



National Technical Information Service

*Financial Report
September 30, 2011*



U.S. DEPARTMENT OF COMMERCE

NATIONAL TECHNICAL INFORMATION SERVICE

FINANCIAL REPORT

FOR FISCAL YEAR 2011

The National Technical Information Act of 1988 (15 USC 3704b) includes among its specific terms a general requirement that NTIS “keep the appropriate committees of Congress fully and currently informed about all activities related to the carrying out of the functions of the Service” (15 USC 3704b(f)(1)). Accordingly, our latest financial statements and notes for Fiscal Year 2011 are enclosed.

Financial Statements

U. S. Department Of Commerce
National Technical Information Service
BALANCE SHEETS
As of September 30, 2011 and 2010
(In Thousands)

	<u>FY2011</u>	<u>FY2010</u>
ASSETS		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 27,922	\$ 30,446
Accounts Receivable, Net (Note 4)	2,773	2,111
Advances and Prepayments (Note 5)	287	326
Total Intragovernmental Assets	<u>30,982</u>	<u>32,883</u>
Cash And Other Monetary Assets (Note 3)	29	23
Accounts Receivable, Net (Note 4)	407	392
Inventory And Related Property, Net (Note 7)	48	30
General Property, Plant And Equipment, Net (Note 8)	1,882	2,274
Advances and Prepayments (Note 5)	183	168
Database (Note 6)	6,266	6,455
Total Assets	<u>\$ 39,797</u>	<u>\$ 42,225</u>
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable (Note 9)	\$ 7,945	\$ 7,541
Liability For Unearned Revenue (Note 10)	4,393	6,748
Other Intragovernmental Liabilities	226	412
Total Intragovernmental Liabilities	<u>12,564</u>	<u>14,701</u>
Accounts Payable (Note 9)	2,893	4,703
Accrued Payroll and Annual Leave	1,644	1,661
Actuarial FECA Liability	1,176	1,208
Liability For Unearned Revenue (Note 10)	4,604	4,528
Total Liabilities	<u>\$ 22,881</u>	<u>\$ 26,801</u>
Commitments and Contingencies (Note 11)		
NET POSITION		
Cumulative Results Of Operations - Earmarked Funds	<u>\$ 16,916</u>	<u>\$ 15,424</u>
Total Net Position - Earmarked Funds	<u>\$ 16,916</u>	<u>\$ 15,424</u>
Total Liabilities And Net Position	<u>\$ 39,797</u>	<u>\$ 42,225</u>

The accompanying notes are an integral part of these statements

Financial Statements

U. S. Department Of Commerce

National Technical Information Service

STATEMENTS OF NET COST

For the Years Ended September 30, 2011 and 2010

(In Thousands)

	<u>FY2011</u>	<u>FY2010</u>
Collect and Disseminate Technical Information Clearinghouse Program		
Intragovernmental	\$ 7,883	7,537
With The Public	<u>44,093</u>	<u>40,470</u>
Total	51,976	48,007
Less: Earned Revenues	<u>52,349</u>	<u>49,093</u>
Net Program Costs (Earned Revenues)	<u>\$ (373)</u>	<u>\$ (1,086)</u>
NET COST OF OPERATIONS	<u>\$ (373)</u>	<u>\$ (1,086)</u>

The accompanying notes are an integral part of these statements

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U. S. Department Of Commerce

National Technical Information Service

STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2011 and 2010

(In Thousands)

	<u>FY2011</u>	<u>FY2010</u>
Net Position-Beginning Of Year - Earmarked Funds	\$15,424	\$13,115
Financing Sources (Other Than Exchange Revenues):		
Imputed Financing (Note 1)	<u>1,119</u>	<u>1,223</u>
Total Financing Sources	1,119	1,223
Net Cost Of Operations (Earned Revenues)	<u>373</u>	<u>1,086</u>
Net Position-End Of Year - Earmarked Funds	<u>\$ 16,916</u>	<u>\$ 15,424</u>

The accompanying notes are an integral part of these statements

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STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2011 and 2010

