Financial Section

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This FY 2011 Performance and Accountability Report provides financial and program performance information to enable the Department's stakeholders to understand and evaluate the achievements that have been made relative to its mission and the resources with which it is entrusted. The report highlights the Department's performance, provides detailed financial information, and fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Government Performance and Results Act, the Federal Managers' Financial Integrity Act, and the Government Management Reform Act.

We are proud to report that in FY 2011 the Department of Commerce achieved an unqualified audit opinion for the thirteenth consecutive year.

In addition, the Department successfully resolved a long-standing significant deficiency in the Consolidated Financial Statement Audit concerning information technology security controls for financial systems. The Office of the Chief Information Officer (OCIO) and the Office of the Inspector General (OIG) collaborated to develop a strategy to improve certification and accreditation (C&A). The most significant impact of this strategy has been the Department's leverage of a tracking tool for security reporting and monitoring to improve the quality of the C&A process. Accomplishments resulting from the Department's efforts to remove the information technology (IT) significant deficiency include developing the Cyber Security Strategic Plan with input of the Department's operating units; implementing a Cyber Security Development Program, a role-based training program offered Department-wide; and implementing the IT Audit Working Group, a joint effort between the OCIO and the Office of Financial Management to resolve prior year findings and design enterprise-wide solution. The Department received a significant deficiency in FY 2011 relating to the National Oceanic and Atmospheric Administration (NOAA) accounting for satellites.

The Department also continued to participate in the government-wide initiative to strengthen internal controls under the Federal Managers' Financial Integrity Act and Office of Management and Budget (OMB) Circular A-123, and is currently engaged in enhancing both financial and non-financial controls. These efforts are a reflection of our commitment to excellence in managing financial systems and safeguarding financial resources and investments. The Department's assessment for FY 2011 identified no material weaknesses in its financial internal controls.

The Department is committed to driving savings and efficiencies by pursuing over $140 million in acquisition, personnel, facility, travel, and related costs through its FY 2012 Administrative Savings Plan. For example, the Department launched a Department-wide strategic sourcing/cost reduction program built around specific commodities with expected savings of $13 million to $23 million in FY 2012 in addition to greater process efficiencies. The commodities, which include personal computers (PCs), wireless, print management, office supplies, small package delivery, software, professional and technical services, will use better contracting strategies and better management of Department resources to drive savings and efficiencies. The Department validated reported administrative savings through a new process, launched in April, 2011, after collaboration between the Office of the Chief Financial Officer/Assistant Secretary of Administration (CFO/ASA) and the bureaus, and in consultation with the OIG, including review and control with emphasis on appropriate visibility at all organizational levels.

While strengthening its financial management and driving savings and efficiencies, the Department remains committed to successfully meeting its mission to help make American businesses more innovative at home and more competitive abroad. In the past year, the Department launched CommerceConnect, a comprehensive portfolio of federal, state, local, and non-profit business assistance resources, including more than 70 Department programs. By matching American businesses and entrepreneurs to specific business needs, the Department is helping them breakdown programmatic silos and connect to the right resources to advance their objectives. The Department is also leading in developing a White House initiative to expand this "no-wrong-door" customer service model across the many government agencies. This initiative, called BusinessUSA, is focused on promoting exports and meeting the highest priority service needs of small and medium-sized businesses, including but not limited to, those wanting to export.

Moving forward, the Department remains committed to ensuring strong financial management and leadership to ensure the appropriate stewardship of public resources and efficient and effective delivery of mission critical programs. By putting in place strong controls, working collaboratively within and outside the Department, and focusing on accountability, transparency and performance, we are hopeful that we can continue to build on the success of the previous year.

Scott Quehl
Chief Financial Officer
and Assistant Secretary for Administration
November 15, 2011

FINANCIAL SECTION

Financial Management and Analysis

FINANCIAL MANAGEMENT AND ANALYSIS

Under the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. Ensuring that there are strong internal controls throughout the Department remains a priority. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced with the Department continuing to receive unqualified audit opinions, maintaining a single integrated financial system, and continuing its compliance with the Federal Financial Management Improvement Act (FFMIA).

Highlights of accomplishments for FY 2011 and future initiatives are discussed further below.

FINANCIAL MANAGEMENT SYSTEMS

The Department maintains an FFMIA-compliant financial management system, the Commerce Business Systems (CBS). CBS provides reliable, timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS consists of a Core Financial System (CFS), including the Commerce Purchase Card System (CPCS) and the Budget and Execution Data Warehouse. CBS is interfaced with the Commerce Standard Acquisition and Reporting System (CSTARS), the National Finance Center Payroll System, and the Automated Standard Application for Payments (ASAP).

The financial information from CBS is integrated in the Corporate Database for consolidated financial reporting, resulting in a single integrated financial management system. The Corporate Database is a commercial, off-the-shelf software package for consolidating financial data and producing financial reports. The Corporate Database is an integrated solution that provides financial statements and Adjusted Trial Balances reported at the Department, bureau, and Treasury Appropriation/Fund Group level. It also provides the ability to perform data analysis and produce the Department's footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

During FY 2011, the Department accomplished the following initiatives:

- Continued Operations and Maintenance activities for CBS;
- Continued work on the Business Application Solutions (BAS) project (formerly known as the Future Financial and Administrative Planning Business Analysis). Determined the long-term viability of the legacy business system and began definition and planning of the Departmental modernization efforts;
- Continued to support the C.Award migration—upgrading the Commerce Standard Acquisition and Reporting System (CSTARS) contract writing and management system—for NOAA, Office of the Secretary, NIST and Census. Assisted the vendor with mock migrations for each bureau, arranging the training logistics and supporting the production migration preparation activities;
- Completed analysis and finalized the list of all standard Office of Management and Budget (OMB) and non-OMB object classes to be utilized by all Department bureaus;

- Continued to monitor bureau efforts in implementing standardized processes for identified accounting events, and track and measure the bureaus' performance through performance metric reports;
- Continued to support the key areas of the Modernization Blueprint effort. This initiative facilitates a critical review and prioritization of the Department's administrative business systems and provides a framework for managing projects from start through operation; and
- Conducted an analysis of E-Invoicing solutions to automate existing manual invoice processes and to support the Department's goal of lowering the cost to process an invoice while streamlining the process. Initiated an Internet Payment Platform (IPP) Pilot Proof of Concept to determine if this is a viable option for the Department.

In FY 2012 and beyond, the Department will continue its efforts to enhance its financial systems. The Department plans to accomplish the following:

- Continue Operations and Maintenance activities for CBS;
- Continue the Modernization Blueprint program, focus on maintaining a comprehensive inventory of programs, initiatives, and systems across the Chief Financial Officer/Assistant Secretary for Administration (CFO/ASA) in order to enable Department managers to prioritize and plan resources, and perform better analyses of programs and initiatives that are underway or planned through FY 2013;
- Complete the upgrade of CSTARS; the existing procurement and acquisition system to the web version of C.Award.
- Complete the IPP Pilot Proof of Concept;
- Maintain and possibly enhance the OFM/CSC Portal that provides for a unified gateway for access to Department administrative applications, including single sign-on and self-service administration, as well as hosting the Modernization Blueprint program; and
- Continue to monitor bureau efforts in implementing standardized processes for identified accounting events, and track and measure the bureaus' performance through performance metrics reports.

FINANCIAL REPORTING

The Department is committed to making financial management a priority, and significant efforts are being made to further improve the management of its financial resources. The Department has received unqualified opinions on its consolidated financial statements since 1999. The Department met the financial statement submission deadlines for FY 2011. The significant deficiency cited from prior years relating to deficiencies in general information technology (IT) controls was resolved. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. The Department received a significant deficiency in FY 2011 relating to the National Oceanic and Atmospheric Administration (NOAA) accounting for satellites. In FY 2011, the Department conducted an assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix A, including adhering to the risk-based three-year rotational testing plan. A Senior Management Council (SMC) and a Senior Assessment Team (SAT) worked together to provide oversight guidance and decision-making for the A-123 implementation process. The final report, which reported no material weaknesses, was incorporated into management's overall assurance statement provided under the requirements of the Financial Managers' Financial Integrity Act (FMFIA). In addition, the Department conducted an improper payment sample testing; the results revealed no significant improper payment or internal control deficiencies. Overall, the Department's assessments demonstrate that the Department has strong internal controls over the disbursement processes, the amounts of improper payment in the Department are immaterial, and the risk of improper payment is low. See Appendix D for reporting details of the Improper Payments Information Act (IPIA) of 2002, as amended.

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

- Implemented, effective 2011, the payment recapture audit provisions of the Improper Payments Elimination and Recovery Act (IPERA) of 2010, including an evaluation of the cost-effectiveness of expanding payment recapture audits to additional categories of disbursements. As a result of this evaluation, the Department expanded payment recapture auditing to grants and other cooperative agreements (i.e. financial assistance), and a payment recapture audit of Department-wide grants and other cooperative agreements was carried out in 2011. The Department also continues to perform payment recapture audits of bureaus' closed contracts/obligations on a rotational basis, and carried out a payment recapture audit of closed contracts/obligations for NTIA in 2011;
- Implemented, effective FY 2011, revised single-asset capitalization thresholds, and new personal property bulk purchase capitalization thresholds, for several bureaus/reporting entities for property, plant, and equipment acquisitions;
- Each of the Department's bureaus/reporting entities has completed over a one to three-year period (depending on the size of the entity), an initial improper payment risk assessments covering all programs/activities as required by OMB Circular A-123, Appendix C. These improper payment risk assessments of the entity's programs/activities also include assessments of the control, procurement, and grants management environments, and are now in the continuous process stage of being updated or revised every three years, unless significant changes occur, in which case an assessment will be updated quicker;
- Each of the Department's bureaus/reporting entities has completed an entity-level controls assessment as required by OMB Circular A-123, Appendix A;
- Prepared and monitored CAPs for the significant deficiency and management letter comments and monitored progress toward their completion throughout the year;
- Facilitated intragovernmental transaction reconciliations using the Department's Corporate Database application to collect, extract, and report on a quarterly basis its intragovernmental account balances, by trading partner, to the Treasury Department. The Department took a proactive approach of initiating contact with all trading partner agencies to reconcile large differences. Although the Department has seen an improvement in trading partners' participation, continued improvement is needed in order to reconcile all differences;
- Quarterly financial metrics were compiled, analyzed, and reported to individual bureaus which also included a status report comparing bureau results with Departmental goals. The results of bureaus' metrics and any corrective actions needed were discussed at the bureau CFOs' individual monthly meetings;
- Held monthly or quarterly meetings led by the Department's Deputy CFO with individual bureau CFOs to discuss financial management issues, including financial statements, OMB Circular A-123, and financial performance metrics. These meetings were in addition to the Department's monthly CFO Council meetings led by the Department's CFO and the monthly Finance Officer meetings led by the Deputy CFO;
- Held meetings throughout the fiscal year with the Office of Inspector General (OIG) and independent auditors to ensure timely completion of the audit and issuance of the financial statements;
- Published guidance on the preparation and submission of financial statements, including a calendar of milestone dates. Each quarter, with the participation of all bureaus, guidance was reviewed and updated to reflect lessons learned and to

identify best practices among the bureaus. When necessary, task forces were formed to resolve issues that could have impeded the Department's ability to produce timely, accurate financial statements.

In FY 2012 and beyond, the Department plans to accomplish the following:

- Continue to enhance OMB Circular A-123, *Management's Responsibility for Internal Controls*, process and monitor the implementation of the CAPs for any identified deficiencies as a result of the A-123 and financial statement audit process;
- Continue to identify areas that will facilitate the acceleration of providing accurate, reliable financial information to Department managers and central agencies. This will be achieved through ongoing meetings and workgroups among the Department's financial managers and participation in government-wide financial management committees and workgroups;
- Continue to monitor and minimize improper payments, and continue to work with OMB and Treasury Department as appropriate, on the future implementation of the Presidential Memorandum regarding "Do Not Pay List" screening requirements;
- Continue to work with OMB, Treasury Department, and the government-wide Central Reporting Team to improve the intragovernmental transactions reconciliation process; and
- Continue to work with Treasury Department to implement Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) for production in December 2013.

GRANTS MANAGEMENT

Under the CFO/ASA, the Office of Acquisition Management (OAM) is responsible for the Department's enterprise-wide grants management policy, projects, and oversight. The Department's focus is to standardize policy and procedures for its grant and cooperative agreement programs in order to strengthen compliance, work toward a single automated grants management system, and enhance/formalize workforce education. Targeted efforts continue to transform the decentralized Department grants management community into an effective and efficient partnership. The sharing of resources and responsibilities to accomplish enterprise goals is a recurring theme throughout the partnership effort.

Integral to the Department's effort to move aggressively into the world of electronic grants is the continued utilization of the National Oceanic and Atmospheric Administration's (NOAA) Grants Online system, a back-office solution to the Grants.gov storefront. The system is designed to facilitate efficiencies through standardized business processes and provide a direct interface to other Departmental systems and with grant recipients. It continues to demonstrate significant success in reducing paperwork, increasing accountability, and simplifying the post award process. The Grants Online system has also been identified as the solution to standardizing grants procedures in the Department. Grants Online is a paperless electronic grants management system that has gained government-wide recognition for streamlining and accelerating the grants application process. This standardization effort is successfully aligning internal processes for the federal Grants Management Line of Business (GMLOB) system consolidation efforts.

System consolidation plans have moved forward in FY 2011. In October 13, 2010, the Department CFO advised the grant making bureaus at the National Institute of Standards and Technology (NIST), NOAA, and the Economic Development Administration (EDA) that the Department had committed to OMB to consolidate all the bureau grant management systems within the Department to NOAA's Grants Online system if a planned analysis demonstrated that it makes good business sense. Accordingly, the Department has secured the services of a contractor to complete a gap analysis between Grants Online, employed by NOAA, and the grants systems employed by NIST, known as Grants Management Information System (GMIS), and the system employed by the EDA, known as the Operations Planning and Control System (OPCS). The gap analysis will determine what gaps exist between Grants Online functionality and the current requirements of both EDA and NIST grant management processes. The gap analysis will further include the identification of potential solutions to close the gaps, resources needed, and the resulting impacts. The gap analysis is scheduled to be finished by the end of November 2011.

This action continues a process already set in motion by the migration of the grant management functions of the International Trade Administration (ITA), the Minority Business Development Administration (MBDA), and the Office of the Secretary (OS) from OAM to NOAA Grants Online. OAM coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and the Office of General Counsel to implement sound policy and ensure consistency for the Department's financial assistance programs. The Department is committed to the goal of strengthening its grant operations and improving its business processes to provide better services to its customers in the federal grant recipient community. OAM has formally instituted a process of Grant Management Reviews which requires that the respective grants divisions at NOAA, NIST, and EDA undergo a review of its functions and processes once every three years. The reviews are conducted by multi-bureau teams lead by OAM. The first of these reviews was completed at NIST in FY 2010. A second review was performed at NOAA in FY 2011.

The Department is currently conducting a comprehensive Grants Internal Control Assessment involving all grant-making bureaus and service providers to include grants program process mapping, risk identification, development and completion of a grants program and grants administration internal control risk assessment questionnaire, evaluation and scoring of risk categories, and eventual testing of grant internal controls. Incorporating risk management into the grants process will help to ensure effective use of resources and achievement of intended program objectives and mission.

The OAM Director and the Director of the Grants Management Division (GMD) serve on the Grants Executive Board and the Grants Policy Committee, participating in workgroups and pilot activities. The Department is now fully compliant with Grants.gov milestones and has revised its Grants and Cooperative Agreements Manual and Standard Grants Terms and Conditions to recognize the emerging growth of electronic government. Continued review and updating of the manual will occur to keep pace with the new requirements engendered by the transition to Grants.gov as the business process model for federal financial assistance programs.

The Department made significant progress in meeting the data-reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (PL 109-282). Significant technical requirements were presented by this act. As of FY 2011, the Department continues to be up to date with its three grant-making bureaus in providing accepted data to the universal Web site, USAspending.gov, consistent with the goal established in the FY 2008 PAR.

OAM GMD is the point of contact for Catalogue of Federal Domestic Assistance (CFDA) updates and represents the Department at CFDA User Group meetings. GMD coordinates the response to annual CFDA data calls. OAM GMD continues to hold the responsibility for coordinating and processing Individual Background Screenings utilizing form CD-346 (Applicant for Funding Assistance) which passed from the OIG to OAM/GMD in FY 2010. As of mid-August 2011, GMD had processed 490 Individual Background Screenings for Department bureaus through a Federal Bureau of Investigation database. The relative reduction at this date may be attributable to the hold in processing awards connected to the delay in the passage of a Continuing Resolution by Congress.

OAM has taken further steps to provide guidance to improve accuracy in data quality for all Department financial assistance programs. Grants officers and subordinate supervisors along with program offices are required to verify that data reported to USASpending.gov is accurate and consistent. This element will be a performance metric in grants management reviews conducted by GMD. On February 10, 2011, the OMB Controller announced that the Federal Assistance Awards Data System

(FAADS) is terminated for FY 2011 and beyond. Accordingly, the Department is taking the following steps pursuant to OMB guidance:

- Data will be submitted via FAADS for FY 2010, and any required modifications of FY 2010 data should continue to be coordinated with the Census Bureau.
- Effective for FY 2011, the collection of federal financial assistance data will be done through the existing FAADS+ collection process used to populate USAspending.gov.
- There will be no new submissions of FY 2011 data via FAADS.

The Department's grant awards are processed by the grant management systems of the three major grant making bureaus—NIST, NOAA, and EDA. These bureaus upload grant award data monthly to USASpending.gov through the Data System Validation Tool Web site. In addition to their own grant awards, these bureaus serve as grants offices for the programs of smaller Department grant making bureaus including NTIA, ITA, and OS.

The Department bureaus have made progress in reducing the backlog of expired awards and deobligating unexpired balances of funds from these awards during FY 2011. The following table illustrates the number of awards closed and amount deobligated by each bureau from October 1, 2010 through July 31, 2011 as well as the expired awards remaining to be closed and funds pending deobligation. NTIA, ITA and OS are included in the NOAA data below as NOAA is their servicing bureau.

Bureau	Awards Closed	Funds Deobligated	Awards Pending Closure	Funds Pending Deobligation
NOAA	678	$ 19,299,784	30	$ 2,870,281
NIST	698	$ 13,145,636	846	$ 25,995,330
EDA	141	$ 24,108,148	105	$ 10,829,923

Under OMB circulars, organizations receiving federal awards are assigned to a single federal agency (cognizant agency) which acts on behalf of all federal agencies in approving indirect cost and other rates for that organization. The Department is responsible for reviewing indirect cost proposals (IDC) submitted by assigned grantee organizations and, based on those reviews, negotiates appropriate indirect cost rates. OAM's responsibility for the management of this program continued throughout the fiscal year. New rate review procedures that were implemented during FY 2007 produced greater levels of financial analysis that resulted in financial savings to the Department through indirect cost rate adjustments from grantees' proposed rates. In FY 2011, GMD expects to approve in excess of 100 IDCs. Program focus for the coming year will include continued implementation of stronger internal controls.

OAM will continue to actively seek opportunities to support government-wide goals of transparency and data quality management.

