7,991,590)	(2,458,230)	(1,403,117)	(733,645)	(219,376)	(329,706)	(689,666)	(179,958)	(1,977,892)
Change in Uncollected Customer Payments	(102,697)	(16,465)	(3,980)	(6,620)	(1)	(5,003)	(2,928)	(18,243)	(23,836)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(102,697)	(20,102)	272	-	-	(5,079)	-	-	(77,788)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 6,204,941	\$ 1,361,483	\$ 383,914	\$ 1,016,141	\$ 1,485,213	\$ 57,396	\$ 192,650	\$ 704,188	\$ 1,003,956
Unpaid Obligated Balance, Net, End of Period									
Unpaid Obligations	\$ 6,590,198	\$ 1,590,122	\$ 383,058	\$ 1,016,141	\$ 1,485,213	\$ 65,979	\$ 192,650	\$ 704,188	\$ 1,152,847
Less: Uncollected Customer Payments	(385,257)	(228,639)	856	-	-	(8,583)	-	-	(148,891)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 6,204,941	\$ 1,361,483	\$ 383,914	\$ 1,016,141	\$ 1,485,213	\$ 57,396	\$ 192,650	\$ 704,188	\$ 1,003,956
NET OUTLAYS:									
Gross Outlays	\$ 7,991,590	\$ 2,458,230	\$ 1,403,117	\$ 733,645	\$ 219,376	\$ 329,706	\$ 689,666	\$ 179,958	\$ 1,977,892
Less: Offsetting Collections	(2,374,230)	(137,631)	(1,384,471)	(409)	-	(8,620)	(210)	(5,416)	(837,473)
Less: Distributed Offsetting (Receipts)/Outlays, Net	24,822	-	-	-	-	-	-	-	24,822
NET OUTLAYS	\$ 5,642,182	\$ 2,320,599	\$ 18,646	\$ 733,236	\$ 219,376	\$ 321,086	\$ 689,456	\$ 174,542	\$ 1,165,241



**REQUIRED
SUPPLEMENTARY
STEWARDSHIP
INFORMATION
(UNAUDITED)**



Required Supplementary Stewardship Information (unaudited)

Stewardship Investments

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

Investments in Non-federal Physical Property:

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

NOAA:

National Estuarine Research Reserves (NERR): The NERR system consists of 27 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of June 30, 2008, encompassed approximately 1.3 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Mission-Aransas, TX, was designated on May 3, 2006. The NERRs are state-operated and managed in cooperation with NOAA. The NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 137 such projects.

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

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

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

The NOAA's investments in non-federal physical property for FY 2004 through FY 2008 were as follows:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
National Estuarine Research Reserves	\$ 0.5	\$ 15.4	\$ 6.8	\$ 11.6	\$ 6.0	\$ 40.3
Coastal and Estuarine Land Conservation Program	21.8	15.5	18.5	34.7	20.2	110.7
Total	\$ 22.3	\$ 30.9	\$ 25.3	\$ 46.3	\$ 26.2	\$ 151.0

EDA:

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

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

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

The EDA's investments in non-federal physical property for FY 2004 through FY 2008 were as follows:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Public Works	\$ 194.8	\$ 220.1	\$ 180.1	\$ 155.5	\$ 99.5	\$ 850.0
Economic and Defense Adjustments	75.3	75.4	53.1	53.5	41.4	298.7
Disaster Recovery	18.5	10.1	24.2	4.4	0.8	58.0
Total	\$ 288.6	\$ 305.6	\$ 257.4	\$ 213.4	\$ 141.7	\$ 1,206.7

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

Investments in Human Capital:

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

NOAA:

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

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. As of June 30, 2008, 51 Graduate Research Fellowships have been awarded.

Educational Partnership Program: The NOAA Educational Partnership Program (EPP) with Minority Serving Institutions (MSI) provides financial assistance through competitive processes to minority serving institutions that support research and training of students in NOAA-related sciences. The program's goal is to increase the number of educated, trained and graduated students from underrepresented communities in science and technology directly related to NOAA's mission. The EPP/MSI also seeks to increase collaborative research efforts between NOAA scientists and researchers at minority serving academic institutions. Financial assistance is provided through four competitive program components: the Cooperative Science Centers, the Environmental Entrepreneurship Program, the Graduate Sciences Program, and the Undergraduate Scholars Program.