(In Thousands)

Budgetary Resources:	<u>FY2011</u>	<u>FY2010</u>
Unobligated Balance:		
Brought Forward, October 1	\$ 6,158	\$ 4,608
Spending Authority From Offsetting Collections (Gross)		
Earned	52,349	49,093
Change in Unfilled Customer Orders	<u>(2,247)</u>	<u>(1,559)</u>
Total Budgetary Resources	<u>\$ 56,260</u>	<u>\$ 52,142</u>
 Status Of Budgetary Resources:		
Obligations Incurred:		
Reimbursable	\$ 48,853	\$ 45,984
Unobligated Balances -Available	<u>7,407</u>	<u>6,158</u>
Total Status Of Budgetary Resources	<u>\$ 56,260</u>	<u>\$ 52,142</u>
 Relationship of Obligations To Outlays		
Obligated Balance, Net As Of October 1	\$ 23,591	\$ 18,091
 Obligations Incurred	\$ 48,853	\$ 45,984
Less: Gross Outlays	\$ (51,911)	\$ (44,539)
 Change in Uncollected Customer Payments	\$ (709)	\$ 4,054
 Unpaid Obligated Balance, Net, End of Period		
Unpaid Obligations	\$ 23,155	\$ 26,214
Less: Uncollected Customer Payments	<u>(3,332)</u>	<u>(2,623)</u>
Total Unpaid Obligated Balance, Net, End of Period	<u>\$ 19,823</u>	<u>\$ 23,591</u>
 Net Outlays:		
Disbursements	\$ 51,911	\$ 44,539
Collections	<u>(49,393)</u>	<u>(51,588)</u>
Total Net Outlays	<u>\$ 2,518</u>	<u>\$ (7,049)</u>

The accompanying notes are an integral part of these statements

Notes to the Financial Statements

National Technical Information Service
Notes to Financial Statements
(\$ in thousands)
September 30, 2011 and 2010

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

The National Technical Information Service (NTIS) was established in 1945 by Executive Order 9568 of the Publications Board to collect and declassify World War II technical data for dissemination to industry. NTIS operates under the provisions of Title 15, U.S. Code 1151-1157 and the NTIS Act of 1988 (15 U.S.C. 3701) as an agency of the U.S. Department of Commerce (The Department). Its mission is to collect, process, market, and disseminate government-sponsored and foreign scientific, technical and business information; and assist other agencies with their information programs. NTIS funds its operations through the sale of its products and services, rather than through direct appropriations. Occasional appropriation support may be required for a substantial one-time outlay for Congressionally mandated new programs and requirements.

On October 6, 1992, legislation was passed authorizing the establishment of the NTIS Revolving Fund. Upon establishing the NTIS Revolving Fund, 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 accompanying financial statements present the financial position and financial activities of the NTIS Revolving Fund administered by NTIS. There were no intra-entity transactions and therefore no separate column is presented on the face of the financial statements.

Basis of Account and Presentation

Under the authority of the Chief Financial Officers (CFO) Act of 1990, the Government Accountability Office (GAO) participated with the Office of Management and Budget (OMB) and the Department of the Treasury in the establishment of the Federal Accounting Standards Advisory Board (FASAB). FASAB's purpose is to consider and recommend accounting principles, standards, and requirements to GAO, Treasury, and OMB. The Comptroller General, the Secretary of the Treasury, and the Director of OMB (the three principals of FASAB) decide upon new principles, standards, and requirements after considering FASAB's recommendation.

The financial statements of NTIS 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 Revised Circular No. A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards

Notes to the Financial Statements

National Technical Information Service Notes to Financial Statements (\$ in thousands) September 30, 2011 and 2010

Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, without regard to receipt or payment of cash, and expenses are recognized when goods or services are rendered. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

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. The NTIS receives an allocation transfer, as the child, from the General Services Administration. Activity relating to this child allocation transfers is not reported in NTIS' financial statements.