HUMAN CAPITAL

Both the President and Congress recognize that the federal workforce is central to the delivery of services to the U.S. public. Acknowledging that people are the key to mission accomplishment, Departmental leadership continues to implement and evaluate programs to ensure that there is succession planning in the area of financial management. Internship and leadership development programs are used as vehicles for making progress in the recruitment and retention of a highly-skilled and diverse workforce. Internship programs are implemented through a variety of sources to provide finance and accounting majors an opportunity to gain hands-on experience, while introducing potential future employees to the opportunities that exist at the Department. Ongoing training and development opportunities are offered as a component of continuous learning in the area of financial management.

The Department continued its recruitment efforts in the area of financial management by maintaining its partnership with the National Academy Foundation (NAF) Academy of Finance (AOF). The NAF AOF students are brought on-board through the Student Temporary Employment Program to enhance their individual and collective learning experiences in the finance and accounting fields. At the completion of the eight weeks of the NAF program, students make presentations to Department leaders to demonstrate newly acquired skills in their respective areas. Departmental supervisors monitor the performance of the interns throughout their appointment, and after successful completion, many supervisors have extended the temporary appointment or utilized other programs (i.e., Student Career Experience Program) to bring in entry-level talent. In FY 2011, the Department recruited six AOF high school students for the summer who were placed across finance offices in bureaus and organizational units including, EDA, ITA, NOAA, and OFM. Additionally, four previous NAF interns were asked to return as temporary appointments to the Census Bureau, the Bureau of Economic Analysis (BEA), and NOAA.

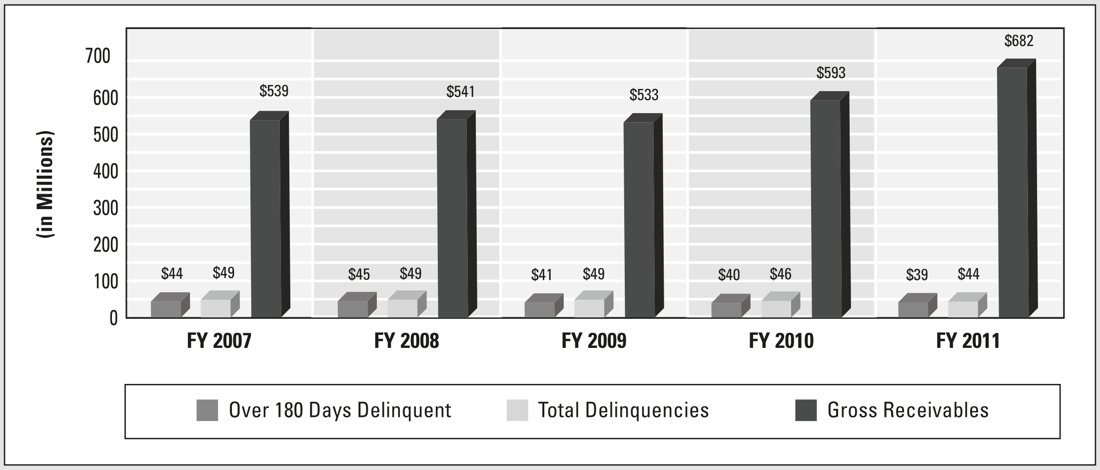
In addition to the recruitment efforts being implemented to attain a highly-skilled workforce in the area of financial management, the Department has succession planning strategies in place, including the development of competencies within the current workforce. As one of the Department's recognized mission-critical occupations, accounting and budgeting series employees at the GS-7 through GS-15 and equivalent levels are eligible to apply for the following major leadership development programs: Leadership Education and Development Certificate Program, Aspiring Leaders Development Program, Executive Leadership Development Program, and Senior Executive Service Candidate Development Program. These program activities include competency assessments, formal classroom training, developmental assignments, seminars, action learning task team projects, and mentoring sessions.

DEBT MANAGEMENT

RECEIVABLES AND DEBT MANAGEMENT

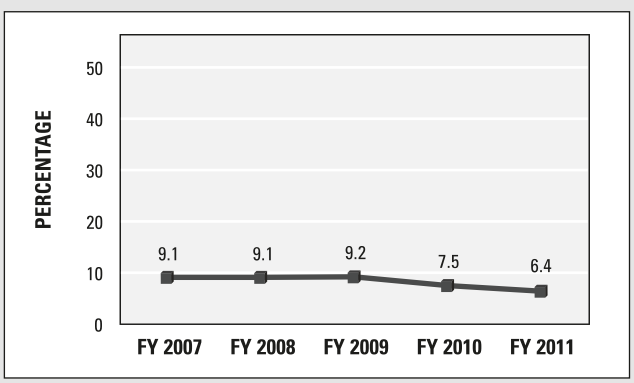
The Department has incorporated the principles of the Credit Reform Act of 1990 into the operations of its credit and debt programs. Prescreening procedures, account-servicing standards, determined collection of delinquent debt, inventory management, and asset disposition standards have helped to diminish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

GROSS RECEIVABLES



The Department's gross receivables increased 15.1 percent, from $593 million at September 30, 2010 to $682 million at September 30, 2011, as reported on the Department's Treasury Report on Receivables (TROR). The TROR is the primary means for the Department to provide comprehensive information on its gross receivables and delinquent debt due from the public. Debt over 180 days delinquent decreased from just under $40 million at September 30, 2010 to $ 39 million at September 30, 2011. Total delinquencies as a percentage of gross receivables decreased from 7.5 percent at September 30, 2010 to 6.4 percent at September 30, 2011, due to a significant increase in gross receivables.

TOTAL DELINQUENCIES AS A PERCENTAGE OF GROSS RECEIVABLES



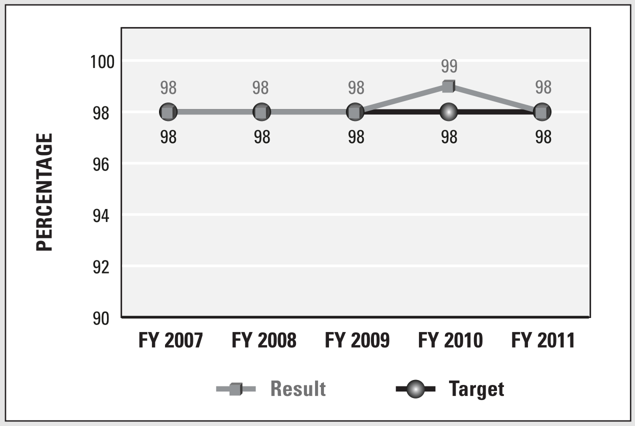
The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for eligible federal agency debts that are more than 180 days delinquent. It also established Treasury's Financial Management Service as the federal government's debt collection center. Nearly $36 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002. Currently, over 50 percent of the Department's overall delinquent debt that is eligible for referral to Treasury is in litigation with the Department of Justice for enforced collection.

During FY 2001, the issuance of the revised Federal Claims Collection Standards and the revised OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, provided agencies greater latitude to maximize the effectiveness of federal debt collection procedures. Since then, the Department has utilized all the tools available to improve the management of its debt.

PAYMENT PRACTICES

Prompt Payment

TIMELY VENDOR PAYMENT



The Prompt Payment Act of 1982 generally requires agencies to pay their bills to vendors on a timely basis (within 30 days of receipt of relevant documents), and to pay interest penalties when payments are made late. The Department closely monitors its prompt payment performance, and the bureaus submit quarterly reports of prompt payment performance to the Deputy Chief Financial Officer.

The Department has decreased slightly its prompt payment performance to 98 percent in FY 2011 from 99 percent in FY 2010. The number of invoices with late-payment interest penalties remained steady with 5,108 in FY 2011 and 5,102 in FY 2010. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes. For example, the Department conducted an analysis of E-invoicing solutions to automate existing manual invoice processes, and initiated an Internal Payment Platform (IPP) Pilot Proof of Concept to determine whether this would be a viable option.

A September 2011 OMB memorandum, *Accelerating Payment to Small Businesses for Goods and Services*, outlines a new Executive Branch policy that, to the full extent permitted by law, agencies shall make their payments to small business contractors as soon as practicable, with the goal of making payments within 15 days of such receipt. This policy will improve cash flow for small businesses and provide them with a more predictable stream of resources, and will have the effect of preserving and increasing small business participation in federal contracting, which benefits the federal agencies and taxpayers. The Department will implement this new payment policy for small business contractors in FY 2012.

Bankcards

The Department is committed to the use of bankcards (purchase cards) as a means of streamlining Departmental procurements. Bankcard usage is closely monitored, and those that are no longer needed are promptly closed. The Department has incorporated more effective oversight and risk management reviews relative to purchase card accounts that are inactive over an 18 month period. For inactive accounts, the Department determines if there is a need for the card; if it is determined that there is not a sufficient need for the card, the account is subsequently closed. Additionally, more stringent training requirements are required for employees with purchase cards, which has contributed to the decrease over the years in the number of bankcards issued and in use by the Department.

The Department has incorporated the use of the purchase card for existing Departmental payment vehicles, when possible, to enhance Departmental efficiency for disbursements and increase purchase card refunds.

Due to findings identified in FY 2010 through internal testing of the Purchase Card cycle under OMB Circular A-123, Appendix A, the Department hired an independent contractor to perform a full Department-wide purchase card review during FY 2011. This review included data mining, analyzing and testing data, updating internal control documentation, developing communications and training programs, and improving the Department's Purchase Card program. The independent contractor concurred with the Department's findings, and identified additional findings and recommendations for Department-wide corrective actions. The Department developed corrective action plans that are tracked to ensure timely resolution of all the findings and recommendations identified. The Department plans to test the Purchase Card cycle in FY 2012 through the OMB Circular A-123, Appendix A process. The Department continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper.

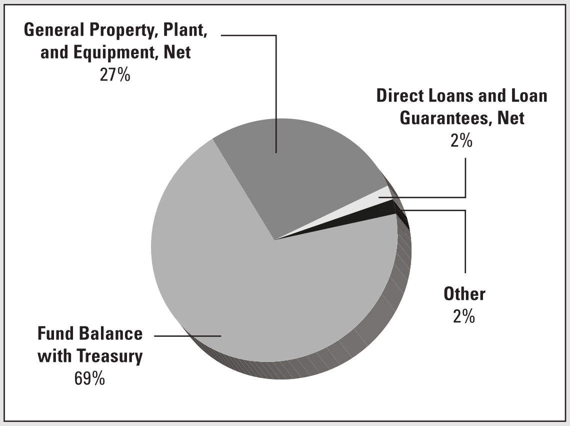
ANALYSIS OF FY 2011 FINANCIAL CONDITION AND RESULTS

Composition of Assets and Assets by Responsibility Segment

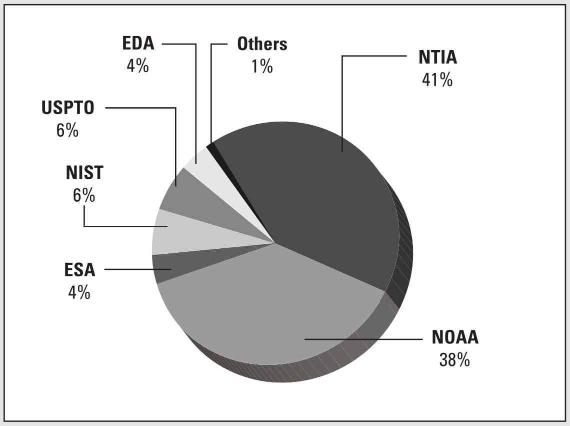
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets changed somewhat from September 30, 2010 to September 30, 2011. Fund Balance with Treasury decreased from 75 percent of total assets at September 30, 2010 to 69 percent of total assets at September 30, 2011. General Property Plant and Equipment, Net increased from 21 percent of total assets at September 30, 2010 to 27 percent of total assets at September 30, 2011. As a result of the above fluctuations (explained in Trends in Assets section below), ESA's assets decreased from 10 percent of total assets at September 30, 2010 to 4 percent of total assets at September 30, 2011.

Total assets amounted to $31.40 billion at September 30, 2011. Fund Balance with Treasury of $21.66 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment, Net of Accumulated Depreciation (General PP&E) of $8.36 billion includes $5.48 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; $1.05 billion of Satellites/Weather Systems; $972 million of Structures, Facilities, and Leasehold Improvements; and $866 million of other General PP&E. Direct Loans and Loan Guarantees, Net of $566 million primarily relates to NOAA's direct loan programs. Other Assets of $809 million primarily includes Advances and Prepayments of $416 million; Accounts Receivable, Net of $239 million; and Inventory, Materials, and Supplies, Net of $98 million.

COMPOSITION OF THE DEPARTMENT'S FY 2011 ASSETS



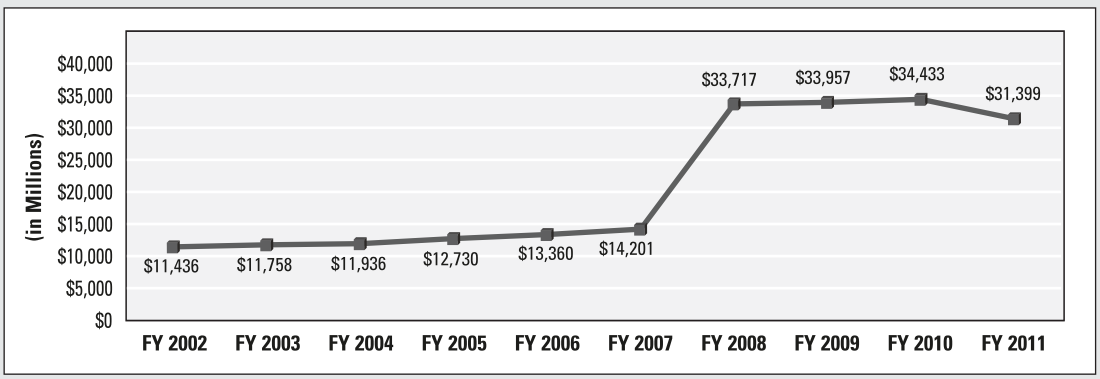
FY 2011 ASSETS BY RESPONSIBILITY SEGMENT



Trends in Assets

Total Assets decreased $3.03 billion or 9 percent, from $34.43 billion at September 30, 2010 to $31.40 billion at September 30, 2011. Fund Balance with Treasury decreased $4.12 billion or 16 percent, from $25.79 billion to $21.66 billion primarily due to significantly decreased appropriations and significantly increased rescissions for Census Bureau as a result of the completion of the 2010 Decennial Census, and a significant increase in payments to grantees for NTIA's Broadband Technology Opportunities Program. General PP&E, Net increased $968 million or 13 percent, from $7.39 billion to $8.36 billion, mainly due to an increase in NOAA Construction-in-progress of $1.17 billion, primarily for satellite programs. Other Assets increased by $97 million or 14 percent, primarily due to an increase of $73 million in NOAA Accounts Receivable with an oil company for restoration activities related to the 2010 Deepwater Horizon oil spill.

TRENDS IN TOTAL ASSETS

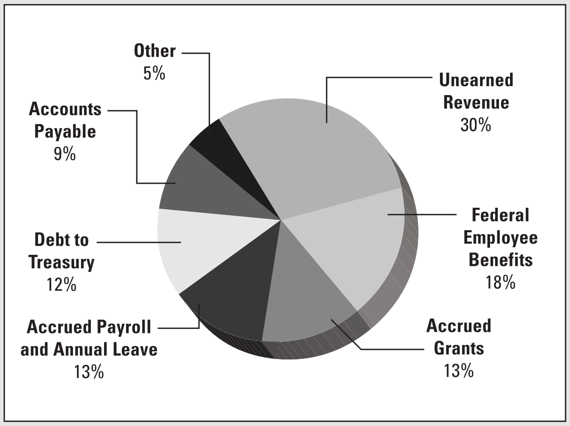


NOTE: *The significant fluctuation between FY 2007 and FY 2008 assets is primarily due to NTIA proceeds of $18.96 billion from the Federal Communications Commission auction of licenses for recovered analog spectrum in FY 2008.*

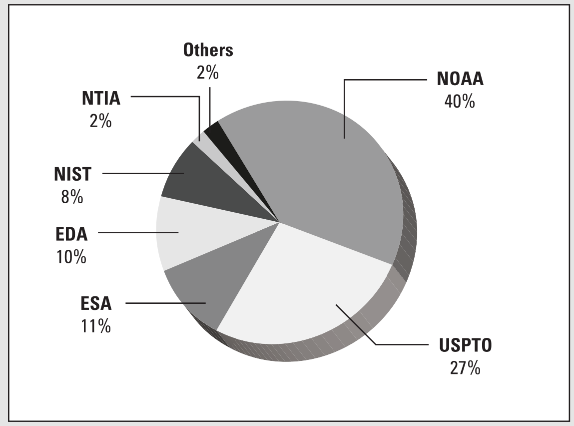
Composition of Liabilities and Liabilities by Responsibility Segment

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities remained consistent from September 30, 2010 to September 30, 2011. Total liabilities amounted to $4.59 billion at September 30, 2011. Unearned Revenue of $1.37 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department. Federal Employee Benefits Liability of $808 million is composed of the actuarial present value of projected benefits for the NOAA Corps Retirement System ($524 million) and the NOAA Corps Post-retirement Health Benefits ($48 million), and Actuarial FECA Liability ($236 million), which represents the actuarial liability for future workers' compensation benefits. Accrued Grants of $596 million, which relates to a diverse array of financial assistance programs and projects, includes EDA's accrued grants of $385 million for its economic development assistance funding to state and local governments. Accrued Payroll and Annual Leave of $579 million includes salaries and wages earned by employees, but not disbursed as of September 30, 2011. Debt to Treasury of $540 million consists of monies borrowed primarily for NOAA's direct loan programs. Accounts Payable of $432 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. Other Liabilities of $262 million primarily includes Environmental and Disposal Liabilities of $63 million, Accrued Benefits of $48 million, an accrued liability of $42 million related to the NOAA satellites program, Accrued FECA Liability of $30 million, Resources Payable to Treasury of $21 million, ITA Foreign Service Nationals' Voluntary Separation Pay Liability of $12 million, and Capital Lease Liabilities of $10 million.