NOAA provides funding to eligible MSIs on a competitive basis to educate, train and graduate students in NOAA sciences, particularly atmospheric, oceanic, environmental, living marine resources, remote sensing and scientific environmental technology. The NOAA EPP Cooperative Science Center goals are to:

- Educate, train and graduate students, particularly from underrepresented communities, in NOAA mission sciences;
- Develop expertise in a NOAA scientific area;
 - Strengthen and build capacity in a NOAA scientific and management area
 - Build research experience in a NOAA scientific and management area



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

- Increase graduation rates of students from underrepresented communities in NOAA mission sciences;
- Impact NOAA workforce statistics by increasing representation from underrepresented communities in NOAA mission sciences; and,
- Leverage NOAA funds to build the education and research capacity at the MSI.

The EPP/MSI Environmental Entrepreneurship Program (EEP) provides funding to eligible minority serving institutions on a competitive basis to engage students to pursue advanced academic study and entrepreneurship opportunities in the NOAA-related sciences. NOAA's EEP supports student training and experiential learning opportunities for the purpose of stimulating job-creation, business development, and revitalizing local communities. EEP's objective is to increase the number of students at MSIs proficient in environmental business enterprises.

The Undergraduate Scholarship Program is designed to increase the number of students who undertake course work and graduate with degrees in the targeted areas integral to NOAA's mission. Appointments are for two years, and are made to students who have recently declared or are about to declare a major in atmospheric, oceanic, or environmental science. The students participate in research, training, and development activities at NOAA offices and facilities during two summer internships. There were 15 students that started the program in FY 2007. 16 additional students were added to the program in FY 2008, thus far.

The Graduate Sciences Program (GSP) is aimed primarily at increasing opportunities for students in NOAA-related fields to pursue research and educational training in atmospheric, environmental, remote sensing and oceanic sciences at minority serving institutions (MSI) when possible. The GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. The GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. Seven students were selected to participate in the GSP in FY 2007. Three additional students were added to the program in FY 2008, thus far.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. There were 110 students starting the program in 2007. The first scholarship recipients are expected to complete the program in May 2009.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The following table summarizes NOAA's investments in human capital for FY 2004 through FY 2008:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
National Sea Grant College Program	\$ 0.6	\$ 0.7	\$ 0.7	\$ 0.5	\$ 0.4	\$ 2.9
National Estuarine Research Reserve Program	0.8	0.9	0.9	0.8	0.6	4.0
Educational Partnership Program	N/A	7.0	13.9	14.2	12.8	47.9
Ernest F. Hollings Undergraduate Scholarship Program	N/A	0.3	3.8	4.1	3.6	11.8
Total	\$ 1.4	\$ 8.9	\$ 19.3	\$ 19.6	\$ 17.4	\$ 66.6

¹ Not applicable

The following table further summarizes NOAA's human capital investments for FY 2004 to FY 2008 by performance goal:

(In Millions)

Performance Outcome	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	\$ 1.4	\$ 8.9	\$ 19.3	\$ 19.6	\$ 17.4

Investments in Research and Development (R&D):

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

NIST:

NIST Laboratories Program: The NIST Laboratories have been the stewards of the nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. The NIST Laboratories foster scientific and technological leadership by helping the United States to drive and take advantage of the increased pace of technological change, fostering more efficient transactions in the domestic and global marketplace, and addressing other critical needs assigned to NIST by the Administration and Congress. In support of the American Competitiveness Initiative, NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry, government and academia to compete in the 21st century. In this way, the laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

Advanced Technology Program (ATP): The ATP is a cost-shared funding program for businesses that was intended to develop new technologies for commercial use. ATP was abolished by the America COMPETES Act which was signed by the President on August 9, 2007. However, this statute allows for continued support for previously awarded ATP projects and the 56 new FY 2007 awards. Special attention is being given to documenting the results of funded research to ensure maximum private sector use is made of this investment in the years ahead.