Budgets and Budgetary Accounting

OMB annually apportions expenditure authority to NTIS based upon NTIS' estimate of sales of products and services. Typically, the Department of Commerce's (DoC) annual budget includes NTIS for informational purposes and Congressional oversight. Unobligated funds may be carried over into the next fiscal year.

Earmarked Funds

Earmarked funds are financed by specifically identified revenues which remain available over time. All funds deposited in NTIS' Revolving Fund are considered Earmarked Funds.

Notes to the Financial Statements

National Technical Information Service Notes to Financial Statements (\$ in thousands) September 30, 2011 and 2010

Revenues and Other Financing Sources

Operating revenues result from sales of scientific and technical products and services to business, government, and educational institutions. Additional amounts are obtained through reimbursements for services performed for other federal agencies. Revenues are earned as goods or services are delivered or contract terms are met.

Fund Balance with Treasury and Cash on Hand

NTIS does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. Except as restricted (Note 2), the Fund Balances with Treasury and Cash on Hand are funds that are available to pay current liabilities and finance authorized purchase commitments.

Inventories

Inventories consist primarily of technical documents held for sale to customers. Inventories held for sale are stated at the lower of cost or market. Cost is determined principally using the first-in, first-out (FIFO) method; recorded values are adjusted to reflect the results of physical inventories; and a periodic allowance for obsolescence is expensed. See Note 7 for inventory composition. Expenses are recorded when the inventories are shipped or consumed.

Accounts Receivable

Accounts receivable result from the sale of NTIS products and services to the public and federal agencies. NTIS calculates its allowance for doubtful accounts based on historical collection data and, in some cases, specific account analysis.

Property and Equipment

Property and equipment consist of machinery and equipment, which are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. NTIS capitalizes equipment valued in excess of twenty-five thousand dollars with a useful life of two years or more.

Database

Other assets include the NTIS bibliographic database. The database is the result of NTIS' acquisition and processing of scientific and technical information products. Processing includes cataloguing, indexing, abstracting, and sorting by form and content deemed by NTIS to be responsive to customer demand. The result of this processing is the creation of a

Notes to the Financial Statements

National Technical Information Service
Notes to Financial Statements
(\$ in thousands)
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database of information that is used to prepare various products and services offered for sale to the public and to other federal agencies. Document registration, payroll, and computer input processing costs are capitalized as part of the database to reflect current additions and enhancements to the asset. Amortization is calculated using an accelerated method, which approximates anticipated sales volume.

Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as an advance to others or a prepaid charge, and recognized as expenditures/expenses when the goods and services are received.

Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by NTIS as the result of a transaction or event that has already occurred. All liabilities are covered by budgetary resources.

Customer deposits consist of cash that customers have remitted to fund future purchases of NTIS products and services.

Accrued payroll and benefits reflect salaries and benefits earned but not paid as of year-end.

Subscription escrow accounts are used to account for unearned revenue, or cash received prior to year-end, for subscription products to be shipped at a future date.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. This balance is fully funded. Sick leave and other types of leave are expensed as taken and are considered non-vested.

Retirement Plans (CSRS and FERS)

NTIS does not report Civil Service Retirement System (CSRS) assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

Most employees of NTIS participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically

Notes to the Financial Statements

National Technical Information Service Notes to Financial Statements (\$ in thousands) September 30, 2011 and 2010

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.

For CSRS-covered regular employees, NTIS 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 NTIS and its employees. NTIS 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 NTIS and its covered employees.

For FERS-covered regular employees, NTIS was required to make contributions of 11.7 percent of basic pay. Employees contributed 0.8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which NTIS contributes a matching amount to the Social Security Administration. For both FY 2011 and FY 2010, this plan was not fully funded by NTIS and its employees. NTIS therefore 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 NTIS and its covered employees.

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 NTIS makes a mandatory contribution of one percent of basic pay. FERS and CSRS covered employees will have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2011 may not exceed the IRS limit of \$16.5 thousand. NTIS 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 limit for catch-up contributions.