COMPOSITION OF THE DEPARTMENT'S FY 2011 LIABILITIES



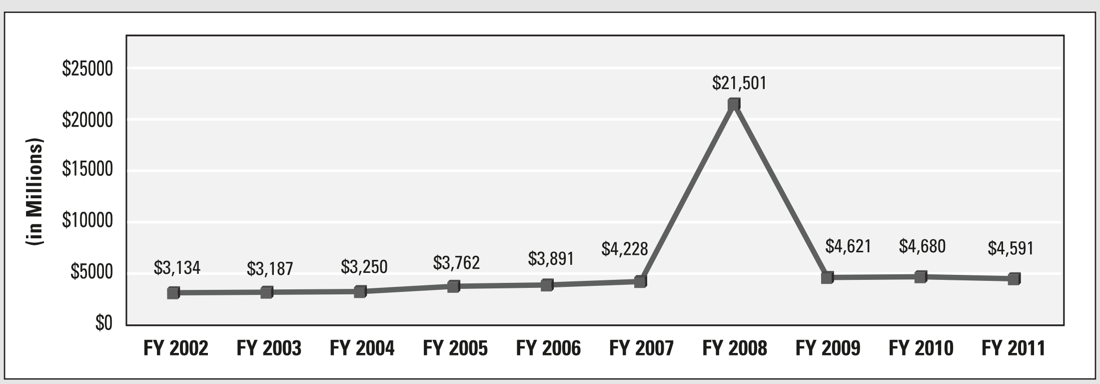
FY 2011 LIABILITIES BY RESPONSIBILITY SEGMENT



Trends in Liabilities

Total Liabilities decreased $89 million or 2 percent, from $4.68 billion at September 30, 2010 to $4.59 billion at September 30, 2011. Accrued Grants decreased by $170 million or 22 percent, from $766 million to $596 million, primarily resulting from a decrease of $103 million in EDA's Accrued Grants, mainly due to reduced grantee expenditures related to previous funding received under the American Recovery and Reinvestment Act of 2009, and received under a FY 2010 supplemental appropriation for a major storms and flooding disaster that occurred in 2010. NTIA's Accrued Grants also decreased by $79 million, mainly due to a refinement in the grant accrual methodology for the Broadband Technology Opportunities Program. There was a decrease of $32 million or 93 percent, from $34 million to $2 million, in NTIA's Spectrum Auction Proceeds Liability to FCC. This liability represents FCC auction proceeds for which licenses have not yet been granted by FCC. During FY 2011, the liability was reduced due to the payment of FCC administrative fees for developing and implementing the auction program. Unearned Revenue increased by $42 million or 3 percent, from $1.33 billion at September 30, 2010 to $1.37 billion at September 30, 2011, primarily due to a $74 million increase in USPTO's Unearned Revenue from patent and trademark fees. Federal Employee Benefits Liability increased $39 million or 5 percent, from $769 million to $808 million, primarily due to an increase of $21 million in the NOAA Corps

TRENDS IN TOTAL LIABILITIES



NOTE: *The significant fluctuation between FY 2007 and FY 2008 liabilities is primarily due to NTIA's Spectrum Auction Proceeds Liability to FCC for auction proceeds for which licenses have not yet been granted by FCC as of September 30, 2008. During FY 2009, this liability was significantly reduced as a significant amount of licenses were granted by FCC.*

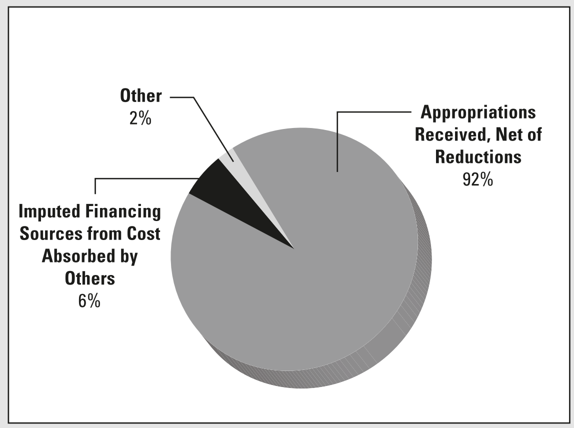
Retirement System Liability, and from the effect of increased Decennial Census employees on the valuation of the Department's Actuarial FECA Liability. Debt to Treasury increased $22 million or 4 percent, from $518 million to $540 million, mainly due to new borrowings in FY 2011 for NOAA's direct loan programs.

Composition of and Trends in Financing Sources

The Department's Financing Sources, shown on the Consolidated Statement of Changes in Net Position, are traditionally obtained primarily from Appropriations Received, Net of Reductions. The composition (by percentage) and dollar amount of the Department's financing sources changed significantly from FY 2010 to FY 2011, mainly due to the large decrease in Appropriations Received of $6.07 billion or 87 percent, for Census Bureau's Periodic Censuses and Programs fund group, as well as $1.74 billion of rescissions in FY 2011 for this fund group, as compared to $129 million of recissions in FY 2010, as a result of the completion of the 2010 Decennial Census.

Other typical Financing Sources include net transfers to and from other federal agencies without reimbursement, and imputed financing sources from costs absorbed by other federal agencies.

COMPOSITION OF THE DEPARTMENT'S FY 2011 FINANCING SOURCES



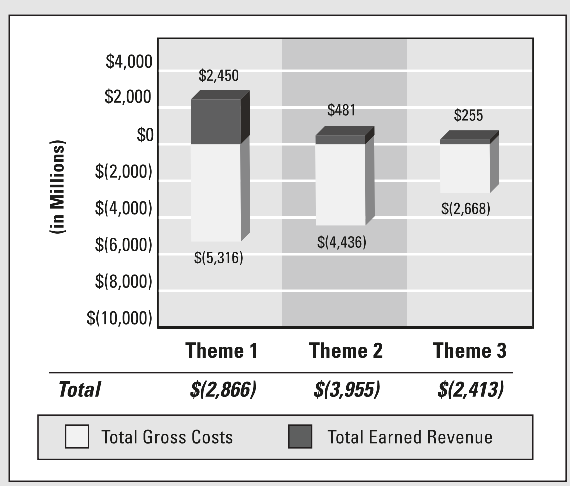
Total Financing Sources decreased $7.79 billion or 55 percent, from $14.08 billion for FY 2010 to $6.29 billion for FY 2011. Appropriations Received, Net of Reductions decreased by $7.60 billion or 57 percent, from $13.41 billion for FY 2010 to $5.81 billion for FY 2011, primarily due to the large decrease in Appropriations Received for Census Bureau, and the large FY 2011 rescissions for the Census Bureau.

FY 2011 Net Cost of Operations by Theme

In FY 2011, Net Cost of Operations amounted to $9.23 billion, which consists of Gross Costs of $12.42 billion less Earned Revenue of $3.19 billion.

Theme 1, Economic Growth, includes Net Program Costs of ($131) million (Gross Costs of $2.11 billion less Earned Revenue of $2.24 billion) for the U.S. Patent and Trademark Office's (USPTO) patents and trademark programs. The issuance of patents provides incentives to invent and invest in new technology by allowing innovators the opportunity to benefit from their discoveries. Registration of trademarks assists businesses in protecting their investments and safeguards consumers against confusion and deception in the marketplace by providing notice of trademarks in use. Through dissemination of patent and trademark information, the Department promotes a global understanding of intellectual property protection and facilitates the development and sharing of new technologies worldwide. Theme 1 also includes Net Program

FY 2011 NET COST OF OPERATIONS BREAKDOWN OF GROSS COSTS AND EARNED REVENUE BY STRATEGIC GOAL



Costs of $714 million (Gross Costs of $845 million less Earned Revenue of $131 million) for NIST's Measurement and Standards Laboratories. These laboratories are the stewards of the Nation's measurement infrastructure, and provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions. NTIA's programs and activities also support Theme 1, with Net Program Costs of $1.00 billion (Gross Costs of $1.03 billion less Earned Revenue of $25 million). NTIA serves as the principal adviser to the President on domestic and international communications and information policy-making, promotes access to telecommunications services for all Americans and competition in domestic and international markets, manages all federal use of the electromagnetic spectrum and generally promotes efficient use of spectrum, and conducts telecommunications technology research, including standards-setting in partnership with business and other federal agencies. ITA's programs and activities also support Theme 1, with Net Program Costs of $472 million (Gross Costs of $494 million less Earned Revenue of $22 million). ITA assists the export growth of small and medium-sized businesses, enforces U.S. trade laws and trade agreements, monitors and maintains trading relationships with established markets, promotes new business in emerging markets, and improves access to overseas markets by identifying and pressing for the removal of trade barriers. Theme 1 also includes Net Program Costs of $351 million (Gross Costs of $361 million less Earned Revenue of $10 million) for EDA. EDA helps distressed communities address problems associated with long-term economic distress, as well as sudden and severe economic dislocations including recovering from the economic impacts of natural disasters, the closure of military installations and other federal facilities, changing trade patterns, and the depletion of natural resources.

Theme 2, Science and Information, includes Net Program Costs of $2.27 billion (Gross Costs of $2.40 billion less Earned Revenue of $132 million) for NOAA's programs and activities related to improving weather, water quality, and climate reporting and forecasting, as well as supporting economic growth through improved innovation and technology. NOAA develops and procures satellite systems, aircraft, and ships to examine oceanic and atmospheric patterns worldwide and to provide information on weather patterns and forecasts. The Census Bureau also supports Theme 2, with Net Program Costs of $1.54 billion (Gross Costs of $1.83 billion less Earned Revenue of $292 million) for the Census Bureau. The Census Bureau carries out the Decennial Census, periodic censuses, and demographic and other surveys, and prepares and releases targeted data products for economic and other programs.

Theme 3, Environmental Stewardship, includes Net Program Costs of $2.38 billion (Gross Costs of $2.66 billion less Earned Revenue of $278 million) related to NOAA's stewardship of ecosystems, which reflects NOAA's mission to conserve, protect, manage, and restore fisheries and coastal and ocean resources. The Department has a responsibility for stewardship of the marine ecosystem and for setting standards to protect and manage the shared resources and harvests of the oceans. The Department strives to balance sustainable development and healthy functioning marine ecosystems, and to conserve, protect, restore, and better manage resources.

LIMITATIONS OF THE FINANCIAL STATEMENTS

These financial statements have been prepared to report the overall financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Department in accordance with the form and content prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

These financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2011 and 2010 *(In Thousands)*

	FY 2011	FY 2010
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 18)	$ 21,661,030	$ 25,785,547
Accounts Receivable (Note 3)	98,360	84,479
Advances and Prepayments	415,683	400,042
Total Intragovernmental	**22,175,073**	**26,270,068**
Cash (Note 4)	3,466	3,616
Accounts Receivable, Net (Note 3)	140,846	70,780
Direct Loans and Loan Guarantees, Net (Note 5)	566,250	540,147
Inventory, Materials, and Supplies, Net (Note 6)	97,823	98,326
General Property, Plant, and Equipment, Net (Note 7)	8,362,263	7,394,711
Other (Note 8)	53,320	55,122
TOTAL ASSETS	**$ 31,399,041**	**$ 34,432,770**
Stewardship Property, Plant, and Equipment (Note 23)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 88,455	$ 60,088
Debt to Treasury (Note 10)	540,001	517,930
Other		
Spectrum Auction Proceeds Liability to Federal Communications Commission (Note 18)	2,436	33,838
Resources Payable to Treasury	21,448	18,899
Unearned Revenue	338,657	373,921
Other (Note 11)	90,668	104,344
Total Intragovernmental	**1,081,665**	**1,109,020**
Accounts Payable	343,280	402,605
Loan Guarantee Liabilities (Notes 5 and 16)	563	565
Federal Employee Benefits (Note 12)	808,482	769,035
Environmental and Disposal Liabilities (Note 13)	63,377	54,649
Other		
Accrued Payroll and Annual Leave	578,952	561,154
Accrued Grants	595,721	766,204
Capital Lease Liabilities (Note 14)	10,068	9,278
Unearned Revenue	1,035,867	958,474
Other (Note 11)	73,153	49,181
TOTAL LIABILITIES	**$ 4,591,128**	**$ 4,680,165**
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 21)	$ 3,390,451	$ 4,099,319
Unexpended Appropriations - All Other Funds	5,829,206	8,782,873
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 21)	10,073,516	10,189,816
Cumulative Results of Operations - All Other Funds	7,514,740	6,680,597
TOTAL NET POSITION	**$ 26,807,913**	**$ 29,752,605**
TOTAL LIABILITIES AND NET POSITION	**$ 31,399,041**	**$ 34,432,770**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Net Cost

For the Year Ended September 30, 2011 (Note 17) *(In Thousands)*

	FY 2011
Theme 1: Economic Growth	
Gross Costs	$ 5,315,520
Less: Earned Revenue	(2,450,163)
Net Program Costs	**2,865,357**
Theme 2: Science and Information	
Gross Costs	4,436,424
Less: Earned Revenue	(481,062)
Net Program Costs	**3,955,362**
Theme 3: Environmental Stewardship	
Gross Costs	2,667,910
Less: Earned Revenue	(254,829)
Net Program Costs	**2,413,081**
NET COST OF OPERATIONS	**$ 9,233,800**

For the Year Ended September 30, 2010 (Note 17) *(In Thousands)*

	FY 2010
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers	
Gross Costs	$ 8,140,086
Less: Earned Revenue	(261,482)
Net Program Costs	**7,878,604**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness	
Gross Costs	3,586,729
Less: Earned Revenue	(2,324,724)
Net Program Costs	**1,262,005**
Strategic Goal 3: Promote Environmental Stewardship	
Gross Costs	4,800,594
Less: Earned Revenue	(277,123)
Net Program Costs	**4,523,471**
NET COST OF OPERATIONS	**$ 13,664,080**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Changes in Net Position For the Years Ended September 30, 2011 and 2010 *(In Thousands)*

	FY 2011			FY 2010		
	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balance	$ 10,189,816	$ 6,680,597	$ 16,870,413	$ 10,155,041	$ 6,044,457	$ 16,199,498
Budgetary Financing Sources:						
Appropriations Used	665,766	8,776,595	9,442,361	249,598	13,406,937	13,656,535
Non-exchange Revenue	95,804	15,379	111,183	18,515	1,028	19,543
Donations and Forfeitures of Cash and Cash Equivalents	-	1,651	1,651	-	1,335	1,335
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission (Note 18)	-	-	-	196,613	-	196,613
Transfers In/(Out) Without Reimbursement, Net	25,795	93,378	119,173	18,613	107,179	125,792
Rescissions (Note 18)	-	(54,800)	(54,800)	-	-	-
Other Budgetary Financing Sources/(Uses), Net	-	(4,000)	(4,000)	-	817	817
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	458	458	-	461	461
Transfers In/(Out) Without Reimbursement, Net	-	(4,062)	(4,062)	(349)	(4,455)	(4,804)
Imputed Financing Sources from Cost Absorbed by Others	22,797	325,128	347,925	22,990	323,782	346,772
Downward Subsidy Reestimates Payable to Treasury	-	-	-	-	(8,087)	(8,087)
Other Financing Sources/(Uses), Net	-	(8,246)	(8,246)	-	18	18
Total Financing Sources	**810,162**	**9,141,481**	**9,951,643**	**505,980**	**13,829,015**	**14,334,995**
Net Cost of Operations	**(926,462)**	**(8,307,338)**	**(9,233,800)**	**(471,205)**	**(13,192,875)**	**(13,664,080)**
Net Change	**(116,300)**	**834,143**	**717,843**	**34,775**	**636,140**	**670,915**
Cumulative Results of Operations – Ending Balance	**10,073,516**	**7,514,740**	**17,588,256**	**10,189,816**	**6,680,597**	**16,870,413**
Unexpended Appropriations:						
Beginning Balance	4,099,319	8,782,873	12,882,192	4,890,417	8,246,105	13,136,522
Budgetary Financing Sources:						
Appropriations Received (Note 18)	-	7,669,352	7,669,352	-	14,109,905	14,109,905
Appropriations Transferred In/(Out), Net	-	11,239	11,239	-	14,387	14,387
Rescissions of Appropriations (Note 18)	-	(1,803,198)	(1,803,198)	(541,500)	(155,000)	(696,500)
Other Adjustments	(43,102)	(54,465)	(97,567)	-	(25,587)	(25,587)
Appropriations Used	(665,766)	(8,776,595)	(9,442,361)	(249,598)	(13,406,937)	(13,656,535)
Total Budgetary Financing Sources	**(708,868)**	**(2,953,667)**	**(3,662,535)**	**(791,098)**	**536,768**	**(254,330)**
Unexpended Appropriations – Ending Balance	**3,390,451**	**5,829,206**	**9,219,657**	**4,099,319**	**8,782,873**	**12,882,192**
NET POSITION	**$ 13,463,967**	**$ 13,343,946**	**$ 26,807,913**	**$ 14,289,135**	**$ 15,463,470**	**$ 29,752,605**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Combined Statements of Budgetary Resources For the Years Ended September 30, 2011 and 2010 (Note 18) *(In Thousands)*

	FY 2011		FY 2010	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	$ 12,155,652	$ 873	$ 16,593,521	$ 2,335
Adjustments to Unobligated Balance, Brought Forward	1	(1)	-	-
Recoveries of Prior-years Unpaid Obligations	323,886	98,196	230,289	10,149
Budget Authority				
Appropriations	7,693,976	-	14,322,512	-
Borrowing Authority	-	77,597	-	78,375
Spending Authority From Offsetting Collections				
Earned				
Collected	3,976,827	72,048	3,698,411	98,229
Change in Receivables	88,936	-	37,895	-
Change in Unfilled Customer Orders				
Advances Received	49,386	-	8,453	-
Without Advances	33,929	(345)	193,858	-
Previously Unavailable	2,591	-	2,716	-
Total Budget Authority	**11,845,645**	**149,300**	**18,263,845**	**176,604**
Nonexpenditure Transfers, Net	129,434	-	140,391	-
Temporarily Not Available Pursuant to Public Law	(208,856)	-	(52,543)	-
Permanently Not Available	(1,955,880)	(139,216)	(722,371)	(79,884)
TOTAL BUDGETARY RESOURCES	**$ 22,289,882**	**$ 109,152**	**$ 34,453,132**	**$ 109,204**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	$ 8,402,497	$ 109,066	$ 18,874,186	$ 108,331
Reimbursable	3,892,270	-	3,423,294	-
Total Obligations Incurred	**12,294,767**	**109,066**	**22,297,480**	**108,331**
Unobligated Balance				
Apportioned	581,374	-	2,651,510	-
Exempt From Apportionment	392,735	-	577,107	-
Total Unobligated Balance	**974,109**	**-**	**3,228,617**	**-**
Unobligated Balance Not Available	9,021,006	86	8,927,035	873
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 22,289,882**	**$ 109,152**	**$ 34,453,132**	**$ 109,204**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	$ 13,171,979	$ 229,115	$ 8,073,367	$ 261,279
Less: Uncollected Customer Payments, Brought Forward	(523,383)	(735)	(291,630)	(735)
Total Unpaid Obligated Balance, Net, Brought Forward	**12,648,596**	**228,380**	**7,781,737**	**260,544**
Obligations Incurred	12,294,767	109,066	22,297,480	108,331
Less: Gross Outlays	(13,990,252)	(94,906)	(16,968,579)	(130,346)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(323,886)	(98,196)	(230,289)	(10,149)
Change in Uncollected Customer Payments	(122,865)	345	(231,753)	-
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 10,506,360**	**$ 144,689**	**$ 12,648,596**	**$ 228,380**
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	$ 11,152,608	$ 145,079	$ 13,171,979	$ 229,115
Less: Uncollected Customer Payments	(646,248)	(390)	(523,383)	(735)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 10,506,360**	**$ 144,689**	**$ 12,648,596**	**$ 228,380**
NET OUTLAYS:				
Gross Outlays	$ 13,990,252	$ 94,906	$ 16,968,579	$ 130,346
Less: Offsetting Collections	(4,026,213)	(72,048)	(3,706,864)	(98,229)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(33,570)	-	(28,541)	-
NET OUTLAYS	**$ 9,930,469**	**$ 22,858**	**$ 13,233,174**	**$ 32,117**

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 12 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), the Department's entities have been grouped together as follows:

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

- 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 Revised 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 has allocation transfer transactions 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. 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 is not reported in the Department's financial statements.