The following table summarizes NIST's R&D investments for FY 2004 through FY 2008 by R&D Category:

(In Millions)

R&D Category	NIST Laboratories					Advanced Technology Program					Total				
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Basic Research	\$ 65.0	\$ 66.6	\$ 85.2	\$ 110.7	\$ 97.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65.0	\$ 66.6	\$ 85.2	\$ 110.7	\$ 97.4
Applied Research	319.7	325.6	345.8	345.3	273.4	96.9	96.1	58.0	31.0	16.0	416.6	421.7	403.8	376.3	289.4
Development	13.7	14.3	16.7	15.3	9.9	96.9	96.0	58.0	30.9	15.9	110.6	110.3	74.7	46.2	25.8
Total	\$ 398.4	\$ 406.5	\$ 447.7	\$ 471.3	\$ 380.7	\$ 193.8	\$ 192.1	\$ 116.0	\$ 61.9	\$ 31.9	\$ 592.2	\$ 598.6	\$ 563.7	\$ 533.2	\$ 412.6

The following tables further summarize NIST's R&D investments for FY 2004 through FY 2008 by performance outcome.

(In Millions)

FY 2008				
Performance Outcome	Basic Research	Applied Research	Development	Total
Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 97.4	\$ 273.4	\$ 9.9	\$ 380.7
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	16.0	15.9	31.9
Total	\$ 97.4	\$ 289.4	\$ 25.8	\$ 412.6

(In Millions)

FY 2007				
Performance Outcome	Basic Research	Applied Research	Development	Total
Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 110.7	\$ 345.3	\$ 15.3	\$ 471.3
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	31.0	30.9	61.9
Total	\$ 110.7	\$ 376.3	\$ 46.2	\$ 533.2

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

(In Millions)

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

(In Millions)

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

(In Millions)

FY 2004				
Performance Outcome	Basic Research	Applied Research	Development	Total
Provide Technical Leadership for the Nation's Measurements and Standards Infrastructure; and	\$ -	\$ -	\$ -	\$ -
Assure the Availability and Efficient Transfer of Measurement and Standards Capabilities Essential to Established Industries	\$ 65.0	\$ 319.7	\$ 13.7	\$ 398.4
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	96.9	96.9	193.8
Total	\$ 65.0	\$ 416.6	\$ 110.6	\$ 592.2

NOAA:

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

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

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

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

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

The NOAA's R&D investments by program for FY 2004 through FY 2008 were as follows:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Environmental and Climate	\$ 317.9	\$ 307.8	\$ 324.2	\$ 289.3	\$ 241.4	\$ 1,480.6
Fisheries	70.6	53.5	56.3	49.3	36.8	266.5
Marine Operations and Maintenance and Aircraft Services	51.7	57.5	50.7	51.1	38.1	249.1
Weather Service	17.6	26.9	15.1	40.8	35.7	136.1
Other	116.5	124.9	124.1	120.2	77.9	563.6
Total	\$ 574.3	\$ 570.6	\$ 570.4	\$ 550.7	\$ 429.9	\$ 2,695.9

The following table summarizes NOAA's R&D investments for FY 2004 through FY 2008 by R&D category:

(In Millions)

R&D Category	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Applied Research	\$ 546.7	\$ 514.8	\$ 523.1	\$ 475.7	\$ 366.8	\$ 2,427.1
Development	27.6	55.8	47.3	75.0	63.1	268.8
Total	\$ 574.3	\$ 570.6	\$ 570.4	\$ 550.7	\$ 429.9	\$ 2,695.9

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The following tables further summarize NOAA's R&D investments for FY 2004 through FY 2008 by performance outcome.

(In Millions)

FY 2008			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	\$ 162.3	\$ 8.0	\$ 170.3
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	103.7	22.2	125.9
Serve Society's Needs for Weather and Water Information	99.8	32.8	132.6
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	1.0	0.1	1.1
Total	\$ 366.8	\$ 63.1	\$ 429.9

(In Millions)

FY 2007			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	\$ 225.9	\$ 12.3	\$ 238.2
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	145.9	12.3	158.2
Serve Society's Needs for Weather and Water Information	101.6	50.2	151.8
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	2.3	0.2	2.5
Total	\$ 475.7	\$ 75.0	\$ 550.7

(In Millions)