Pension and Other Retirement Benefits Accruals

NTIS recognized an imputed financing source and corresponding expense to represent its share of the cost to the Federal government of providing pension and post-retirement health and life insurance benefits to all eligible NTIS employees. 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,

Notes to the Financial Statements

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training and counseling, continued health care, and unemployment and workers' compensation under FECA; and 4) losses in litigation proceedings. NTIS includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source is recognized on the *Consolidated Statements of Changes in Net Position*.

Workers' Compensation – Future Workers' Compensation Benefits (Actuarial FECA Liability)

Actuarial FECA liability represents future workers' compensation (FWC) benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined by the Department of Labor (DoL) annually, as of September 30, using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments have been discounted to present value using the Office of Management and Budget's (OMB's) economic assumptions for ten-year Treasury notes and bonds.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (Cost of Living Adjustments or COLAs) and medical inflation factors (Consumer Price Index - Medical or CPIMs) were applied to the calculation of projected future benefits. These factors were also used to adjust historical payments of benefits by NTIS 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.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles described above requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Financial Statements

Note 2. Fund Balances With Treasury:

(In Thousands)

A. Fund Balances:	<u>FY2011</u>			<u>FY2010</u>		
	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>
Earmarked Revolving Fund	\$ 15,508	\$ 7,419	\$ 22,927	\$ 16,027	\$ 7,054	\$ 23,081
NTIS Customer Deposits	<u>-</u>	<u>4,995</u>	<u>4,995</u>	<u>-</u>	<u>7,365</u>	<u>7,365</u>
Total Fund Balance	<u>\$ 15,508</u>	<u>\$ 12,414</u>	<u>\$ 27,922</u>	<u>\$ 16,027</u>	<u>\$ 14,419</u>	<u>\$ 30,446</u>

B. Status of Fund Balance with Treasury

	<u>FY2011</u>	<u>FY2010</u>
Unobligated Balance Available	\$ 7,407	\$ 6,158
Obligated Balance not yet Disbursed	19,823	23,591
Non Budgetary	<u>692</u>	<u>692</u>
Total Fund Balance	<u>\$ 27,922</u>	<u>\$ 30,446</u>
Funds For Operations	\$ 15,508	\$ 16,027
Funds Owed To Agencies For Which NTIS		
Collects Receivables-Brokerage Services	7,419	7,054
NTIS Customer Deposits - Intragovernmental	4,303	6,668
NTIS Customer Deposits - Public	<u>692</u>	<u>692</u>
Total Fund Balance	<u>\$ 27,922</u>	<u>\$ 30,446</u>

Note 3: Cash, Foreign Currency and Other Monetary Assets:

(In Thousands)

	<u>FY2011</u>	<u>FY2010</u>
Cash	Assets	Assets
Undeposited Collections	<u>\$ 29</u>	<u>\$ 23</u>
	<u>\$ 29</u>	<u>\$ 23</u>

Financial Statements

Note 4. Accounts Receivable:

(In Thousands)

	<u>FY2011</u>		
	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Intragovernmental			
Accounts Receivable –Overdrawn Deposits	\$ 2,773	\$ -	\$ 2,773
Billed Accounts Receivable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,773</u>	<u>\$ -</u>	<u>\$ 2,773</u>
Governmental			
Accounts Receivable –Overdrawn Deposit Accounts	\$ 34	\$ (1)	\$ 33
Billed Accounts Receivable	231	(1)	230
Unbilled Accounts Receivable	<u>144</u>	<u>-</u>	<u>144</u>
	<u>\$ 409</u>	<u>\$ (2)</u>	<u>\$ 407</u>
FY 2011 Total	<u><u>\$ 3,182</u></u>	<u><u>\$ (2)</u></u>	<u><u>\$ 3,180</u></u>
		<u>FY2010</u>	
	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Intragovernmental			
Accounts Receivable –Overdrawn Deposits	\$ 2,111	\$ -	\$ 2,111
Billed Accounts Receivable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,111</u>	<u>\$ -</u>	<u>\$ 2,111</u>
Governmental			
Accounts Receivable –Overdrawn Deposit Accounts	\$ 38	\$ (1)	\$ 37
Billed Accounts Receivable	207	-	207
Unbilled Accounts Receivable	<u>148</u>	<u>-</u>	<u>148</u>
	<u>\$ 393</u>	<u>\$ (1)</u>	<u>\$ 392</u>
FY 2010 Total	<u><u>\$ 2,504</u></u>	<u><u>\$ (1)</u></u>	<u><u>\$ 2,503</u></u>

NTIS does not reserve for Intragovernmental and Unbilled receivables since they are considered fully collectible.