In FY 2011, the Department is reporting Gross Costs and Earned Revenue according to the Department's new FY 2011-2016 Strategic Plan, which replaces strategic goals with themes, and modifies performance objectives and measures accordingly. Because the new themes and the old strategic goals are not equivalent, FY 2011 and FY 2010 are presented separately on the Consolidated Statements of Net Cost.

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 a general fund, public enterprise revolving funds (not including credit reform financing funds), special funds, and a trust fund. (See Note 21, *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,* the *Consolidated Statements of Net Cost*, and 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 include amounts held in customer deposit accounts and the Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC).

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 Direct Loans and Loan Guarantees

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. Foreclosed Property is adjusted to the current fair market value each fiscal year-end.

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 as of 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. Appropriations are normally obtained in the following fiscal year for any upward subsidy reestimates.

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 average, 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:

For FY 2010, the Department's general policy was 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 was 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 was expensed when purchased. NOAA and Census Bureau had bulk purchase capitalization thresholds of $1 million and $250 thousand, respectively, for personal property bulk purchases. For other bureaus, when the purchase of a large quantity of personal property items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase was capitalized as a group.

Effective FY 2011, based on a Department-wide capitalization threshold review that was completed in 2010, revisions were made to the Department's capitalization thresholds. NOAA's capitalization thresholds did not change. For NIST and USPTO, the capitalization threshold was increased to $50 thousand. All other bureaus retained their capitalization thresholds of $25 thousand, and all bureaus other than NOAA now have a bulk purchase capitalization threshold of $250 thousand for personal property bulk purchases. NOAA retained its $1 million capitalization threshold for personal property bulk purchases.

Depreciation: Depreciation is recognized 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. The Department's construction-in-progress consists primarily of satellites under development for NOAA, and major laboratory renovations and construction projects under development for NIST. Upon completion of the work, the costs are transferred to the appropriate General PP&E account.

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 collectability 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. Non-entity Fund Balance with Treasury includes customer deposits held by the Department until customer orders are received, and monies payable to the Treasury General Fund for custodial activity and for loan programs. Non-entity Direct Loans and Loan Guarantees, Net represents EDA's Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

M Liabilities

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

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

Debt to Treasury: The Department has borrowed funds from Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs, and has borrowed funds for the Fishing Vessel Obligation Guarantee (FVOG) 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.

Spectrum Auction Proceeds Liability to Federal Communications Commission: FCC completed the auction of licenses for recovered analog spectrum in March 2008. These auction proceeds provide funding for several programs. Auction proceeds are considered a liability to FCC until FCC grants the license. When the license is granted, a budgetary financing source is recognized on the Consolidated Statement of Changes in Net Position for the earned net auction proceeds (auction proceeds less FCC administrative fees due to FCC), and the liability is reduced by the dollar amount of the license granted. See Note 18, *Combined Statements of Budgetary Resources*, for more information on NTIA's Digital Television and Transition Public Safety Fund.

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 the Treasury General Fund. The Portfolio collections are returned to the Treasury General Fund annually, 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. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. 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 $80.3 million. The NIST decommissioning estimate includes an assumption that an offsite waste disposal facility will become available, when needed, estimated in 2029. Currently, an offsite disposal location has not been identified, and the NIST environmental liability cost estimate includes an amount approved by the Nuclear Regulatory Commission for offsite waste disposal. The total estimated decommissioning 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 Islands in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

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

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

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

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

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

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

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

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

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

N Commitments

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

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 Cost Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System pension benefits for applicable Departmental employees are paid for in part by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid for in full from the Judgment Fund maintained by Treasury. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source from Cost Absorbed by Others is recognized on the *Consolidated Statements of Changes in Net Position*.

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

Q Employee Retirement Benefits

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

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

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7 percent of an employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Cost 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 11.7 percent of basic pay. Employees contributed 0.8 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan was not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

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.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2011, included 306 active duty officers, 359 nondisability retiree annuitants, 17 disability retiree annuitants, and 50 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. FERS and CSRS covered employees 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. 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 limit for catch-up contributions.

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 health benefits for covered employees as an Imputed Cost and an Imputed Financing Source From Cost 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 Cost 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.

T Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the U.S. government of cash or other assets in which non-federal individuals or entities have an ownership interest that the U.S. government must uphold. Fiduciary cash and other assets are not assets of the U.S. government, and, accordingly, are not recognized in the accompanying consolidated financial statements.

The Department's fiduciary activities consist of the following:

The Patent Cooperation Treaty authorizes USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, and the Australian Patent Office, from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorizes USPTO to collect trademark application fees on behalf of the International Bureau of WIPO from U.S. citizens requesting an international trademark. These fiduciary activities are reported in Note 20.

NOTE 2. FUND BALANCE WITH TREASURY

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

	FY 2011	FY 2010
General Funds	$ 11,214,030	$ 15,013,746
Revolving Funds	957,367	912,082
Special Funds		
Patent and Trademark Surcharge Fund	233,529	233,529
Digital Television Transition and Public Safety Fund	9,062,212	9,396,152
Others	76,244	84,423
Deposit Funds		
Spectrum Auction Proceeds Liability to FCC	2,436	33,838
Others	124,547	123,020
Trust Funds	1,407	2,104
Other Fund Types	(10,742)	(13,347)
Total	$ 21,661,030	$ 25,785,547

Status of Fund Balance with Treasury is as follows:

	FY 2011	FY 2010
Temporarily Precluded From Obligation	$ 810,049	$ 603,783
Unobligated Balance		
Available	973,765	3,228,225
Unavailable	9,021,092	8,927,908
Obligated Balance Not Yet Disbursed	10,506,354	12,648,592
Non-budgetary	349,770	377,039
Total	$ 21,661,030	$ 25,785,547

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2011 and FY 2010.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2011

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 98,360	$ -	$ 98,360
With the Public	$ 152,642	$ (11,796)	$ 140,846

FY 2010

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 84,479	$ -	$ 84,479
With the Public	$ 82,980	$ (12,200)	$ 70,780

As a major partner in the federal response to the 2010 Deepwater Horizon oil spill, NOAA has incurred certain costs for providing coordinated scientific weather and biological response services to that region, for which it expects to be reimbursed. As of September 30, 2011, NOAA has recorded receivables from the Coast Guard (Intragovernmental) totaling $33.5 million for response and removal activities. NOAA has also recorded receivables from an oil company (With the Public) totaling $94.8 million for restoration activities. NOAA believes these receivables are fully collectible, based on costs submitted to date, and reimbursements received. Therefore, no allowance for uncollectible accounts has been established for these receivables.

NOTE 4. CASH

	FY 2011	FY 2010
Cash Not Yet Deposited with Treasury	$ 3,120	$ 3,222
Imprest Funds	346	394
Total	$ 3,466	$ 3,616

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

NOTE 5. DIRECT LOANS AND LOAN GUARANTEES, 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 September 30, 2011.

Loan Guarantee Programs:	
EDA	Economic Development Revolving Fund
ELGP-Steel	Emergency Steel Loan Guarantee Program
NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)

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

	FY 2011	FY 2010
Direct Loans Obligated Prior to FY 1992	$ 20,910	$ 23,834
Direct Loans Obligated After FY 1991	544,773	514,038
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	563	2,271
Total	$ 566,250	$ 540,147

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2011

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 20,223	$ 4,965	$ (18,974)	$ 6,214
Drought Loan Portfolio	9,926	141	(104)	9,963
Fisheries Loan Fund	244	39	(283)	-
Economic Development Revolving Fund	4,756	25	(48)	4,733
Total	$ 35,149	$ 5,170	$ (19,409)	$ 20,910

FY 2010

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 20,318	$ 5,035	$ (18,636)	$ 6,717
Drought Loan Portfolio	11,522	156	(117)	11,561
Economic Development Revolving Fund	5,579	33	(56)	5,556
Total	$ 37,419	$ 5,224	$ (18,809)	$ 23,834

Direct Loans Obligated After FY 1991 consist of:

FY 2011

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	$ 33,458	$ 274	$ 7,304	$ 41,036
Bering Sea Pollock Fishery Buyback	46,499	63	4,190	50,752
Crab Buyback Loans	91,609	2,798	22,098	116,505
Fisheries Finance IFQ Loans	24,362	214	4,561	29,137
Fisheries Finance Traditional Loans	229,847	2,129	33,189	265,165
Pacific Groundfish Buyback Loans	31,662	1,021	9,495	42,178
Total	$ 457,437	$ 6,499	$ 80,837	$ 544,773

FY 2010

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	$ 33,645	$ 1,036	$ 7,825	$ 42,506
Bering Sea Pollock Fishery Buyback	49,232	143	6,185	55,560
Crab Buyback Loans	94,049	2,957	20,770	117,776
Fisheries Finance IFQ Loans	21,665	245	3,379	25,289
Fisheries Finance Traditional Loans	197,583	1,938	28,477	227,998
Fisheries Finance Tuna Fleet Loans	374	1	(2)	373
Pacific Groundfish Buyback Loans	33,472	1,043	10,021	44,536
Total	$ 430,020	$ 7,363	$ 76,655	$ 514,038

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

Direct Loan Program	FY 2011	FY 2010
Fisheries Finance IFQ Loans	$ 5,132	$ 5,349
Fisheries Finance Traditional Loans	50,811	84,935
Total	$ 55,943	$ 90,284

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2011

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (1,064)	$ 19	$ (29)	$ 444	$ (630)
Fisheries Finance Traditional Loans	(8,018)	158	(236)	3,805	(4,291)
Total	$ (9,082)	$ 177	$ (265)	$ 4,249	$ (4,921)

FY 2010

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (1,094)	$ 21	$ (36)	$ 424	$ (685)
Fisheries Finance Traditional Loans	(13,777)	202	(486)	7,447	(6,614)
Total	$ (14,871)	$ 223	$ (522)	$ 7,871	$ (7,299)

Modifications and Reestimates:

Direct Loan Program	FY 2011 Total Modifications	FY 2011 Interest Rate Reestimates	FY 2011 Technical Reestimates	FY 2011 Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ 187	$ 187
Bering Sea Pollock Fishery Buyback	-	-	1,605	1,605
Crab Buyback Loans	-	-	(3,823)	(3,823)
Fisheries Finance IFQ Loans	-	-	(781)	(781)
Fisheries Finance Traditional Loans	-	-	(2,008)	(2,008)
Fisheries Finance Tuna Fleet Loans	-	-	(3)	(3)
Pacific Groundfish Buyback Loans	-	-	(196)	(196)
Total	$ -	$ -	$ (5,019)	$ (5,019)

Direct Loan Program	FY 2010 Total Modifications	FY 2010 Interest Rate Reestimates	FY 2010 Technical Reestimates	FY 2010 Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ 274	$ 274
Bering Sea Pollock Fishery Buyback	-	-	(3,483)	(3,483)
Crab Buyback Loans	-	-	901	901
Fisheries Finance IFQ Loans	-	-	(95)	(95)
Fisheries Finance Traditional Loans	-	-	582	582
Fisheries Finance Tuna Fleet Loans	-	-	572	572
Pacific Groundfish Buyback Loans	-	-	154	154
Total	$ -	$ -	$ (1,095)	$ (1,095)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2011	FY 2010
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 187	$ 274
Bering Sea Pollock Fishery Buyback	1,605	(3,483)
Crab Buyback Loans	(3,823)	901
Fisheries Finance IFQ Loans	(1,411)	(780)
Fisheries Finance Traditional Loans	(6,299)	(6,032)
Fisheries Finance Tuna Fleet Loans	(3)	572
Pacific Groundfish Buyback Loans	(196)	154
Total	$ (9,940)	$ (8,394)

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2011

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.51) %	0.14 %	(0.38) %	3.50 %	(15.25) %
Fisheries Finance Traditional Loans	(13.28) %	0.06 %	(0.17) %	2.93 %	(10.46) %

FY 2010

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(21.26) %	0.42 %	(0.57) %	9.41 %	(12.00) %
Fisheries Finance Traditional Loans	(16.90) %	0.42 %	(0.54) %	8.53 %	(8.49) %

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

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

	FY 2011	FY 2010
Beginning Balance of the Allowance for Subsidy Cost	$ 76,655	$ 68,463
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	9,082	14,871
Default Costs (Net of Recoveries)	(177)	(223)
Fees and Other Collections	265	522
Other Subsidy Costs	(4,249)	(7,871)
Total of the above Subsidy Expense Components	4,921	7,299
Adjustments:		
Fees Received	(378)	(316)
Subsidy Allowance Amortization	(5,380)	114
Total of Adjustments	(5,758)	(202)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	75,818	75,560
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	5,019	1,095
Ending Balance of the Allowance for Subsidy Cost	$ 80,837	$ 76,655

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2011

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	$ 7,785	$ 2	$ (7,783)	$ 4

FY 2010

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	$ 11,997	$ 4	$ (11,997)	$ 4

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2011

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 14,128	$ 1,254	$ (14,819)	$ 563

FY 2010

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 14,128	$ 1,254	$ (13,111)	$ 2,271

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2011 and 2010, which are not reflected in the financial statements, are as follows:

	FY 2011		FY 2010	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FVOG Program	$ 2,467	$ 2,467	$ 3,939	$ 3,939

New Guaranteed Loans Disbursed:

There were no new guaranteed loans disbursed during FY 2011 and FY 2010.

Loan Guarantee Liabilities:

Loan Guarantee Program	FY 2011 Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	FY 2010 Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
FVOG Program	$ 563	$ 565

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 2011 and FY 2010, there is not any related subsidy expense.

Modifications and Reestimates:

FY 2011		FY 2011		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	$ -	$ -	$ 614	$ 614

FY 2010		FY 2010		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	$ -	$ -	$ 510	$ 510

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2011	FY 2010
FVOG Program	$ 614	$ 510

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 2011 and FY 2010.

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

	FY 2011	FY 2010
Beginning Balance of Loan Guarantee Liabilities	$ 565	$ 589
Adjustments:		
Fees Received	1	8
Interest Accumulation on the Liabilities Balance	(3)	(32)
Ending Balance of Loan Guarantee Liabilities	$ 563	$ 565

Administrative Expenses:

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

Direct Loan Program	FY 2011	FY 2010
Drought Loan Portfolio and Economic Development Revolving Fund	$ 1,206	$ 776
NOAA Direct Loan Programs	3,368	2,494
Total	$ 4,574	$ 3,270

Loan Guarantee Program	FY 2011	FY 2010
Emergency Steel Loan Guarantee Program	$ -	$ 98
FVOG Program	189	180
Total	$ 189	$ 278

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2011	FY 2010
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	Average	$ 22,414	$ 22,340
Other	Various	449	166
Allowance for Excess, Obsolete, and Unserviceable Items		(97)	(140)
Total Inventory, Net		22,766	22,366
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	44,279	49,178
Census Bureau's Decennial Census	First-in, first-out	155	26,089
Other	Various	4,816	4,699
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	42,607	42,775
Allowance for Excess, Obsolete, and Unserviceable Items		(16,800)	(46,781)
Total Materials and Supplies, Net		75,057	75,960
Total		$ 97,823	$ 98,326

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. The Census Bureau's Decennial Census materials and supplies are comprised of employment forms, payroll forms, various other administrative forms, and training and production materials.

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

FY 2011

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,749	$ -	$ 16,749
Land Improvements	30-40	2,996	(1,378)	1,618
Structures, Facilities, and Leasehold Improvements	2-60	1,543,671	(571,303)	972,368
Satellites/Weather Systems Personal Property	3-20	5,137,980	(4,091,908)	1,046,072
Other Personal Property	2-30	2,499,056	(1,656,622)	842,434
Assets Under Capital Lease	3-40	23,067	(18,274)	4,793
Construction-in-progress	N/A	5,478,229	-	5,478,229
Total		$ 14,701,748	$ (6,339,485)	$ 8,362,263

FY 2010

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,787	$ -	$ 16,787
Land Improvements	30-40	2,996	(1,286)	1,710
Structures, Facilities, and Leasehold Improvements	2-60	1,406,982	(520,827)	886,155
Satellites/Weather Systems Personal Property	3-20	5,080,613	(3,656,875)	1,423,738
Other Personal Property	2-30	2,365,104	(1,518,219)	846,885
Assets Under Capital Lease	3-40	23,562	(17,693)	5,869
Construction-in-progress	N/A	4,213,567	-	4,213,567
Total		$ 13,109,611	$ (5,714,900)	$ 7,394,711

NOTE 8. OTHER ASSETS

	FY 2011	FY 2010
With the Public		
Advances and Prepayments	$ 45,448	$ 47,254
Note Receivable	1,601	1,410
Bibliographic Database	6,267	6,454
Other	4	4
Total	$ 53,320	$ 55,122

As of September 30, 2011 and 2010, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balance includes accrued interest.

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 $65.3 million and $62.7 million, less accumulated amortization of $59.0 million and $56.2 million, at September 30, 2011 and 2010, respectively.

NOTE 9. NON-ENTITY ASSETS

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

	FY 2011	FY 2010
Intragovernmental		
Fund Balance with Treasury	$ 121,036	$ 153,731
Total Intragovernmental	121,036	153,731
With the Public		
Cash	756	652
Accounts Receivable, Net	2,187	8,022
Direct Loans and Loan Guarantees, Net	13,693	11,561
Other	1,604	-
Total	$ 139,276	$ 173,966

NOTE 10. DEBT TO TREASURY

FY 2011

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 514,841	$ 24,461	$ 539,302
Loan Guarantee Program			
FVOG Program	3,089	(2,390)	699
Total	$ 517,930	$ 22,071	$ 540,001

For the Direct Loan and Loan Guarantee programs, maturity dates range from September 2012 to September 2038, and interest rates range from 2.59 to 6.97 percent.