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

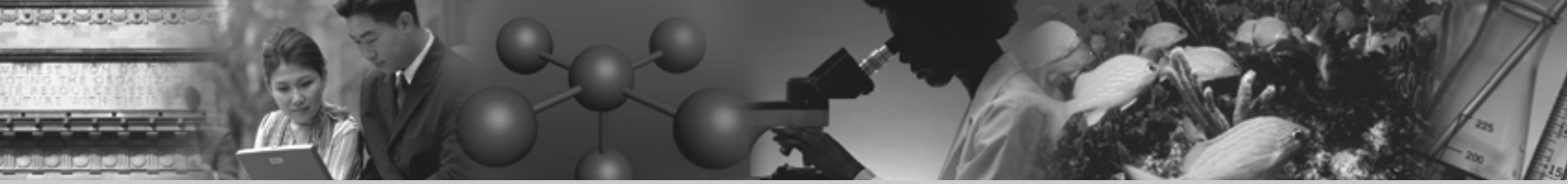
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

(In Millions)

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

(In Millions)

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



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)



GLOSSARY



GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
A	ACS American Community Survey	CPI Consumer Price Index	
	ACSI American Customer Satisfaction Index	CPS Current Population Survey	
	AD Antidumping	CRADA Cooperative Research and Development Agreements	
	ADP Automated Data Processing	CSRS Civil Service Retirement System	
	AHS American Housing Survey	CVD Countervailing Duty	
	AML Advanced Measurement Laboratory (NIST)	CWC Chemical Weapons Convention	
	APP Annual Performance Plan	CWCIA CWC Implementation Act	
	ASAP Automated Standard Application for Payments	CZM Coastal Zone Management (NOAA)	
	ATP Advanced Technology Program (NIST)	CZMA CZM Act	
	ATS Annual Trade Survey	CZMP CZM Program	
	AWIPS Advanced Weather Interactive Processing System		
B	BAS Boundary and Annexation Survey	D	DFI Digital Freedom Initiative
	BDC Business Development Centers (MBDA)		DHS U.S. Department of Homeland Security
	BEA Bureau of Economic Analysis		DM Departmental Management
	BIS Bureau of Industry and Security		DOJ U.S. Department of Justice
	BLS Bureau of Labor Statistics		DOL U.S. Department of Labor
	BNQP Baldrige National Quality Program		DOL/OLMS DOL Online Labor Management System
			DPAS Defense Priorities and Allocations System
C	CAMS Commerce Administrative Management System	E	EAA Export Administration Act
	CBP U.S. Customs and Border Protection		EAR Export Administration Regulations
	CCSPS Climate Change Science Program Strategic Plan		ECASS Export Control Automated Support System
	CEDS Comprehensive Economic Development Strategies		EDA Economic Development Administration
	CEIP Coastal Energy Impact Program (NOAA)		EDD Economic Development Districts
	CFO Chief Financial Officer		EEEL Electronics and Electrical Engineering Laboratory (NIST)
	CFO/ASA Chief Financial Officer and Assistant Secretary for Administration (OS)		EFT Electronic Funds Transfer
	CIO Chief Information Officer		ELGP Emergency Oil and Gas and Steel Loan Guarantee Programs
	CIRT Computer Incident Response Team		ENC Electronic Navigational Chart
	COOL Commerce Opportunities Online		ENSO El Niño/Southern Oscillation
	COOP Continuity of Operations Plan		EPO European Patent Office
	COTR Contracting Officer Technical Representative		ESA Economics and Statistics Administration
	CPD Coastal Programs Division		