The Allowance for Bad Debts for Governmental (Public) is based on 83% of the total invoices with an invoice date of 120 days and older.

The Allowance for Bad Debts – Overdrawn Deposits for both Intragovernmental and Public is equal to 20% of the total overdrawn deposit account balances.

Financial Statements

Note 5. Advances and Prepayments:

(In Thousands)

	<u>FY2011</u>	<u>FY2010</u>
Other Entity Assets		
Intragovernmental		
Advances To Government Agencies	<u>\$ 287</u>	<u>\$ 326</u>
Public		
Advances To The Public	<u>\$ 183</u>	<u>\$ 168</u>

Note 6. Database

(In Thousands)

The database is the result of NTIS' acquisition and processing of scientific and technical information products. Processing includes cataloguing, indexing, abstracting, and sorting by form and content deemed by NTIS to be responsive to customer demand. The result of this processing is the creation of a database of information that is used to prepare various products and services offered for sale to the public and to other federal agencies.

The amortization method used for the database is the declining balance with 30% amortized the first year, 20% for the second year, and 10% over the remaining five years.

Registration, payroll, and computer input costs are capitalized as part of the database to reflect current additions and enhancements to the asset. Total costs added to the database in FY2011 were \$2.6 million.

The database consisted of the following:

(In Thousands)	<u>FY2011</u>	<u>FY2010</u>
Capitalized Costs	\$ 65,243	\$ 62,685
Less: accumulated amortization	<u>(58,977)</u>	<u>(56,230)</u>
Total	<u>\$ 6,266</u>	<u>\$ 6,455</u>

For the period ended September 30, 2011 amortization expense was \$2.7 million.

Financial Statements

NOTE 7. Inventory and Related Property:

(In Thousands)

	<u>FY2011</u>		
	<u>Inventory Amount</u>	<u>Allowance for Losses</u>	<u>Inventory Net</u>
Inventory Categories:			
Inventory Held For Sale	\$ 139	\$ (97)	\$ 42
Inventory Not Held For Sale			
Material and Goods For Own			
Use - Print Plant Supply	<u>6</u>	<u>-</u>	<u>6</u>
Subtotal	<u>6</u>	<u>-</u>	<u>6</u>
Total	<u>\$ 145</u>	<u>\$ (97)</u>	<u>\$ 48</u>

	<u>FY2010</u>		
	<u>Inventory Amount</u>	<u>Allowance for Losses</u>	<u>Inventory Net</u>
Inventory Categories:			
Inventory Held For Sale	\$ 163	\$ (140)	\$ 23
Inventory Not Held For Sale			
Material and Goods For Own			
Use - Print Plant Supply	<u>7</u>	<u>-</u>	<u>7</u>
Subtotal	<u>7</u>	<u>-</u>	<u>7</u>
Total	<u>\$ 170</u>	<u>\$ (140)</u>	<u>\$ 30</u>

At September 30, 2011, inventory held for sale consisted of copies of scientific and technical reports and products in the gross amount of \$145 thousand.

Inventory Obsolescence is based on historical sales data and the actual inventory that is obsolete at the end of the reporting period.

Material and Goods for Own Use - Supply Inventory represents stockroom office supplies held for future distribution and consumption by NTIS offices. The valuation method used is First In - First Out (FIFO).