FY 2010

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 482,405	$ 32,436	$ 514,841
Loan Guarantee Program			
FVOG Program	4,870	(1,781)	3,089
Total	$ 487,275	$ 30,655	$ 517,930

NOTE 11. OTHER LIABILITIES

	FY 2011			FY 2010
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 21,810	$ 8,595	$ 30,405	$ 44,253
Accrued Benefits	47,907	-	47,907	43,613
Custodial Activity	1,769	-	1,769	7,964
Downward Subsidy Reestimates Payable to Treasury	9,135	-	9,135	8,087
Other	1,452	-	1,452	427
Total	$ 82,073	$ 8,595	$ 90,668	$ 104,344
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ 2,558	$ 9,835	$ 12,393	$ 10,694
Contingent Liabilities (Note 16)	3,402	-	3,402	12,155
Employment-related	8,000	-	8,000	17,954
Other	49,358	-	49,358	8,378
Total	$ 63,318	$ 9,835	$ 73,153	$ 49,181

The Current Portion represents liabilities expected to be paid by September 30, 2012, while the Non-current Portion represents liabilities expected to be paid after September 30, 2012.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	FY 2011	FY 2010
Actuarial FECA Liability	$ 235,982	$ 210,235
NOAA Corps Retirement System Liability	524,100	502,800
NOAA Corps Post-retirement Health Benefits Liability	48,400	56,000
Total	$ 808,482	$ 769,035

Actuarial FECA Liability:

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

	FY 2011	FY 2010
Year 1	3.54%	3.65%
Year 2 and Thereafter	4.03%	4.30%

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 2011

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2012	2.10 %	3.07 %
2013	2.53 %	3.62 %
2014	1.83 %	3.66 %
2015	1.93 %	3.73 %
2016	2.00 %	3.73 %

FY 2010

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2011	2.23 %	3.45 %
2012	1.13 %	3.43 %
2013	1.70 %	3.64 %
2014	1.90 %	3.66 %
2015	1.93 %	3.73 %

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2011 and 2010 actuarial calculations used the following economic assumptions:

	FY 2011	FY 2010
Discount Rate	4.73%	4.89%
Annual Basic Pay Scale Increases	3.15%	3.12%
Annual Inflation	2.40%	2.37%

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

	FY 2011	FY 2010
Normal Cost	$ 9,800	$ 9,100
Interest on the Unfunded Liability	24,100	26,500
Actuarial (Gains)/Losses, Net		
From Experience	(6,500)	5,200
From Discount Rate Assumption Change	11,000	65,100
From Long-term Assumption Changes		
Annual Inflation	1,500	(37,800)
Annual Basic Pay Scale Increases	600	(14,900)
Demographic	1,800	(400)
Total Pension Costs	$ 42,300	$ 52,800

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:

	FY 2011	FY 2010
Discount Rate	4.74%	4.77%
Ultimate Medical Trend Rate	5.65%	6.25%

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

	FY 2011	FY 2010
Normal Cost	$ 1,500	$ 1,800
Interest on the Unfunded Liability	2,600	2,000
Actuarial (Gains)/Losses, Net		
From Experience	(100)	2,100
From Discount Rate Assumption Change	100	3,800
From Long-term Assumption Changes – Medical Claims Costs	(9,100)	5,200
Total Post-retirement Health Benefits Costs	$ (5,000)	$ 14,900

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2011	FY 2010
Pribilof Islands Cleanup	$ 2,569	$ 3,017
Nuclear Reactor	57,362	48,598
Other	3,446	3,034
Total	$ 63,377	$ 54,649

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2011	FY 2010
Structures, Facilities, and Leasehold Improvements	$ 23,043	$ 23,538
Equipment	24	24
Less: Accumulated Depreciation	(18,274)	(17,693)
Net Assets Under Capital Leases	$ 4,793	$ 5,869

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 2011

	General PP&E Category
Fiscal Year	Real Property
2012	$ 3,877
2013	3,723
2014	3,041
2015	1,903
2016	873
Thereafter	9,929
Total Future Lease Payments	23,346
Less: Imputed Interest	(9,303)
Less: Executory Costs	(3,975)
Net Capital Lease Liabilities	$ 10,068

FY 2010

	General PP&E Category
Fiscal Year	Real Property
2011	$ 4,081
2012	3,878
2013	3,729
2014	3,049
2015	1,901
Thereafter	10,770
Total Future Lease Payments	27,408
Less: Imputed Interest	(13,399)
Less: Executory Costs	(4,731)
Net Capital Lease Liabilities	$ 9,278

Operating Leases:

Most of the Department's facilities are rented from GSA, which generally charges rent that is intended to approximate commercial rental rates. For federally 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-federally 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 2012 through FY 2016; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2011

	General PP&E Category	
Fiscal Year	GSA Real Property	Non-GSA Real Property
2012	$ 254,865	$ 18,582
2013	253,985	17,423
2014	247,318	12,823
2015	246,892	11,322
2016	245,527	9,854
Thereafter	[1]	107,387
Total Future Lease Payments		$ 177,391

[1] *Not estimated.*

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2011	FY 2010
Intragovernmental		
Accrued FECA Liability	$ 30,307	$ 37,216
Total Intragovernmental	30,307	37,216
Accrued Payroll	41,003	36,359
Accrued Annual Leave	270,561	264,720
Federal Employee Benefits	808,482	769,035
Environmental and Disposal Liabilities	63,377	54,649
Contingent Liabilities	3,402	12,155
Unearned Revenue	667,775	551,263
ITA Foreign Service Nationals' Voluntary Separation Pay	12,393	10,694
Other	89	253
Total	$ 1,897,389	$ 1,736,344

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 September 30, 2011 is shown below.

Major Long-term Commitments:

			FY 2011				
Description	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 819,600	$ 817,000	$ 816,900	$ 817,500	$ 562,500	$ 1,233,100	$ 5,066,600
Convergence Satellites	1,160,000	960,000	740,000	610,000	834,500	3,655,000	7,959,500
Polar Operational Environmental Satellites	40,900	40,900	40,900	40,900	22,900	3,000	189,500
Climate Sensors	55,400	51,100	50,600	35,500	25,700	21,400	239,700
Ocean Surface Topography	53,000	29,000	2,000	2,000	1,000	2,000	89,000
Deep Space Climate Observatory	38,300	25,400	3,800	2,400	5,700	7,500	83,100
Other Weather Service	135,518	118,161	104,117	104,225	82,150	82,506	626,677
Other	87	-	-	-	-	-	87
Total	$ 2,302,805	$ 2,041,561	$ 1,758,317	$ 1,612,525	$ 1,534,450	$ 5,004,506	$ 14,254,164

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 $3.4 million and $12.2 million as of September 30, 2011 and 2010, respectively. Accordingly, these contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2011 and 2010, 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

$86.1 million as of September 30, 2011. 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 $551.7 million as of September 30, 2011. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2011 and 2010, with outstanding principal balances totaling $2.5 million and $3.9 million respectively. A loan guarantee liability of $563 thousand and $565 thousand is recorded for the outstanding guarantees at September 30, 2011 and 2010, respectively.

Restructuring the National Polar-orbiting Operational Environmental Satellite System (NPOESS) to the Joint Polar Satellite System (JPSS)

In 2010, the Executive Office of the President directed the restructure of the government's approach to meeting its polar-orbiting environmental data collection needs. Accordingly, the President's FY2011 budget contains a restructuring of the National Polar-orbiting Operational Environmental Satellite System (NPOESS) in order to put the critical program on a more sustainable pathway toward success. The Joint Polar Satellite Program (JPSS) is a national priority – essential to meeting both civil and military weather forecasting, storm tracking, and climate monitoring requirements. After reviewing options, including those suggested by an Independent Review Team (IRT) and Congressional Committees, the President's FY2011 budget takes significant new steps. The Executive Office of the President directed NOAA and the Air Force to no longer continue to jointly procure the polar-orbiting satellite system, known as NPOESS. This decision is in the best interest of the American public to preserve critical operational weather and climate observations into the future.

The three agencies (DoD, NOAA and NASA) have and will continue to partner to ensure a successful way forward for the respective programs, while utilizing international partnerships to sustain and enhance weather and climate observation from space.

The major challenge of NPOESS was jointly executing the program between three agencies of different sizes with divergent objectives and different acquisition procedures. The new system will resolve this challenge by splitting the procurements. NOAA and NASA will take primary responsibility for the afternoon orbit, and DoD will take primary responsibility for the morning orbit. The agencies will continue to partner in those areas that have been successful in the past, such as a shared ground system. The restructured programs will also eliminate the NPOESS tri-agency structure that has made management and oversight difficult, contributing to the poor performance of the program.

The restructuring effort continued throughout FY 2011. During this time, NOAA and the Air Force continued to work together to decide which program components will remain with DoD versus which program components will transfer to NOAA to become part of JPSS. If any program component that remains with NOAA is not needed for JPSS, the costs incurred for those components will be written off. For example, one component that will not be used by NOAA was the Conical-scanning Microwave Image/Sounder (CMIS) sensor, with costs incurred of $107.5M, which was charged to expense in FY2010.

During FY 2011, the following equipment and instruments were transferred to NOAA (through the NASA contact): 1) all Ground Tracking systems equipment, 2) the Ozone Mapping and Profiler Suite (OMPS)-Nadir sensor, 3) the Cross-track Infrared Sounder (CrIS) sensor, and 4) the Visible/Infrared Imager/Radiometer Suite (VIIRS) Flight Model 2 (F2) sensor (to fly on JPSS-1). The Advanced Technology Microwave sensor (ATMS) was transferred to NOAA on October 4, 2011. The Material for VIIRS F3 and the Charlie 1(CI) bus remained under the Air Force contract.

NOAA has determined that it will not use the C1 bus for its JPSS-1 satellite, and uncertainties exist with NOAA's use of the C1 bus design for its JPSS-2 satellite. NOAA plans to recompete the contract for this component for use on JPSS-2 in 2014.

The Air Force contract with Northrop Grumman has not been terminated and a final cost accounting to finalize the split of all costs incurred between NOAA and the Air Force relating to the NPOESS program has not yet taken place. Final costs are subject to change pending verification of all costs with the Air Force and a reconciliation of those costs to NOAA's Construction Work in Progress records and the final distribution of assets (i.e., systems, components, and instruments, and their costs. The ultimate amount of impairment charges, if any, that may result from the satellite restructuring cannot be estimated as of September 30, 2011.

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST (NOTE 1)

FY 2011 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Theme 1: Economic Growth										
Intragovernmental Gross Costs	$ -	$ 456,141	$ -	$ 143,462	$ 312,972	$ 271,871	$ 82,225	$ 1,266,671	$ (101,299)	$ 1,165,372
Gross Costs With the Public	-	1,691,956	-	994,864	713,608	718,578	31,142	4,150,148	-	4,150,148
Total Gross Costs	-	2,148,097	-	1,138,326	1,026,580	990,449	113,367	5,416,819	(101,299)	5,315,520
Intragovernmental Earned Revenue	-	(8,060)	-	(122,955)	(24,757)	(21,177)	(77,851)	(254,800)	101,299	(153,501)
Earned Revenue From the Public	-	(2,228,314)	-	(53,618)	(7)	(14,720)	(3)	(2,296,662)	-	(2,296,662)
Total Earned Revenue	-	(2,236,374)	-	(176,573)	(24,764)	(35,897)	(77,854)	(2,551,462)	101,299	(2,450,163)
Net Program Costs	**-**	**(88,277)**	**-**	**961,753**	**1,001,816**	**954,552**	**35,513**	**2,865,357**	**-**	**2,865,357**
Theme 2: Science and Information										
Intragovernmental Gross Costs	523,874	-	466,185	-	8,067	7,811	82,224	1,088,161	(96,834)	991,327
Gross Costs With the Public	1,876,549	-	1,477,867	-	15,376	44,163	31,142	3,445,097	-	3,445,097
Total Gross Costs	2,400,423	-	1,944,052	-	23,443	51,974	113,366	4,533,258	(96,834)	4,436,424
Intragovernmental Earned Revenue	(121,539)	-	(287,288)	-	(17,480)	(41,846)	(77,851)	(546,004)	96,834	(449,170)
Earned Revenue From the Public	(10,396)	-	(10,855)	-	(137)	(10,501)	(3)	(31,892)	-	(31,892)
Total Earned Revenue	(131,935)	-	(298,143)	-	(17,617)	(52,347)	(77,854)	(577,896)	96,834	(481,062)
Net Program Costs	**2,268,488**	**-**	**1,645,909**	**-**	**5,826**	**(373)**	**35,512**	**3,955,362**	**-**	**3,955,362**
Theme 3: Environmental Stewardship										
Intragovernmental Gross Costs	311,824	-	-	-	-	-	82,249	394,073	(100,998)	293,075
Gross Costs With the Public	2,343,684	-	-	-	-	-	31,151	2,374,835	-	2,374,835
Total Gross Costs	2,655,508	-	-	-	-	-	113,400	2,768,908	(100,998)	2,667,910
Intragovernmental Earned Revenue	(95,827)	-	-	-	-	-	(77,874)	(173,701)	100,998	(72,703)
Earned Revenue From the Public	(182,123)	-	-	-	-	-	(3)	(182,126)	-	(182,126)
Total Earned Revenue	(277,950)	-	-	-	-	-	(77,877)	(355,827)	100,998	(254,829)
Net Program Costs	**2,377,558**	**-**	**-**	**-**	**-**	**-**	**35,523**	**2,413,081**	**-**	**2,413,081**
NET COST OF OPERATIONS	$ **4,646,046**	**$ (88,277)**	**$ 1,645,909**	**$ 961,753**	**$ 1,007,642**	**$ 954,179**	**$ 106,548**	**$ 9,233,800**	**$ -**	**$ 9,233,800**

FY 2010 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers										
Intragovernmental Gross Costs	$ -	$ -	$ 1,045,041	$ 30	$ -	$ 273,146	$ 77,819	$ 1,396,036	$ (87,024)	$ 1,309,012
Gross Costs With the Public	-	-	5,770,979	102,393	-	926,965	30,737	6,831,074	-	6,831,074
Total Gross Costs	-	-	6,816,020	102,423	-	1,200,111	108,556	8,227,110	(87,024)	8,140,086
Intragovernmental Earned Revenue	-	-	(230,177)	-	-	(28,747)	(74,893)	(333,817)	87,024	(246,793)
Earned Revenue From the Public	-	-	(5,724)	-	-	(8,962)	(3)	(14,689)	-	(14,689)
Total Earned Revenue	-	-	(235,901)	-	-	(37,709)	(74,896)	(348,506)	87,024	(261,482)
Net Program Costs	**-**	**-**	**6,580,119**	**102,423**	**-**	**1,162,402**	**33,660**	**7,878,604**	**-**	**7,878,604**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness										
Intragovernmental Gross Costs	-	425,881	-	133,541	386,909	7,425	77,820	1,031,576	(98,523)	933,053
Gross Costs With the Public	-	1,581,057	-	788,127	213,178	40,576	30,738	2,653,676	-	2,653,676
Total Gross Costs	-	2,006,938	-	921,668	600,087	48,001	108,558	3,685,252	(98,523)	3,586,729
Intragovernmental Earned Revenue	-	(9,375)	-	(113,045)	(29,939)	(38,567)	(74,893)	(265,819)	98,523	(167,296)
Earned Revenue From the Public	-	(2,092,307)	-	(54,445)	(151)	(10,522)	(3)	(2,157,428)	-	(2,157,428)
Total Earned Revenue	-	(2,101,682)	-	(167,490)	(30,090)	(49,089)	(74,896)	(2,423,247)	98,523	(2,324,724)
Net Program Costs	**-**	**(94,744)**	**-**	**754,178**	**569,997**	**(1,088)**	**33,662**	**1,262,005**	**-**	**1,262,005**
Strategic Goal 3: Promote Environmental Stewardship										
Intragovernmental Gross Costs	772,455	-	-	-	-	-	77,850	850,305	(99,604)	750,701
Gross Costs With the Public	4,019,147	-	-	-	-	-	30,746	4,049,893	-	4,049,893
Total Gross Costs	4,791,602	-	-	-	-	-	108,596	4,900,198	(99,604)	4,800,594
Intragovernmental Earned Revenue	(203,896)	-	-	-	-	-	(74,915)	(278,811)	99,604	(179,207)
Earned Revenue From the Public	(97,913)	-	-	-	-	-	(3)	(97,916)	-	(97,916)
Total Earned Revenue	(301,809)	-	-	-	-	-	(74,918)	(376,727)	99,604	(277,123)
Net Program Costs	**4,489,793**	**-**	**-**	**-**	**-**	**-**	**33,678**	**4,523,471**	**-**	**4,523,471**
NET COST OF OPERATIONS	**$ 4,489,793**	**$ (94,744)**	**$ 6,580,119**	**$ 856,601**	**$ 569,997**	**$ 1,161,314**	**$ 101,000**	**$ 13,664,080**	**$ -**	**$ 13,664,080**

Major Programs: The following tables illustrate major programs of the Department. "Other Programs" refers to the other programs within each theme (FY 2011) or strategic goal (FY 2010). 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 Total columns on the *Consolidating Statements of Net Cost*.

FY 2011 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Theme 1: Economic Growth						
Measurements and Standards Laboratories						
Gross Costs	$ -	$ -	$ 845,241	$ -	$ -	$ 845,241
Less: Earned Revenue	-	-	(131,317)	-	-	(131,317)
Net Program Costs	**-**	**-**	**713,924**	**-**	**-**	**713,924**
Patents						
Gross Costs	-	-	-	1,913,354	-	1,913,354
Less: Earned Revenue	-	-	-	(2,005,269)	-	(2,005,269)
Net Program Costs	**-**	**-**	**-**	**(91,915)**	**-**	**(91,915)**
Trademarks						
Gross Costs	-	-	-	191,760	-	191,760
Less: Earned Revenue	-	-	-	(231,105)		(231,105)
Net Program Costs	**-**	**-**	**-**	**(39,345)**	**-**	**(39,345)**
Other Programs						
Gross Costs	-	-	293,085	42,983	2,130,396	2,466,464
Less: Earned Revenue	-	-	(45,256)	-	(138,515)	(183,771)
Net Program Costs	**-**	**-**	**247,829**	**42,983**	**1,991,881**	**2,282,693**
Net Program Costs for Theme 1	**-**	**-**	**961,753**	**(88,277)**	**1,991,881**	**2,865,357**
Theme 2: Science and Information						
Decennial and Periodic Censuses						
Gross Costs	-	656,684	-	-	-	656,684
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**656,684**	**-**	**-**	**-**	**656,684**
Weather, Water, and Climate						
Gross Costs	1,457,847	-	-	-	-	1,457,847
Less: Earned Revenue	(76,349)	-	-	-	-	(76,349)
Net Program Costs	**1,381,498**	**-**	**-**	**-**	**-**	**1,381,498**
Other Programs						
Gross Costs	942,576	1,177,607	-	-	298,544	2,418,727
Less: Earned Revenue	(55,586)	(292,298)	-	-	(153,663)	(501,547)
Net Program Costs	**886,990**	**885,309**	**-**	**-**	**144,881**	**1,917,180**
Net Program Costs for Theme 2	**2,268,488**	**1,541,993**	**-**	**-**	**144,881**	**3,955,362**
Theme 3: Environmental Stewardship						
Sustainable Fisheries						
Gross Costs	1,410,297	-	-	-	-	1,410,297
Less: Earned Revenue	(87,112)	-	-	-	-	(87,112)
Net Program Costs	**1,323,185**	**-**	**-**	**-**	**-**	**1,323,185**
Other Programs						
Gross Costs	1,245,211	-	-	-	113,400	1,358,611
Less: Earned Revenue	(190,838)	-	-	-	(77,877)	(268,715)
Net Program Costs	**1,054,373**	**-**	**-**	**-**	**35,523**	**1,089,896**
Net Program Costs for Theme 3	**2,377,558**		**-**	**-**	**35,523**	**2,413,081**
NET COST OF OPERATIONS	**$ 4,646,046**	**$ 1,541,993**	**$ 961,753**	**$ (88,277)**	**$ 2,172,285**	**$ 9,233,800**

FY 2010 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial and Periodic Censuses						
Gross Costs	$ -	$ 5,648,403	$ -	$ -	$ -	$ 5,648,403
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**5,648,403**	**-**	**-**	**-**	**5,648,403**
Other Programs						
Gross Costs	-	1,053,844	102,423	-	1,422,440	2,578,707
Less: Earned Revenue	-	(229,415)	-	-	(119,091)	(348,506)
Net Program Costs	**-**	**824,429**	**102,423**	**-**	**1,303,349**	**2,230,201**
Net Program Costs for Strategic Goal 1	**-**	**6,472,832**	**102,423**	**-**	**1,303,349**	**7,878,604**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness						
Measurement and Standards Laboratories						
Gross Costs	-	-	643,838	-	-	643,838
Less: Earned Revenue	-	-	(127,894)	-	-	(127,894)
Net Program Costs	**-**	**-**	**515,944**	**-**	**-**	**515,944**
Patents						
Gross Costs	-	-	-	1,777,871	-	1,777,871
Less: Earned Revenue	-	-	-	(1,887,538)	-	(1,887,538)
Net Program Costs	**-**	**-**	**-**	**(109,667)**	**-**	**(109,667)**
Trademarks						
Gross Costs	-	-	-	182,565	-	182,565
Less: Earned Revenue	-	-	-	(214,144)	-	(214,144)
Net Program Costs	**-**	**-**	**-**	**(31,579)**	**-**	**(31,579)**
Other Programs						
Gross Costs	-	-	277,830	46,502	756,646	1,080,978
Less: Earned Revenue	-	-	(39,596)	-	(154,075)	(193,671)
Net Program Costs	**-**	**-**	**238,234**	**46,502**	**602,571**	**887,307**
Net Program Costs for Strategic Goal 2	**-**	**-**	**754,178**	**(94,744)**	**602,571**	**1,262,005**
Strategic Goal 3: Promote Environmental Stewardship						
Ecosystems						
Gross Costs	1,781,600	-	-	-	-	1,781,600
Less: Earned Revenue	(109,657)	-	-	-	-	(109,657)
Net Program Costs	**1,671,943**	**-**	**-**	**-**	**-**	**1,671,943**
Other Programs						
Gross Costs	3,010,002	-	-	-	108,596	3,118,598
Less: Earned Revenue	(192,152)	-	-	-	(74,918)	(267,070)
Net Program Costs	**2,817,850**	**-**	**-**	**-**	**33,678**	**2,851,528**
Net Program Costs for Strategic Goal 3	**4,489,793**	**-**	**-**	**-**	**33,678**	**4,523,471**
NET COST OF OPERATIONS	**$ 4,489,793**	**$ 6,472,832**	**$ 856,601**	**$ (94,744)**	**$ 1,939,598**	**$ 13,664,080**

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

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

	FY 2011	FY 2010
Budget Authority, Appropriations (SBR)	$ 7,693,976	$ 14,322,512
Less:		
Appropriated Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(24,624)	(15,994)
Appropriated Receipts for NTIA's Digital Television Transition and Public Safety Fund, Classified as Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	-	(196,613)
Budgetary Financing Sources, Appropriations Received (SCNP)	$ 7,669,352	$ 14,109,905

Budget Authority, Appropriations, included on the SBR decreased significantly from FY 2010 to FY 2011 primarily due to the large decrease of $6.07 billion in Appropriations for Census Bureau's Periodic Censuses and Programs fund.