GLOSSARY

ABBREVIATION	TITLE	ABBREVIATION	TITLE
F FAIR	Federal Activities Inventory Reform	GSP	Gross State Product
FAR	False Alarm Rate	GSS	Geographic Support System
FCC	Federal Communications Commission	H HR	Human Resources
FECA	Federal Employees Compensation Act	HRDS	HR Data System
FEGLI	Federal Employees Group Life Insurance Program	HSS	Heidke Skill Scores
FEHB	Federal Employees Health Benefit Program	I IA	Import Administration (ITA)
FEMA	Federal Emergency Management Agency	ICANN	Internet Corporation for Assigned Names and Numbers
FERS	Federal Employees Retirement System	ICEP	International Catalog Exhibition Program (ITA)
FFMIA	Federal Financial Management Improvement Act of 1996	ICT	Information and Communication Technology
FICA	Federal Insurance Contributions Act	IDS	Intrusion Detection Software
FISMA	Federal Information Security Management Act	IFQ	Individual Fishing Quota Direct Loans (NOAA)
FMFIA	Federal Managers' Financial Integrity Act of 1982	IFW	Image File Wrapper
FMP	Fishery Management Plan	IP	Intellectual Property
FR	Field Representative	IP	Internet Protocol
FTA	Free Trade Agreement	IRAC	Interdepartmental Radio Advisory Committee
FTAA	Free Trade Area of the Americas	IRC	Investment Review Committees
FTE	Full-Time Equivalent	IRS	Internal Revenue Service
FVOG	Fishing Vessel Obligation Guarantee Program (NOAA)	ISI	Institute for Scientific Information
FWC	Future Workers' Compensation	IT	Information Technology
FY	Fiscal-year	ITA	International Trade Administration
G G&B	Gifts and Bequests (a fund that is part of DM)	ITL	Information Technology Laboratory (NIST)
GAAP	Generally Accepted Accounting Principles	ITS	Institute for Telecommunication Sciences (NTIA)
GAO	U.S. Government Accountability Office	ITU	International Telecommunication Union
GDP	Gross Domestic Product	K KSA	Knowledge, Skills, and Abilities
GFDL	Geophysical Fluid Dynamics Laboratory (NOAA)	L LMS	Learning Management System
GLERL	Great Lakes Environmental Research Laboratory	M MAF	Master Address File
GPRA	Government Performance and Results Act of 1993	MAP	Measurement Assurance Programs (NIST)
GPS	Global Positioning System	MBDA	Minority Business Development Agency
GSA	U.S. General Services Administration		

ABBREVIATION	TITLE	ABBREVIATION	TITLE
MBDC	Minority Business Development Centers (MBDA)	NOS	National Ocean Service (NOAA)
MBE	Minority Business Enterprise	NPV	Net Present Value
MBIP	Minority Business Internet Portal	NRC	National Research Council
MBNQA	Malcolm Baldrige National Quality Awards	NSRS	National Spatial Reference System
MBOC	Minority Business Opportunity Committee Program (MBDA)	NTIA	National Telecommunications and Information Administration
MDCP	Market Development Cooperator Program (ITA)	NTIS	National Technical Information Service
MECA	Minority Equity Capital Access Program (MBDA)	NWLON	National Water Level Observation Network
MED	Minority Enterprise Development		
MEL	Manufacturing Engineering Laboratory (NIST)	OA	Office of Audits (OIG)
MEP	Manufacturing Extension Partnership (NIST)	OAM	Office of Acquisition Management (OS)
MEPNAB	MEP National Advisory Board	OCAD	Office of Compliance and Administration (OIG)
MOU	Memorandum of Understanding	OCS	Office of Computer Services (Franchise Fund)
MSEL	Materials Science and Engineering Laboratory (NIST)	OECD	Organization for Economic Cooperation and Development
MTS	U.S. Marine Transportation System	OFM	Office of Financial Management (OS)
		OFPP	Office of Federal Procurement Policy
N		OHRM	Office of Human Resources Management (OS)
NABDC	Native American Business Development Centers (MBDA)	OI	Office of Investigations (OIG)
NAICS	North American Industry Classification System	OIG	Office of Inspector General (DM)
NAO	North Atlantic Oscillation	OIPE	Office of Inspections and Program Evaluations (OIG)
NAPA	National Academy of Public Administration	OMB	Office of Management and Budget
NASA	National Aeronautics and Space Administration	OPEM	Office of Planning, Evaluation and Management (BIS)
NBS	National Bureau of Standards	OPM	U.S. Office of Personnel Management
NCDC	National Climatic Data Center (NOAA)	OS	Office of the Secretary (DM)
NERR	National Estuarine Research Reserve	OSDBU	Office of Small and Disadvantaged Business Utilization (OS)
NIH	National Institutes for Health	OSE	Office of Systems Evaluation (OIG)
NIPA	National Income and Product Accounts	OSM	Office of Spectrum Management (NTIA)
NIPC	National Intellectual Property Law Enforcement Coordination Council	OSY	Office of Security (OS)
NIST	National Institute of Standards and Technology	OTE	Office of Technology Evaluation
NM	Nautical Miles	OTP	Office of Technology Policy (TA)
NMFS	National Marine Fisheries Service (NOAA)		
NOAA	National Oceanic and Atmospheric Administration		