Financial Statements

NOTE 8. Property, Plant and Equipment, Net:

(In Thousands)

FY2011

Fixed Assets

	Balance <u>FY10</u>	Purchases <u>FY11</u>	Disposals <u>FY11</u>	Balance <u>FY11</u>
Equipment	\$ 4,272	\$ 109	\$ (92)	\$ 4,289
	<u>\$ 4,272</u>	<u>\$ 109</u>	<u>\$ (92)</u>	<u>\$ 4,289</u>

Accumulated Depreciation

	Balance <u>FY10</u>	Depreciation <u>FY11</u>	Disposals <u>FY11</u>	Balance <u>FY11</u>	Net Book <u>Value</u>	Depreciation <u>Method*</u>	Service <u>Life**</u>
Equipment	\$ 1,998	\$ 501	\$ (92)	\$ 2,407	\$ 1,882	SL	2-5
	<u>\$ 1,998</u>	<u>\$ 501</u>	<u>\$ (92)</u>	<u>\$ 2,407</u>	<u>\$ 1,882</u>		

FY2010

Fixed Assets

	Balance <u>FY09</u>	Purchases <u>FY10</u>	Disposals <u>FY10</u>	Balance <u>FY10</u>
Equipment	\$ 3,405	\$ 867	\$ -	\$ 4,272
	<u>\$ 3,405</u>	<u>\$ 867</u>	<u>\$ -</u>	<u>\$ 4,272</u>

Accumulated Depreciation

	Balance <u>FY09</u>	Depreciation <u>FY10</u>	Disposals <u>FY10</u>	Balance <u>FY10</u>	Net Book <u>Value</u>	Depreciation <u>Method*</u>	Service <u>Life**</u>
Equipment	\$ 1,476	\$ 522	\$ -	\$ 1,998	\$ 2,274	SL	2-5
	<u>\$ 1,476</u>	<u>\$ 522</u>	<u>\$ -</u>	<u>\$ 1,998</u>	<u>\$ 2,274</u>		

* Depreciation Method

SL=Straight Line

** Range of Service Life:

2-5= 2 to 5 years

Financial Statements

NOTE 9. Accounts Payable:

(In Thousands)

As of September 30, 2011, accounts payable consisted of the following:

	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
Accounts Payable, Operations	\$ 529	\$ 2,890	\$ 3,419
Accounts Payable, Brokerage	<u>7,416</u>	<u>3</u>	<u>7,419</u>
Total	<u>\$ 7,945</u>	<u>\$ 2,893</u>	<u>\$ 10,838</u>

Of the intragovernmental accounts payable, approximately \$7.4 million represents amounts due under reimbursable agreements with the National Library of Medicine (NLM) for the year ended September 30, 2011 and related brokerage services (billing, collection, and financial management services) rendered.

As of September 30, 2010, accounts payable consisted of the following:

	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
Accounts Payable, Operations	\$ 491	\$ 4,699	\$ 5,190
Accounts Payable, Brokerage	<u>7,050</u>	<u>4</u>	<u>7,054</u>
Total	<u>\$ 7,541</u>	<u>\$ 4,703</u>	<u>\$ 12,244</u>

Of the intragovernmental accounts payable, approximately \$7.0 million represents amounts due under reimbursable agreements with the National Library of Medicine (NLM) for the year ended September 30, 2010 and related brokerage services (billing, collection, and financial management services) rendered.

NOTE 10. Liability for Unearned Revenue

(In Thousands)

<u>FY2011</u>	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
NTIS Customer Deposits	\$ 4,303	\$ 665	\$ 4,968
Subscription Escrow	90	3,882	3,972
Deferred Revenue, Undeposited Cash & Refunds	<u>-</u>	<u>57</u>	<u>57</u>
Total	<u>\$ 4,393</u>	<u>\$ 4,604</u>	<u>\$ 8,997</u>

<u>FY2010</u>	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
NTIS Customer Deposits	\$ 6,669	\$ 692	\$ 7,361
Subscription Escrow	79	3,808	3,887
Deferred Revenue, Undeposited Cash & Refunds	<u>-</u>	<u>28</u>	<u>28</u>
Total	<u>\$ 6,748</u>	<u>\$ 4,528</u>	<u>\$ 11,276</u>

Financial Statements

NOTE 11. Commitments and Contingencies

Future Commitments

NTIS is committed to purchase goods and services ordered, but not yet received (undelivered orders) amounting to \$9.3 million and \$10.7 million as of September 30, 2011 and 2010, respectively.