Total borrowing authority available for NOAA's loan programs amounted to $144.7 million and $228.4 million at September 30, 2011 and 2010, 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.

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

Reductions to the Department's appropriations under Public Laws 112-6 and 112-10 amounted to $1.86 billion for FY 2011, while reductions for FY 2010 under Public Laws 111-226, 111-212, 111-224, and 111-118 amounted to $696.5 million. These reductions are included in the SBR Budgetary Resources line Permanently Not Available. These reductions are also reported on the Rescissions lines of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2011 and FY 2010 include the following:

- The Department's Deposit Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2 on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2011 and 2010 includes $790.1 million and $581.2 million, respectively, of USPTO offsetting collections exceeding the current year and 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 on the lines *General Funds* (breakdown by type), and *Temporarily Precluded From Obligation* (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. At September 30, 2011 and 2010, $233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2 on the lines *Special Fund* (Patent and Trademark Surcharge Fund) (breakdown by type), and *Non-budgetary* (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2011 and 2010 includes funds temporarily not available for the Digital Television and Transition Public Safety Fund of $8.74 billion. These funds are included in Note 2 on the lines Digital Television and Transition Public Safety Fund - Special Funds section (breakdown by type), and Unobligated Balance - Unavailable (breakdown by status). On the SBR, these funds are included on the line Unobligated Balance Not Available.
- The Department's Fund Balance with Treasury as of September 30, 2011 and 2010 includes $17.8 million and $20.4 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 on the lines *Revolving Funds* (breakdown by type), and *Temporarily Precluded From Obligation* (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

There are no material differences between the amounts reported in the FY 2010 and FY 2009 *Combined Statements of Budgetary Resources* and the actual FY 2010 and FY 2009 amounts reported in the FY 2012 and FY 2011 budgets of the U.S. government, respectively. The President's Budget that will report actual amounts for FY 2011 has not yet been published.

Apportionment Categories of Obligations Incurred:

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

	FY 2011		
	Direct	Reimbursable	Total
Category A	$ 3,146,550	$ 2,837,935	$ 5,984,485
Category B	5,195,930	965	5,196,895
Exempt from Apportionment	169,083	1,053,370	1,222,453
Total	$ 8,511,563	$ 3,892,270	$ 12,403,833

	FY 2010		
	Direct	Reimbursable	Total
Category A	$ 8,365,156	$ 2,529,674	$ 10,894,830
Category B	10,457,428	25,150	10,482,578
Exempt from Apportionment	159,933	868,470	1,028,403
Total	$ 18,982,517	$ 3,423,294	$ 22,405,811

Category A apportionments distribute budgetary resources by fiscal quarters, whereas Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.

Undelivered Orders:

Undelivered orders were $10.44 billion and $12.36 billion at September 30, 2011 and 2010, 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.

The Federal Communications Commission (FCC) completed the auction of licenses for recovered analog spectrum in March 2008. The auction resulted in proceeds of $18.96 billion, which were deposited to the Fund by FCC on June 30, 2008. A net auction proceed (auction proceed less any FCC administrative fees due to FCC) becomes a budgetary resource on the SBR when FCC grants the license and the net auction proceed is provided as a budgetary resource by OMB. Net auction proceeds for which licenses have been granted, totaling $0 and $196.6 million for FY 2011 and FY 2010, respectively, are included as a budgetary resource on the SBR (Budget Authority, Appropriations), and as a budgetary financing source on the SCNP. Auction proceeds for which licenses have not yet been granted, totaling $2.4 million and $33.8 million as of September 30, 2011 and 2010, respectively, are considered a non-budgetary financing source (unavailable for use), and, accordingly, are not included in the SBR and are recorded as a liability to FCC on the Consolidated Balance Sheet. For the proprietary financial statements, an auction proceed is considered a liability to FCC until FCC grants the license. When the license is granted, a financing source (Transfers In of Spectrum Auction Proceeds from FCC) is recognized on the SCNP for the earned net auction proceeds, and the liability is reduced by the dollar amount of the license granted.

As of September 30, 2011, payments for the programs under the Fund may not exceed $2.82 billion. In September 2009, the Fund transferred $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. At September 30, 2011, the Fund has a Net Position, Cumulative Results of Operations balance of $9.24 billion.

Below is a brief summary of the two largest active programs under this Fund, and significant financial activity recorded for the FY 2011 and FY 2010 SBR under this Fund 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 for this program. 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 FY 2011 and FY 2010 under the PSIC program amounted to $2.6 million and $8.8 million, respectively. Budgetary obligations through September 30, 2009 under the PSIC program amounted to $987.0 million.

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 made payments not exceeding $156.0 million for this program. The Department shall use $50.0 million of such amounts to implement a tsunami warning and coastal vulnerability program. Budgetary obligations for FY 2011 and FY 2010 amounted to $47.6 million and $37.5 million, respectively.

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 FY 2011, the Department had custodial nonexchange revenue of $6.7 million; custodial nonexchange revenue of $1.8 million was payable to Treasury at September 30, 2011. For FY 2010, the Department had custodial nonexchange revenue of $19.5 million; custodial nonexchange revenue of $8.0 million was payable to Treasury at September 30, 2010.

NOTE 20. FIDUCIARY ACTIVITIES

Schedule of Fiduciary Activities for the Year Ended September 30, 2011

	FY 2011		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 9,452	$ 576	$ 10,028
Contributions	131,755	14,551	146,306
Disbursements to and on Behalf of Beneficiaries	(128,343)	(14,789)	(143,132)
Increase/(Decrease) in Fiduciary Net Assets	3,412	(238)	3,174
Fiduciary Net Assets, Ending Balance	$ 12,864	$ 338	$ 13,202

Fiduciary Net Assets as of September 30, 2011

	FY 2011		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fund Balance with Treasury	$ 12,864	$ 338	$ 13,202

Schedule of Fiduciary Activities for the Year Ended September 30, 2010

	FY 2010		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 9,134	$ 452	$ 9,586
Contributions	121,679	9,923	131,602
Disbursements to and on Behalf of Beneficiaries	(121,361)	(9,799)	(131,160)
Increase/(Decrease) in Fiduciary Net Assets	318	124	442
Fiduciary Net Assets, Ending Balance	$ 9,452	$ 576	$ 10,028

Fiduciary Net Assets as of September 30, 2010

	FY 2010		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fund Balance with Treasury	$ 9,452	$ 576	$ 10,028

NOTE 21. EARMARKED FUNDS

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

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2011

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS									
Fund Balance with Treasury	$ 1,526,349	$ 9,062,212	$ 3,389,425	$ 124,660	$ 36,350	$ 27,231	$ 17,848	$ 43,979	$ 14,228,054
Cash	2,364	-	-	-	-	-	-	-	2,364
Accounts Receivable, Net	433	-	-	164	-	3,180	-	193	3,970
Direct Loans and Loan Guarantees, Net	-	-	-	-	-	-	6,213	-	6,213
Inventory, Materials, and Supplies, Net	-	-	-	-	-	48	-	-	48
General Property, Plant, and Equipment, Net	206,628	-	-	-	-	1,882	-	-	208,510
Other	12,137	175,620	18,767	-	53	6,736	-	56	213,369
TOTAL ASSETS	**$ 1,747,911**	**$ 9,237,832**	**$ 3,408,192**	**$ 124,824**	**$ 36,403**	**$ 39,077**	**$ 24,061**	**$ 44,228**	**$ 14,662,528**
LIABILITIES									
Accounts Payable	$ 85,554	$ 1,557	$ -	$ 693	$ -	$ 10,839	$ -	$ 127	$ 98,770
Federal Employee Benefits	8,406	-	-	-	-	1,176	-	-	9,582
Other									-
Accrued Payroll and Annual Leave	188,709	11	-	460	-	1,644	-	198	191,022
Accrued Grants	-	301	24,183	-	1,327	-	-	1,677	27,488
Unearned Revenue	845,782	-	-	-	-	8,277	-	-	854,059
Other	17,200	-	-	149	-	225	-	66	17,640
TOTAL LIABILITIES	**$ 1,145,651**	**$ 1,869**	**$ 24,183**	**$ 1,302**	**$ 1,327**	**$ 22,161**	**$ -**	**$ 2,068**	**$ 1,198,561**
NET POSITION									
Unexpended Appropriations	$ -	$ -	$ 3,384,009	$ -	$	$ -	$ -	$ 6,442	$ 3,390,451
Cumulative Results of Operations	602,260	9,235,963	-	123,522	35,076	16,916	24,061	35,718	10,073,516
TOTAL NET POSITION	**$ 602,260**	**$ 9,235,963**	**$ 3,384,009**	**$ 123,522**	**$ 35,076**	**$ 16,916**	**$ 24,061**	**$ 42,160**	**$ 13,463,967**
TOTAL LIABILITIES AND NET POSITION	**$ 1,747,911**	**$ 9,237,832**	**$ 3,408,192**	**$ 124,824**	**$ 36,403**	**$ 39,077**	**$ 24,061**	**$ 44,228**	**$ 14,662,528**

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2010

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS									
Fund Balance with Treasury	$ 1,334,757	$ 9,396,152	$ 4,172,152	$ 42,163	$ 35,405	$ 29,749	$ 20,439	$ 53,453	$ 15,084,270
Cash	2,570	-	-	-	-	-	-	-	2,570
Accounts Receivable, Net	758	-	-	265	-	2,503	-	182	3,708
Direct Loans and Loan Guarantees, Net	-	-	-	-	-	-	6,717	-	6,717
Inventory, Materials, and Supplies, Net	-	-	-	-	-	30	-	-	30
General Property, Plant, and Equipment, Net	174,397	-	49	-	-	2,274	-	-	176,720
Other	13,167	139,738	20,335	-	100	6,948	-	100	180,388
TOTAL ASSETS	**$ 1,525,649**	**$ 9,535,890**	**$ 4,192,536**	**$ 42,428**	**$ 35,505**	**$ 41,504**	**$ 27,156**	**$ 53,735**	**$ 15,454,403**
LIABILITIES									
Accounts Payable	$ 70,114	$ 534	$ 1,450	$ 408	$ -	$ 12,244	$ -	$ 154	$ 84,904
Federal Employee Benefits	8,299	-	-	-	-	1,208	-	-	9,507
Other									-
Accrued Payroll and Annual Leave	165,490	56	1,135	50	-	1,661	-	179	168,571
Accrued Grants	-	1,453	96,902	-	1,501	-	-	1,923	101,779
Unearned Revenue	774,388	-	-	-	-	10,556	-	-	784,944
Other	15,053	-	-	40	-	411	-	59	15,563
TOTAL LIABILITIES	**$ 1,033,344**	**$ 2,043**	**$ 99,487**	**$ 498**	**$ 1,501**	**$ 26,080**	**$ -**	**$ 2,315**	**$ 1,165,268**
NET POSITION									
Unexpended Appropriations	$ -	$ -	$ 4,093,000	$ -	$ -	$ -	$ -	$ 6,319	$ 4,099,319
Cumulative Results of Operations	492,305	9,533,847	49	41,930	34,004	15,424	27,156	45,101	10,189,816
TOTAL NET POSITION	**$ 492,305**	**$ 9,533,847**	**$ 4,093,049**	**$ 41,930**	**$ 34,004**	**$ 15,424**	**$ 27,156**	**$ 51,420**	**$ 14,289,135**
TOTAL LIABILITIES AND NET POSITION	**$ 1,525,649**	**$ 9,535,890**	**$ 4,192,536**	**$ 42,428**	**$ 35,505**	**$ 41,504**	**$ 27,156**	**$ 53,735**	**$ 15,454,403**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2011

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
Theme 1: Economic Growth									
Gross Costs	$ 2,148,097	$ 297,884	$ 665,937	$ -	$ -	$ -	$ -	$ 5,050	$ 3,116,968
Less: Earned Revenue	(2,236,374)	-	-	-	-	-	-	-	(2,236,374)
Net Program Costs	**(88,277)**	**297,884**	**665,937**	**-**	**-**	**-**	**-**	**5,050**	**880,594**
Theme 2: Science and Information									
Gross Costs	-	-	-	-	-	51,976	-	-	51,976
Less: Earned Revenue	-	-	-	-	-	(52,349)	-	-	(52,349)
Net Program Costs	**-**	**-**	**-**	**-**	**-**	**(373)**	**-**	**-**	**(373)**
Theme 3: Environmental Stewardship									
Gross Costs	-	-	-	16,207	8,823	-	338	21,117	46,485
Less: Earned Revenue	-	-	-	-	-	-	(244)	-	(244)
Net Program Costs	**-**	**-**	**-**	**16,207**	**8,823**	**-**	**94**	**21,117**	**46,241**
NET COST OF OPERATIONS	**$ (88,277)**	**$ 297,884**	**$ 665,937**	**$ 16,207**	**$ 8,823**	**$ (373)**	**$ 94**	**$ 26,167**	**$ 926,462**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2010

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Gross Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,652	$ 5,652
Less: Earned Revenue	-	-	-	-	-	-	-	-	-
Net Program Costs		**-**	**-**	**-**	**-**	**-**	**-**	**5,652**	**5,652**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness									
Gross Costs	2,006,938	279,527	262,653	-	-	48,007	-	(17,558)	2,579,567
Less: Earned Revenue	(2,101,682)	-	(223)	-	-	(49,093)	-	-	(2,150,998)
Net Program Costs	**(94,744)**	**279,527**	**262,430**	**-**	**-**	**(1,086)**	**-**	**(17,558)**	**428,569**
Strategic Goal 3: Promote Environmental Stewardship									
Gross Costs	-	-	-	6,991	8,280	-	(144)	22,177	37,304
Less: Earned Revenue	-	-	-	-	-	-	(320)	-	(320)
Net Program Costs	**-**	**-**	**-**	**6,991**	**8,280**	**-**	**(464)**	**22,177**	**36,984**
NET COST OF OPERATIONS	**$ (94,744)**	**$ 279,527**	**$ 262,430**	**$ 6,991**	**$ 8,280**	**$ (1,086)**	**$ (464)**	**$ 10,271**	**$ 471,205**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2011

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:									
Beginning Balance	$ 492,305	$ 9,533,847	$ 49	$ 41,930	$ 34,004	$ 15,424	$ 27,156	$ 45,101	$ 10,189,816
Budgetary Financing Sources:									
Appropriations Used	-	-	665,888	-	-	-	-	(122)	665,766
Non-exchange Revenue	-	-	-	73,783	9,895	-	-	12,126	95,804
Transfers In/(Out) Without Reimbursement, Net	-	-	-	24,016	-	-	(3,001)	4,780	25,795
Other Financing Sources (Non-exchange):									
Imputed Financing Sources from Cost Absorbed by Others	21,678	-	-	-	-	1,119	-	-	22,797
Total Financing Sources	**21,678**	**-**	**665,888**	**97,799**	**9,895**	**1,119**	**(3,001)**	**16,784**	**810,162**
Net Cost of Operations	**88,277**	**(297,884)**	**(665,937)**	**(16,207)**	**(8,823)**	**373**	**(94)**	**(26,167)**	**(926,462)**
Net Change	**109,955**	**(297,884)**	**(49)**	**81,592**	**1,072**	**1,492**	**(3,095)**	**(9,383)**	**(116,300)**
Cumulative Results of Operations - Ending Balance	**602,260**	**9,235,963**	**-**	**123,522**	**35,076**	**16,916**	**24,061**	**35,718**	**10,073,516**
Unexpended Appropriations:									**-**
Beginning Balance	-	-	4,092,999	-	-	-	-	6,320	4,099,319
Budgetary Financing Sources:									-
Other Adjustments	-	-	(43,102)	-	-	-	-	-	(43,102)
Appropriations Used	-	-	(665,888)	-	-	-	-	122	(665,766)
Total Budgetary Financing Sources	**-**	**-**	**(708,990)**	**-**	**-**	**-**	**-**	**122**	**(708,868)**
Unexpended Appropriations - Ending Balance	**-**	**-**	**3,384,009**	**-**	**-**	**-**	**-**	**6,442**	**3,390,451**
NET POSITION	**$ 602,260**	**$ 9,235,963**	**$ 3,384,009**	**$ 123,522**	**$ 35,076**	**$ 16,916**	**$ 24,061**	**$ 42,160**	**$ 13,463,967**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2010

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:									
Beginning Balance	$ 375,794	$ 9,616,912	$ -	$ 36,649	$ 32,414	$ 13,115	$ 29,692	$ 50,465	$ 10,155,041
Budgetary Financing Sources:									-
Appropriations Used	-	-	262,677	-	-	-	-	(13,079)	249,598
Non-exchange Revenue	-	-	-	4,762	9,870	-	-	3,883	18,515
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	-	196,613	-	-	-	-	-	-	196,613
Transfers In/(Out) Without Reimbursement, Net	-	-	-	7,510	-	-	(3,000)	14,103	18,613
Other Financing Sources (Non-exchange):									-
Transfers In/(Out) Without Reimbursement, Net	-	(151)	(198)	-	-	-	-	-	(349)
Imputed Financing Sources from Cost Absorbed by Others	21,767	-	-	-	-	1,223	-	-	22,990
Total Financing Sources	**21,767**	**196,462**	**262,479**	**12,272**	**9,870**	**1,223**	**(3,000)**	**4,907**	**505,980**
Net Cost of Operations	**94,744**	**(279,527)**	**(262,430)**	**(6,991)**	**(8,280)**	**1,086**	**464**	**(10,271)**	**(471,205)**
Net Change	**116,511**	**(83,065)**	**49**	**5,281**	**1,590**	**2,309**	**(2,536)**	**(5,364)**	**34,775**
Cumulative Results of Operations - Ending Balance	**492,305**	**9,533,847**	**49**	**41,930**	**34,004**	**15,424**	**27,156**	**45,101**	**10,189,816**
Unexpended Appropriations:									
Beginning Balance	-	-	4,657,677	-	-	-	-	232,740	4,890,417
Budgetary Financing Sources:									-
Rescissions of Appropriations	-	-	(302,000)	-	-	-	-	(239,500)	(541,500)
Appropriations Used	-	-	(262,677)	-	-	-	-	13,079	(249,598)
Total Budgetary Financing Sources	**-**	**-**	**(564,677)**	**-**	**-**	**-**	**-**	**(226,421)**	**(791,098)**
Unexpended Appropriations - Ending Balance	**-**	**-**	**4,093,000**	**-**	**-**	**-**	**-**	**6,319**	**4,099,319**
NET POSITION	**$ 492,305**	**$ 9,533,847**	**$ 4,093,049**	**$ 41,930**	**$ 34,004**	**$ 15,424**	**$ 27,156**	**$ 51,420**	**$ 14,289,135**

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 three core business activities – granting patents;

registering trademarks; and intellectual property policy, protection, and enforcement – 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. USPTO may use monies from this account only as authorized by Congress via appropriations.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2011 and 2010, $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, allows smaller television stations to broadcast digital television, and improves how warnings are received when disasters occur. NTIA received funding from borrowings from the Bureau of Public Debt, and repaid the Bureau of Public Debt from the proceeds of the auction of recovered analog spectrum which was completed in March 2008. The proceeds from the auction provide funding for several programs, and has been and is expected to be further used to reduce the National Deficit. The law establishing this program can be found in the Deficit Reduction Act of 2005, P.L. 109-171 Sections 3001-3014.