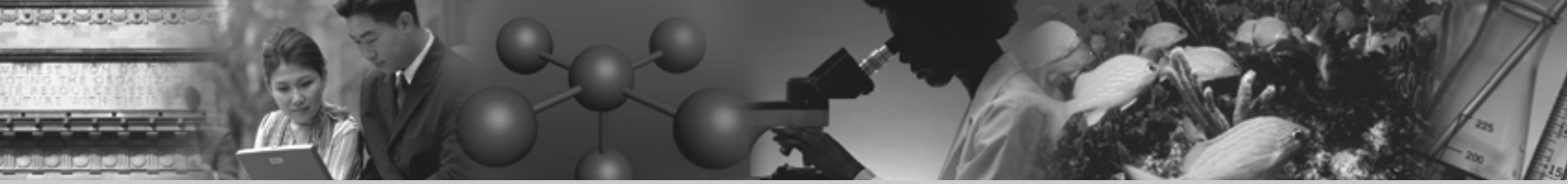
GLOSSARY

ABBREVIATION	TITLE	ABBREVIATION	TITLE
P PALM	Patent Application Location and Monitoring System	SDDS	Special Data Dissemination Standards
PAR	Performance and Accountability Report	SES	Senior Executive Service
PART	Program Assessment Rating Tool	SIPP	Survey of Income and Program Participation
PBSA	Performance-based Service Acquisitions	SME	Small and Medium-sized Enterprise
PBSC	Performance-based Service Contracting	SNM	Square Nautical Miles
PBViews	Panorama Business Views	SPD	Survey of Program Dynamics
PKI	Public Key Infrastructure	SRD	Standard Reference Data
PL	Physics Laboratory (NIST)	SRM	Standard Reference Materials
PMA	President's Management Agenda	STEP	Standard for the Exchange of Product Model Data
PNA	Pacific North America	T 3G	Third Generation
PORTS®	Physical Oceanographic Real-time System	TA	Technology Administration
PP&E	Property, Plant, and Equipment, Net	TAA	Trade Adjustment Assistance Program (EDA)
PPS	Post-project Survey	TAAC	Trade Adjustment Assistance Center
PRT	Program Review Team (NOAA)	TABD	Trans-Atlantic Business Dialogue
PSV	Post-shipment Verification	TCC	Trade Compliance Center (ITA)
PTFP	Public Telecommunications Facilities Program (NTIA)	TECI	Transshipment Country Export Control Initiative
Q QFR	Quarterly Financial Report	TIC	Trade Information Center (ITA)
QPF	Quantitative Precipitation Forecasts	TIGER	Topologically Integrated Geographic Encoding and Referencing System
R R&D	Research and Development	TIS	Trademark Information System
RLF	Revolving Loan Fund (EDA)	TPA	Trade Promotion Authority
ROP	Reserve's Operations Plan (NOAA)	TPC	Tropical Prediction Center (NOAA)
S S&E	Salaries and Expenses	TPCC	Trade Promotion Coordinating Committee
S&T	Science and Technology	TRAM	Trademark Reporting and Monitoring System
SAS	Services Annual Survey	Treasury	U.S. Department of the Treasury
SAV	Site Assistance Visits	TROR	Treasury Report on Receivables
SBA	U.S. Small Business Administration	TRP	Take Reduction Plan
SBR	Combined Statement of Budgetary Resources	TRT	Take Reduction Team
SCNP	Consolidated Statement of Changes in Net Position	TSP	Thrift Savings Plan
		TVA	Tennessee Valley Authority



ABBREVIATION	TITLE
U UAE	United Arab Emirates
UC	University Center
US&FCS	U.S. and Foreign Commercial Service
US/OTP	Office of the Under Secretary/Office of Technology Policy (TA)
USCRN	U.S. Climate Reference Network
USDA	U.S. Department of Agriculture
USPTO	U.S. Patent and Trademark Office
USTR	Office of the U.S. Trade Representative
USWRP	U.S. Weather Research Program
UWB	Ultra-wideband

ABBREVIATION	TITLE
V VCAT	Visiting Committee on Advanced Technology
VoIP	Voice over Internet Protocol
W WCF	Working Capital Fund (DM)
WMD	Weapons of Mass Destruction
WTO	World Trade Organization



GLOSSARY