The land and buildings in which NTIS operates are provided through the General Services Administration's building delegation fund, and NTIS is charged rent intended to approximate commercial rental rates. Rent expense charged for office space for the years ended September 30, 2011 and 2010 was \$1.9 million and \$1.8 million, respectively.

Future Minimum Lease Payments Due: Cancelable Operating Leases	Total Building (In Thousands)
Fiscal Year 2012	\$ 1,907
Fiscal Year 2013	\$ 1,918
Fiscal Year 2014	\$ 1,358
Fiscal Year 2015	\$ 1,482
Total Future Minimum Lease Payments	<u>\$ 6,665</u>

Pending Claims

To the best of management's and the Department of Commerce's Office of General Counsel's knowledge, information and belief, there are no pending claims or threatened litigation, claims, or assessments or unasserted claims or adjustments that might have a material impact on the financial position of NTIS.

Apportionment Categories of Obligations Incurred

NTIS had Reimbursable Obligations for the years ended September 30, 2011 and September 30, 2010 in the amount of \$48.9 million and \$46.0 million, respectively.

NOTE 12. Gross Costs and Earned Revenue By Budget Functional Classification

(In Thousands)

NTIS' gross costs and earned revenues by budget functional classification are all included in the collect and disseminate technical information classification.

Collect and Disseminate Technical Information	<u>FY2011</u>	<u>FY2010</u>
Gross Cost	\$ 51,976	\$ 48,007
Earned Revenue	<u>(52,349)</u>	<u>(49,093)</u>
Net Cost	<u>\$ (373)</u>	<u>\$ (1,086)</u>

Financial Statements

Note 13. 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 reconciliation of net cost of operations to budget for FY 2011 and FY 2010 is as follows:

Resources Used to Finance Activities	<u>FY2011</u>	<u>FY2010</u>
Budgetary Resources Obligated		
Obligations Incurred	\$ 48,853	\$ 45,984
Less: Spending Authority For Offsetting Collections and Adjustments	(50,102)	(47,534)
Change in Customer Deposits, AR Non-Federal, and Undeposited Collections	(2,247)	(1,560)
Financing Imputed For Cost Subsidies	<u>1,119</u>	<u>1,223</u>
Total resources used to finance activities	\$ (2,377)	\$ (1,887)
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Amount of Goods, Services, and Benefits Ordered But Not Yet Received or Provided	\$ 1,442	\$ 1,490
Resources that Finance the Acquisition of Assets	<u>(3,050)</u>	<u>(4,441)</u>
Total Resources Used to Finance Items not Part of Net Cost of Operations	\$ (1,608)	\$ (2,951)
Total Resources Used to Finance the Net Cost of Operations	\$ (3,985)	\$ (4,838)
Components of Net Cost of Operations that will not Require or Generate Resources		
Costs of Goods Sold	\$ 363	\$ 373
Depreciation and Amortization Expense	3,248	3,347
Inventory Obsolescence and Bad Debt Expense	<u>1</u>	<u>32</u>
Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ 3,612	\$ 3,752
Net Cost Of Operations	<u>\$ (373)</u>	<u>\$ (1,086)</u>