The **Broadband Technology Opportunities Program - Recovery Act** includes funds from the American Recovery and Reinvestment Act of 2009 (Recovery Act) that provides awards to eligible entities to develop and expand broadband services to rural and underserved areas and improve access to broadband by public safety agencies. Specifically, funds are used for innovative programs that encourage sustainable adoption of broadband services, to upgrade technology and capacity at public computing centers, including community colleges and public libraries, and for the development and maintenance of statewide broadband inventory maps.

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 **Environmental Improvement and Restoration Fund** makes available interest that was earned in the Fund in the previous fiscal year. 80 percent of such amounts shall be made available to be equally divided among the Directors of the National Park Service, the United States Fish and Wildlife Service, the Bureau of Land Management, and the Chief of the Forest Service for high-priority deferred maintenance and modernization of facilities that directly enhance the experience of visitors, including natural, cultural, recreational, and historic resources protection projects in National Parks, National Wildlife Refuges, and the public lands, and for payment to the State of Louisiana and its lessees for oil and gas drainage in the West Delta field. 20 percent of such amounts shall be made available to the Secretary of Commerce for the purpose of carrying out marine research activities in the North Pacific. The law establishing the Environmental Improvement and Restoration Fund can be found at 43 USC Section 147d.

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** receives monies for 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.

NOTE 22. 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.

The reconciliations of Net Cost of Operations to Budget for FY 2011 and FY 2010 are as follows:

	FY 2011	FY 2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 12,403,833	$ 22,405,811
Less: Spending Authority From Offsetting Collections and Recoveries	(4,645,454)	(4,280,000)
Obligations Net of Offsetting Collections and Recoveries	7,758,379	18,125,811
Less: Distributed Offsetting (Receipts)/Outlays, Net	(33,570)	(28,541)
Net Obligations	7,724,809	18,097,270
Other Resources		
Donations and Forfeitures of Property	458	461
Transfers In/(Out) Without Reimbursement, Net	(4,062)	(4,804)
Imputed Financing From Cost Absorbed by Others	347,925	346,772
Downward Subsidy Reestimates Payable to Treasury	-	(8,087)
Other Financing Sources/(Uses), Net	(8,246)	18
Net Other Resources Used to Finance Activities	336,075	334,360
Total Resources Used to Finance Activities	**8,060,884**	**18,431,630**

(continued)

(continued)

	FY 2011	FY 2010
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	1,920,989	(4,489,923)
Resources that Fund Expenses Recognized in Prior Periods	(12,253)	(6,255)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(8,087)	(6,190)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	33,570	28,541
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	40,204	71,812
Budgetary Financing Sources/(Uses), Net	106,572	8,272
Resources that Finance the Acquisition of Assets	(1,743,564)	(1,433,050)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	82,970	202,311
Donations and Forfeitures of Property	(458)	(461)
Transfers In/(Out) Without Reimbursement, Net	4,062	4,804
Downward Subsidy Reestimates Payable to Treasury	-	8,087
Other Financing Sources/(Uses), Net	8,246	(18)
Other	(4,643)	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**427,608**	**(5,612,070)**
Total Resources Used to Finance Net Cost of Operations	**8,488,492**	**12,819,560**
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	5,841	11,373
Increase in Federal Employee Benefits	39,447	81,601
Increase (Decrease) in Contingent Liabilities	(8,753)	(1,807)
Reestimates of Credit Subsidy Expense	(4,921)	(2,857)
Other	7,391	11,223
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	39,005	99,533
Components Not Requiring or Generating Resources		
Depreciation and Amortization	687,009	524,296
NOAA Impairment of Construction-in-progress (Note 16)	-	107,518
NOAA Issuances of Materials and Supplies	30,247	29,325
Census Bureau Issuances of Materials and Supplies	-	37,383
Revaluation of Assets or Liabilities	(101)	40,871
Other	(10,852)	5,594
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	706,303	744,987
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**745,308**	**844,520**
NET COST OF OPERATIONS	**$ 9,233,800**	**$ 13,664,080**

NOTE 23. 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 the Census Bureau are the only entities within the Department that have Stewardship PP&E. Additional information on Stewardship PP&E is presented in the Required Supplementary Information section.

Stewardship Marine Sanctuaries, Marine National Monuments, 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 special nationally-significant areas of the marine environment 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. National marine sanctuaries are also used for recreation (e.g, boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2011, 13 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, covering a total area of nearly 19,000 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.

Papahãnaumokuãkea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). Papahãnaumokuãkea Marine National Monument was designated by Presidential Proclamation in 2006 and overlays several previously designated protected areas and forges a co-management regime for the entire area. The overlayed protected areas comprising the monument are the NWHI Coral Reef Ecosystem Reserve (from 3 to 50 miles in federal waters from the corridor of islands of the NWHI); the National Wildlife Refuges (the islands, atolls and some federal waters; and the State of Hawaii Refuge and lands and waters. The Monument is managed by NOAA, with the Department of the Interior, and the state of Hawaii. Papahãnaumokuãkea is co-managed by the Department of Commerce-NOAA with the Department of the Interior, and the state of Hawaii.

Rose Atoll Marine National Monument: On January 6, 2009, President Bush designated the Rose Atoll Marine National Monument in American Samoa. The monument includes the Rose Atoll National Wildlife Refuge. It also includes about 20 acres of land and 1,600 acres of lagoon and is one of the most pristine atolls in the world. The areas around the atoll support a dynamic reef ecosystem that is home to many land and marine species, many of which are threatened or endangered. The Department of the Interior has primary management responsibility of the atoll while NOAA has primary management responsibility for the marine areas of the monument seaward of mean low water, with respect to fishery-related activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1801 et seq.) and any other applicable authorities. An inter-governmental committee comprised of NOAA, Department of the Interior, and the American Samoa Government has been established to develop and coordinate management strategies. NOAA is progressing with fisheries management strategies, and has begun the process to consider incorporation of the area into the Fagatele Bay National Marine Sanctuary.

Marianas Trench Marine National Monument: On January 6, 2009, President Bush designated the Marianas Trench Marine National Monument. The Monument consists of approximately 95,000 square miles of submerged lands and waters of the Mariana Archipelago. It includes three units: the Islands Unit, the waters and submerged lands of the three northernmost Mariana Islands; the Volcanic Unit, the submerged lands within 1 nautical mile of 21 designated volcanic sites; and the Trench Unit, the submerged lands extending from the northern limit of the Exclusive Economic Zone of the United States in the Commonwealth of the Northern Mariana Islands (CNMI) to the southern limit of the Exclusive Economic Zone of the United States in the Territory of Guam. No waters are included in the Volcanic and Trench Units, and CNMI maintains all authority for managing the three islands within the Islands Unit (Farallon de Pajaros or Uracas, Maug, and Asuncion) above the mean low water line. The Department of the Interior, in consultation with NOAA, has management responsibility for the monument. With respect to fishery-regulated activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act and any other applicable authorities, however, NOAA has primary management responsibility, and, when necessary, consults with the Department of the Interior. All but one of the Marianas Monument Advisory Council (MMAC) members have been appointed, and the MMAC is planning to have its first meeting in early 2012. NOAA is progressing with fisheries management strategies, and has begun scoping for management plan development, in cooperation with the Department of the Interior.

Pacific Remote Islands Marine National Monument: On January 6, 2009, President Bush designated the Pacific Remote Islands Marine National Monument. The Pacific Remote Islands area consists of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, and Palmyra Atoll, which lie to the south and west of Hawaii. With the exception of Wake Island, these islands are administered as National Wildlife Refuges by the Department of the Interior. They sustain many endemic species, including corals, fish, shellfish, marine mammals, seabirds, water birds, land birds, insects, and vegetation not found elsewhere.

The Department of the Interior has responsibility for management of the Monument in consultation with NOAA, including out to 12 nautical miles from the mean low water lines of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef and Palmyra Atoll, pursuant to applicable legal authorities. NOAA is progressing with fisheries management strategies, and is scoping to develop a Monument Management Plan in cooperation with the Department of the Interior.

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370,000 square 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 are 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.

Written policy statements or permit guidelines for the National Marine Sanctuaries and Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. Submarine cable policy was finalized in 2011. NOAA's Office of Marine National Sanctuaries may be updating artificial reefs policy to reflect recent information about the effects of artificial reefs on natural habitats. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries.

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.

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 established the Heritage Assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the 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 conditions of heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans; and
- 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, Texas, 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. The Sea Water System has been updated in 2011 with new electrical and pump housing.

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 Islands commercial fur seal harvest was an extremely profitable business for the U.S. government, and, by the early 1900s, 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 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 U.S. 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. 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 have also used the building. 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 through 2006 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. Since August 2007, NMFS has maintained the facility. While the facility remains largely unused at this time, except for occasional storage needs, NMFS will continue to maintain the facility, and plans to retain it to accommodate its expanding mission needs on St. Paul Island. During the winter of 2010, there was a freeze resulting in broken plumbing pipes and substantial flooding and icing throughout the building. Damage assessment and abatement work was completed. An engineering analysis to structurally stabilize the building is expected to begin in the spring of 2012. This will be followed by a design exercise to develop plans for future construction and expanded use of the building.

NMFS Aquarium: In Woods Hole, Massachusetts, this aquarium was established in 1875 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. The aquarium houses 16 permanent exhibition tanks and approximately 12 freestanding aquaria and touch tanks holding more than 140 species of fish and invertebrates and, on occasion, sea turtles. The facility also has an exterior seal habitat that currently exhibits non-releasable harbor seals obtained through the NOAA marine mammal stranding network. The tanks range in size from 75 to 2,800 gallons. 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.

NOAA's collection-type heritage assets are comprised primarily of books, journels, publications, photographs and motion pictures, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). 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 Bougher, and 19th and 20th century works of Benjamin Franklin and George Washington Carver. 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.

NOAA's collection-type heritage assets 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.

NOAA's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include a) books, manuals, and slides; b) thermometers, gauges, and radiosondes; and c) laboratory equipment. The NOAA Logistics Office continued its review of the National Climatic Data Center Library in FY 2011 and concluded that many items previously reported as separate items belong in an existing heritage assets collection, or were deemed as not meeting the heritage assets criteria. This resulted in a significant decrease in the Library's collection type heritage assets in FY 2011.

Historical artifacts are designated collection-type heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (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, gyrocompasses, brass citations, flags, pennants, chronometers, ship seals, clocks, compasses, fittings, miscellaneous ship fragments, lithographic plates, barometers, rain gauges, and any items that represent the uniqueness of the mission of NOAA and its predecessor agencies.

NIST currently maintains collection-type heritage assets under its 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 Office (ISO) maintains the historical archives, rare book collection, and oversees the oral history program. The historical archives and rare book collection contain 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 and History Program has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. In FY 2011, the number of NIST Artifacts and Scientific Measures increased significantly because artifacts held in storage were added to the inventory of collection-type heritage assets. 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 includes 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.

ISO preserves and promotes the history of 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.

Collection-type heritage assets maintained by 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 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 1900s to punch round holes into cards for tabulation by electric tabulating machines housed at the Census Bureau. The key punch increased the speed with which clerks could transfer data entered on census schedules to the punch cards used to tabulate census results.

Hollerith Tabulator (Dial): The Hollerith Tabulator dial was manufactured by the Tabulating Machine Company for the Census Bureau. 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. 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: This item was manufactured by the Tabulating Machine Company for the Census Bureau. Census Bureau 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 Bureau Enumerators Badge: The Census Bureau provided enumerators with badges during the 1900s and later censuses, and recipients were instructed to wear them when on duty. The 1900s instructions to enumerators noted that the badge offered additional evidence of the bearer's authority to ask the question required by law. Furthermore, enumerators were instructed to wear the badge attached to the vest under the coat, and to exhibit it only when it would aid the enumerator in obtaining the information. Upon completion of the census, the Census Bureau permitted enumerators to keep the badge as a souvenir of their service.

Unisys Tape and Reel: It is assumed that Unisys Corporation manufactured this tape and reel in the 1980s. This tape technology, released in 1964, introduced what is now generally known as 9-track tape. The magnetic tape is ½ inch wide, with eight data tracks and one parity track for a total of nine 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. 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.

Census Bureau has developed a Project Charter for heritage assets which has developed policies and procedures for the acquisition and removal of Census Bureau heritage assets. Census Bureau employees submit items for consideration as heritage assets to the Heritage Assets Committee. The Committee will decide if the item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate Census Bureau's historic contributions to the nation's growth. If the item is deemed a heritage asset, the applicable property management office will ensure the heritage asset is catalogued and stored in a safe, secure environment, allowing for appropriate preservation and conservation. All necessary actions will be taken to reduce deterioration of heritage assets due to environmental conditions, and to limit damage, loss, and misuse of heritage assets. The Committee meets on a regular basis to determine if any heritage assets should be removed from the approved list, or if a newly arrived item should be classified as a heritage asset. Once a determination has been made to no longer classify an item as a heritage asset, Census Bureau will follow any applicable established policies and procedures for surplus property.

(In Actual Quantities)

Collection-type Heritage Assets					
Category	**Description of Assets**	**Quantity of Items Held September 30, 2010**	**FY 2011 Additions**	**FY 2011 Withdrawals**	**Quantity of Items Held September 30, 2011**
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A	N/A	1
Rare Book Room Collection	Books and publications	1	N/A	N/A	1
Collection of photographs and motion pictures	Photographs and motion pictures	1	N/A	N/A	1
Other	Artifacts, documents, and other items	57	1	2	56
National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	-	-	106,254
National Climatic Data Center Library	Artifacts, books, documents, and other items	870	-	545	325
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,788	10	376	3,422
NIST Artifacts and Scientific Measures	National Bureau of Standards (NBS)/NIST scientific instruments, equipment, and objects	343	647	-	990
NIST Historical Books and Manuscripts	Books of historical scientific interest, books by prominent contemporary scientists, and books by NBS/NIST authors and manuscripts of NBS/NIST staff, facilities, and artifacts	61	-	-	61
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	132	-	-	132
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	22	8	-	30
Total		**111,530**	**666**	**923**	**111,273**
N/A - Not applicable; this category is reported as one collection.					