The accompanying notes are an integral part of these statements

Required Supplemental Information

FY2011 vs. FY2010 Intra-governmental Assets

		(\$ in thousands)				
		Year ended			Year ended	
		September 30, 2011			September 30, 2010	
Trading Partner	Fund Balance With Treasury	Accounts Receivable, Net	Advances and Prepayments	Total	Total	
1 Architect of the Capital	\$ -	\$ 4	\$ -	\$ 4	\$ 2	
3 Library of Congress	-	7	-	7	11	
4 Government Printing Office	-	-	2	2	6	
12 Department of Agriculture	-	460	-	460	226	
13 Department of Commerce	-	45	227	272	489	
14 Department of Interior	-	31	-	31	-	
15 Department of Justice	-	153	-	153	3	
16 Department of Labor	-	54	-	54	-	
17 Department of Navy	-	-	-	-	36	
18 United States Postal	-	-	52	52	118	
20 Department of Treasury	27,922	73	-	27,995	30,487	
28 Social Security Administration	-	823	-	823	333	
31 U.S. Nuclear Regulatory Commission	-	134	-	134	1	
47 General Services Administration	-	-	-	-	189	
49 National Science Foundation	-	12	-	12	1	
50 Securities and Exchange Commission	-	2	-	2	-	
56 Central Intelligence Agency	-	52	-	52	-	
57 Department of the Air Force	-	43	-	43	-	
68 Environmental Protection Agency	-	-	-	-	1	
69 Department of Transportation	-	39	-	39	-	
70 Department of Homeland Security	-	20	-	20	46	
75 Department of Health and Human Services	-	5	-	5	8	
89 Department of Energy	-	20	6	26	42	
91 Department of Education	-	737	-	737	763	
95 Independent Agencies	-	41	-	41	90	
97 Office of the Secretary of Defense	-	18	-	18	31	
TOTAL	\$ 27,922	\$ 2,773	\$ 287	\$ 30,982	\$ 32,883	

Required Supplemental Information

FY2011 vs. FY2010 Intra-governmental Liabilities

		(\$ in thousands)				
		Year ended			Year ended	
		September 30, 2011			September 30, 2010	
Trading Partner		Accounts Payable	Other	Unearned Revenue	Total	Total
			Intragovernmental Liabilities			
3	Library of Congress	\$ -	\$ -	\$ (2)	\$ (2)	\$ (1)
4	Government Printing Office	(223)	-	-	(223)	(234)
12	Department of Agriculture	-	-	(712)	(712)	(832)
13	Department of Commerce	(101)	-	(278)	(379)	(360)
14	Department of Interior	-	-	(13)	(13)	(13)
15	Department of Justice	-	-	(357)	(357)	(325)
16	Department of Labor	(2)	(98)	(146)	(246)	(412)
17	Department of the Navy	-	-	(96)	(96)	(101)
19	Department of State	-	-	(3)	(3)	(3)
20	Department of Treasury	(4)	-	(5)	(9)	(3)
21	Department of the Army	(1)	-	(264)	(265)	(279)
24	Office of Personnel Management	(25)	(91)	-	(116)	(107)
28	Social Security Administration	(58)	(9)	(100)	(167)	(137)
31	Nuclear Regulatory Commission	-	-	(14)	(14)	(21)
36	Department of Veterans Affairs	-	-	(55)	(55)	(55)
47	General Services Administration	(95)	-	(40)	(135)	(294)
56	Central Intelligence Agency	(11)	-	-	(11)	(200)
57	Department of the Air Force	-	-	(100)	(100)	(107)
68	Environmental Protection Agency	-	-	(246)	(246)	(264)
69	Department of Transportation	-	-	(49)	(49)	(50)
70	Department of Homeland Security	-	-	(35)	(35)	(37)
75	Department of Health & Human Services	(7,422)	-	(579)	(8,001)	(7,597)
80	National Aeronautics and Space Admin	-	-	(61)	(61)	(191)
88	National Archives and Records Admin	-	-	(34)	(34)	(37)
89	Department of Energy	-	-	(3)	(3)	(3)
95	USIA	(3)	-	-	(3)	(3)
96	U S Army Corps of Engineers	-	-	(24)	(24)	(25)
97	Secretary of Defense	-	-	(1,177)	(1,177)	(2,965)
99	Treasury General Fund	-	(28)	-	(28)	(45)
		<u>\$ (7,945)</u>	<u>\$ (226)</u>	<u>\$ (4,393)</u>	<u>\$ (12,564)</u>	<u>\$ (14,701)</u>