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

FINANCIAL SECTION

Consolidating Balance Sheet

United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2011 *(In Thousands)*

	Consolidating Total	Intra-Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	HCHB	ITA	MBDA	NIST	NOAA	NTIA	NTIS	OIG	USPTO
ASSETS																				
Intragovernmental:																				
Fund Balance with Treasury	$21,661,030	$ -	$ 31,030	$ 963,039	$ 1,407	$ 22,374	$ 46,662	$1,292,820	$ 995	$ 17,351	$ 2,839	$ 33,887	$ 109,836	$ 14,037	$1,123,900	$ 3,786,993	$12,538,673	$27,922	$ 16,059	$ 1,631,206
Accounts Receivable	98,360	(16,491)	237	7,037	-	7,999	1,304	262	-	300	-	-	2,751	-	6,056	84,809	188	2,773	839	296
Advances and Prepayments	415,683	(76,814)	986	31,185	-	3,613	2,261	1,136	-	1,041	83	-	6,331	722	9,456	230,193	202,485	287	666	2,052
Total Intragovernmental	22,175,073	(93,305)	32,253	1,001,261	1,407	33,986	50,227	1,294,218	995	18,692	2,922	33,887	118,918	14,759	1,139,412	4,101,995	12,741,346	30,982	17,564	1,633,554
Cash	3,466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	346	-	29	-	3,091
Accounts Receivable, Net	140,846	-	4,659	5,602	-	4	50	3	-	-	-	-	246	124	5,186	124,421	7	407	-	137
Direct Loans and Loan Guarantees, Net	566,250	-	-	-	-	-	-	14,696	-	-	-	-	-	-	-	551,554	-	-	-	-
Inventory, Materials, and Supplies, Net	97,823	-	-	155	-	-	3	307	-	-	-	-	-	-	27,224	70,086	-	48	-	-
General Property, Plant, and Equipment, Net	8,362,263	-	16	145,479	7,198	1,904	2,084	1,363	-	563	-	9,287	2,793	-	829,163	7,145,643	8,260	1,882	-	206,628
Other	53,320	-	6	472	4	4	-	-	-	-	-	-	638	-	25	35,635	-	6,449	-	10,087
TOTAL ASSETS	**$ 31,399,041**	**$ (93,305)**	**$ 36,934**	**$ 1,152,969**	**$ 8,609**	**$ 35,898**	**$ 52,364**	**$ 1,310,587**	**$ 995**	**$ 19,255**	**$ 2,922**	**$ 43,174**	**$ 122,595**	**$ 14,883**	**$ 2,001,010**	**$ 12,029,680**	**$ 12,749,613**	**$ 39,797**	**$ 17,564**	**$ 1,853,497**
LIABILITIES																				
Intragovernmental:																				
Accounts Payable	$ 88,455	$ (14,574)	$ 1,369	$ 17,304	$ -	$ 946	$ 1,698	$ 465	$ -	$ 1,226	$ 2	$ -	$ 3,953	$ 485	$ 2,002	$ 57,345	$ 2,585	$ 7,945	$ 73	$ 5,631
Debt to Treasury	540,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	540,001	-	-	-	-
Other																				
Spectrum Auction Proceeds Liability to Federal Communications Commission	2,436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,436	-	-	-
Resources Payable to Treasury	21,448	-	-	-	-	-	-	19,843	-	-	-	-	-	-	-	1,605	-	-	-	-
Unearned Revenue	338,657	(76,814)	235	154,194	-	6,494	33,351	54,346	-	-	80	-	1,102	34	83,392	34,698	35,092	4,393	1,890	6,170
Other	90,668	(1,917)	2,494	14,583	-	1,439	1,643	914	-	823	-	7	3,965	591	8,368	39,301	810	225	306	17,116
Total Intragovernmental	1,081,665	(93,305)	4,098	186,081	-	8,879	36,692	75,568	-	2,049	82	7	9,020	1,110	93,762	672,950	40,923	12,563	2,269	28,917
Accounts Payable	343,280	-	842	61,947	-	2,288	3,138	87	1	695	3	122	2,666	153	20,833	163,732	1,392	2,894	2,564	79,923
Loan Guarantee Liabilities	563	-	-	-	-	-	-	-	-	-	-	-	-	-	-	563	-	-	-	-
Federal Employee Benefits	808,482	-	3,180	130,544	-	1,778	4,806	1,193	-	437	-	38	8,033	2,383	8,782	635,767	1,791	1,176	168	8,406
Environmental and Disposal Liabilities	63,377	-	-	-	-	-	-	-	-	-	-	-	-	-	57,363	6,014	-	-	-	-
Other																				
Accrued Payroll and Annual Leave	578,952	-	6,206	82,116	-	4,533	10,345	3,602	3	7,665	-	80	30,238	1,197	47,729	186,931	4,849	1,644	3,105	188,709
Accrued Grants	595,721	-	-	-	-	-	-	384,908	-	-	-	-	2,285	1,271	102,359	67,399	37,499	-	-	-
Capital Lease Liabilities	10,068	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,068	-	-	-	-
Unearned Revenue	1,035,867	-	4,274	2,076	-	-	-	313	-	-	-	-	12,675	-	25,298	41,178	253	4,604	-	945,196
Other	73,153	-	88	8,700	-	-	-	-	-	46	-	2	12,394	-	25	51,812	-	-	-	86
TOTAL LIABILITIES	**$ 4,591,128**	**$ (93,305)**	**$ 18,688**	**$ 471,464**	**$ -**	**$ 17,478**	**$ 54,981**	**$ 465,671**	**$ 4**	**$ 10,892**	**$ 85**	**$ 249**	**$ 77,311**	**$ 6,114**	**$ 356,151**	**$ 1,836,414**	**$ 86,707**	**$ 22,881**	**$ 8,106**	**$ 1,251,237**
NET POSITION																				
Unexpended Appropriations																				
Unexpended Appropriations - Earmarked Funds	$ 3,390,451	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,390,451	$ -	$ -	$ -
Unexpended Appropriations - All Other Funds	5,829,206	-	24,728	416,646	-	19,614	-	848,696	991	12,424	-	33,718	75,541	12,362	803,012	3,539,096	33,028	-	9,350	-
Cumulative Results of Operations																				
Cumulative Results of Operations - Earmarked Funds	10,073,516	-	-	-	-	-	-	-	-	-	-	-	4,319	-	-	214,058	9,235,963	16,916	-	602,260
Cumulative Results of Operations - All Other Funds	7,514,740	-	(6,482)	264,859	8,609	(1,194)	(2,617)	(3,780)	-	(4,061)	2,837	9,207	(34,576)	(3,593)	841,847	6,440,112	3,464	-	108	-
TOTAL NET POSITION	**$ 26,807,913**	**$ -**	**$ 18,246**	**$ 681,505**	**$ 8,609**	**$ 18,420**	**$ (2,617)**	**$ 844,916**	**$ 991**	**$ 8,363**	**$ 2,837**	**$ 42,925**	**$ 45,284**	**$ 8,769**	**$ 1,644,859**	**$ 10,193,266**	**$ 12,662,906**	**$ 16,916**	**$ 9,458**	**$ 602,260**
TOTAL LIABILITIES AND NET POSITION	**$ 31,399,041**	**$ (93,305)**	**$ 36,934**	**$ 1,152,969**	**$ 8,609**	**$ 35,898**	**$ 52,364**	**$ 1,310,587**	**$ 995**	**$ 19,255**	**$ 2,922**	**$ 43,174**	**$ 122,595**	**$ 14,883**	**$ 2,001,010**	**$ 12,029,680**	**$ 12,749,613**	**$ 39,797**	**$ 17,564**	**$ 1,853,497**

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 95 percent of the Department's General PP&E, Net balance as of September 30, 2011.

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, heritage assets, ships, and other applicable assets to determine its current condition and to estimate costs to correct any deficiencies. Estimated costs reflect potential costs variance of +/- 10 percent.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than $50 thousand (Buildings and Structures; Heritage Assets) and $25 thousand (Ships; Other), as of September 30, 2011:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition		
Buildings and Structures	3	$ 5,139	to	$ 6,281
Heritage Assets	4, 3	11,756	to	14,369
Ships	2	42,433	to	51,863
Other	3	360	to	440
Total		**$ 59,688**	**to**	**$ 72,953**

The CAS method for all PP&E categories 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. NOAA has established a "facility condition code" to classify the conditions of Buildings and Structures. Each building or structure is assessed an individual "facility condition code." The average of the individual "facility condition codes" determines the CAS Asset Condition. The deferred maintenance amounts reported represent non-critical maintenance to bring the Buildings and Structures to good condition. Buildings and Structures deferred maintenance is comprised of projects submitted to the Capital Improvements Program. There is an annual call each year to the NOAA elements requesting their submission of new projects and updates to existing unfunded projects to reflect changes in requirements or costs. For Heritage Assets, the deferred maintenance amounts reported represent non-critical maintenance to bring each class of Heritage Assets to an acceptable condition through cleaning, restoration, and preservation. NOAA has established a "range of current asset condition code" to classify the conditions of Ships. The average of the individual "range of current asset condition codes" determines the CAS Asset Condition.

National Institute of Standards and Technology (NIST):

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of September 30, 2011:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	$ 323,300 to $ 436,300
Buildings (Internal Structures)	4	22,800 to 30,900
Buildings (External Structures)	4	38,100 to 50,100
Total		**$ 384,200 to $ 517,300**

B Stewardship Marine Sanctuaries, Marine National Monuments, and Conservation Area

NOAA maintains the following sanctuaries, marine national monuments, and conservation area, which are similar in nature to stewardship land and which are more fully described in Note 23, *Stewardship Property, Plant, and Equipment*, of the Notes to the Financial Statements.

National Marine Sanctuaries: Marine sanctuaries provide protection for nationally significant natural areas, including species close to extinction, and protect historically significant shipwrecks and prehistoric artifacts. Each of the 13 sanctuaries, which may include habitats as diverse as near-shore coral reefs and open ocean, conducts research and monitoring activities to characterize existing resources and document changes. Resource status in the marine sanctuaries varies from good to poor, depending on resource type. Where conditions are compromised, they appear to reflect historical levels of use and development, and in some cases recent disturbances (e.g. diseases that have caused mass mortality of critically important species). The effects of recent disturbance may have been exacerbated by impaired environmental conditions in some areas. Human activities related to each of these threats are the focus of current management efforts, and favorable trends in resource quality appear to be the result of active management.

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 the NWHI, encompasses nearly 140,000 square miles of U.S. waters, including approximately 5,200 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The condition of the Papahānaumokuākea Marine National Monument is good, but resources in the Monument are affected by an abundance of marine debris, and face emerging threats related to climate change (e.g. increasing temperature, acidification, and sea level).

Rose Atoll Marine National Monument: The atoll includes the Rose Atoll National Wildlife Refuge. It also includes about 20 acres of land and 1,600 acres of lagoon and is one of the most pristine atolls in the world. The areas around the atoll support a dynamic reef ecosystem that is home to many land and marine species, many of which are threatened or endangered. The condition of the Rose Atoll Marine National Monument is good, though it has apparently not recovered completely from the effects of a 1993 shipwreck and spill that altered community structure on a large portion of the reef.

Marianas Trench Marine National Monument: The Marianas Trench Marine National Monument consists of approximately 95,000 square miles of submerged lands and waters of the Mariana Archipelago. It includes three units: the Islands Unit, the waters and submerged lands of the three northernmost Mariana Islands; the Volcanic Unit, the submerged lands within 1 nautical mile of 21 designated volcanic sites; and the Trench Unit, the submerged lands extending from the northern limit of the Exclusive Economic Zone of the United States in the Commonwealth of the Northern Mariana Islands (CNMI) to the southern limit of the Exclusive Economic Zone of the United States in the Territory of Guam. The condition of the Marianas Trench Marine National Monument is good.

Pacific Remote Islands Marine National Monument: The Pacific Remote Islands area consists of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, and Palmyra Atoll, which lie to the south and west of Hawaii. With the exception of Wake Island, these islands are administered as National Wildlife Refuges by the U.S. Fish and Wildlife Service of the Department of the Interior. They sustain many endemic species including corals, fish, shellfish, marine mammals, seabirds, water birds, land birds, insects, and vegetation not found elsewhere. The condition of the Pacific Remote Islands Marine National Monument is good.

Aleutian Islands Habitat Conservation Area: This conservation area in Alaska, which covers nearly 370,000 square 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. The condition of the Aleutian Islands Habitat Conservation Area is generally good, although some specific resources are threatened. For example, the conservation area contains six small areas of fragile coral gardens.

C Collection-type Heritage Assets

NOAA's collection-type heritage assets are comprised primarily of books, journals, publications, photographs and motion pictures, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). 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. 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.

NOAA's collection-type heritage assets include items in the Thunder Bay Sanctuary Research Collection, composed primarily of a) data cards listing most of the ships on the Great Lakes before 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's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include a) books, manuals, and slides; b) thermometers, gauges, and radiosondes; and c) laboratory equipment.

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, journals, and other publications that make up the majority of the NOAA Central Library 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, and the heritage assets of the National Climatic Data Center Library are generally in 3 – fair 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.

NIST Information Services Office (ISO) maintains the historical archives, a historical book collection, and oversees the oral history program. The book collection contains titles that are of historical scientific interest, rare titles, 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 the books are generally fair. The archives maintain photos 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 Bureau Enumerators Badge, Unisys Tape and Reel, Film Optical Sensing Device, Artwork and Gifts, and any items which represent the uniqueness of the mission of the Census Bureau. The heritage assets at the Census Bureau are classified as generally being in good condition.

D Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Department's FY 2011 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.

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2011 *(In Thousands)*

	Combining Total	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Census Bureau Periodic Censuses and Programs - Recovery Act	NTIA Broadband Technology Opportunities Program - Recovery Act	NTIA Digital-to-Analog Converter Box Program - Recovery Act	NOAA Procurement, Acquisition, and Construction - Recovery Act	Other Programs
BUDGETARY RESOURCES:													
Unobligated Balance, Brought Forward, October 1	$ 12,156,525	$ 212,323	$ 222,674	$ 50,207	$ 8,841,884	$ 20,368	$ 1,862,579	$ 61,515	$ 3	$ 3,018	$ 6,102	$ 982	$ 874,870
Adjustments to Unobligated Balance, Brought Forward	-	(1)	-	1	1	(1)	-	-	-	-	-	-	-
Recoveries of Prior-years Unpaid Obligations	422,082	37,093	15,166	33,026	1,412	8,666	90,400	31,337	706	43,315	-	12,533	148,428
Budget Authority													
Appropriations	7,693,976	3,214,152	-	1,335,353	-	441,550	893,000	246,000	-	-	-	-	1,563,921
Borrowing Authority	77,597	-	-	-	-	-	-	-	-	-	-	-	77,597
Spending Authority From Offsetting Collections													
Earned													
Collected	4,048,875	303,536	2,236,213	148	1,239	22,390	10,514	9,648	288	320	133	17	1,464,429
Change in Receivables	88,936	86,074	575	-	-	427	-	-	-	-	-	-	1,860
Change in Unfilled Customer Orders													
Advances Received	49,386	(19,023)	72,828	-	-	203	-	(8,432)	-	-	-	-	3,810
Without Advances	33,584	48,505	-	-	-	1,332	-	-	-	-	-	-	(16,253)
Previously Unavailable	2,591	-	-	-	-	-	-	-	-	-	-	-	2,591
Total Budget Authority	**11,994,945**	**3,633,244**	**2,309,616**	**1,335,501**	**1,239**	**465,902**	**903,514**	**247,216**	**288**	**320**	**133**	**17**	**3,097,955**
Nonexpenditure Transfers, Net	129,434	66,265	-	67,368	-	6,753	(44,561)	(1,531)	-	-	-	-	35,140
Temporarily Not Available Pursuant to Public Law	(208,856)	-	(208,856)	-	-	-	-	-	-	-	-	-	-
Permanently Not Available	(2,095,096)	(30,012)	-	(23,961)	-	(1,333)	(1,744,651)	(493)	(872)	(43,102)	-	-	(250,672)
TOTAL BUDGETARY RESOURCES	**$ 22,399,034**	**$ 3,918,912**	**$ 2,338,600**	**$ 1,462,142**	**$ 8,844,536**	**$ 500,355**	**$ 1,067,281**	**$ 338,044**	**$ 125**	**$ 3,551**	**$ 6,235**	**$ 13,532**	**$ 3,905,721**
STATUS OF BUDGETARY RESOURCES:													
Obligations Incurred													
Direct	$ 8,511,563	$ 3,279,575	$ -	$ 1,437,785	$ 57,955	$ 455,488	$ 966,546	$ 306,788	$ 14	$ 44	$ -	$ 361	$ 2,007,007
Reimbursable	3,892,270	451,040	2,160,895	-	-	23,036	-	654	-	-	-	-	1,256,645
Total Obligations Incurred	**12,403,833**	**3,730,615**	**2,160,895**	**1,437,785**	**57,955**	**478,524**	**966,546**	**307,442**	**14**	**44**	**-**	**361**	**3,263,652**
Unobligated Balance													
Apportioned	581,374	128,682	177,705	9,259	40,572	12,274	36,843	30,602	-	-	-	-	145,437
Exempt From Apportionment	392,735	-	-	-	-	-	-	-	-	-	-	-	392,735
Total Unobligated Balance	**974,109**	**128,682**	**177,705**	**9,259**	**40,572**	**12,274**	**36,843**	**30,602**	**-**	**-**	**-**	**-**	**538,172**
Unobligated Balance Not Available	9,021,092	59,615	-	15,098	8,746,009	9,557	63,892	-	111	3,507	6,235	13,171	103,897
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 22,399,034**	**$ 3,918,912**	**$ 2,338,600**	**$ 1,462,142**	**$ 8,844,536**	**$ 500,355**	**$ 1,067,281**	**$ 338,044**	**$ 125**	**$ 3,551**	**$ 6,235**	**$ 13,532**	**$ 3,905,721**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:													
Unpaid Obligated Balance, Net, Brought Forward, October 1													
Unpaid Obligations, Brought Forward	$ 13,401,094	$ 2,276,738	$ 297,045	$ 1,263,580	$ 554,268	$ 89,854	$ 645,644	$ 1,284,564	$ 35,114	$ 4,169,134	$ 217	$ 331,665	$ 2,453,271
Less: Uncollected Customer Payments, Brought Forward	(524,118)	(369,441)	277	-	-	(14,672)	-	-	-	-	-	-	(140,282)
Total Unpaid Obligated Balance, Net, Brought Forward	**12,876,976**	**1,907,297**	**297,322**	**1,263,580**	**554,268**	**75,182**	**645,644**	**1,284,564**	**35,114**	**4,169,134**	**217**	**331,665**	**2,312,989**
Obligations Incurred	12,403,833	3,730,615	2,160,895	1,437,785	57,955	478,524	966,546	307,442	14	44	-	361	3,263,652
Less: Gross Outlays	(14,085,158)	(3,745,834)	(2,117,449)	(1,496,896)	(335,179)	(473,061)	(1,198,507)	(353,798)	(29,263)	(739,945)	(11)	(145,205)	(3,450,010)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(422,082)	(37,093)	(15,166)	(33,026)	(1,412)	(8,666)	(90,400)	(31,337)	(706)	(43,315)	-	(12,533)	(148,428)
Change in Uncollected Customer Payments	(122,520)	(134,579)	(575)	-	-	(1,759)	-	-	-	-	-	-	14,393
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 10,651,049**	**$ 1,720,406**	**$ 325,027**	**$ 1,171,443**	**$ 275,632**	**$ 70,220**	**$ 323,283**	**$ 1,206,871**	**$ 5,159**	**$ 3,385,918**	**$ 206**	**$ 174,288**	**$ 1,992,596**
Unpaid Obligated Balance, Net, End of Period													
Unpaid Obligations	$ 11,297,687	$ 2,224,426	$ 325,325	$ 1,171,443	$ 275,632	$ 86,651	$ 323,283	$ 1,206,871	$ 5,159	$ 3,385,918	$ 206	$ 174,288	$ 2,118,485
Less: Uncollected Customer Payments	(646,638)	(504,020)	(298)	-	-	(16,431)	-	-	-	-	-	-	(125,889)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 10,651,049**	**$ 1,720,406**	**$ 325,027**	**$ 1,171,443**	**$ 275,632**	**$ 70,220**	**$ 323,283**	**$ 1,206,871**	**$ 5,159**	**$ 3,385,918**	**$ 206**	**$ 174,288**	**$ 1,992,596**
NET OUTLAYS:													
Gross Outlays	$ 14,085,158	$ 3,745,834	$ 2,117,449	$ 1,496,896	$ 335,179	$ 473,061	$ 1,198,507	$ 353,798	$ 29,263	$ 739,945	$ 11	$ 145,205	$ 3,450,010
Less: Offsetting Collections	(4,098,261)	(284,513)	(2,309,041)	(148)	(1,239)	(22,593)	(10,514)	(1,216)	(288)	(320)	(133)	(17)	(1,468,239)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(33,570)	-	-	-	-	-	-	-	-	-	-	-	(33,570)
NET OUTLAYS	**$ 9,953,327**	**$ 3,461,321**	**$ (191,592)**	**$ 1,496,748**	**$ 333,940**	**$ 450,468**	**$ 1,187,993**	**$ 352,582**	**$ 28,975**	**$ 739,625**	**$ (122)**	**$ 145,188**	**$ 1,948,201**

FINANCIAL SECTION

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 28 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2011, encompassed approximately 1.4 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Lake Superior, WI, was designated on October 26, 2010. NERRs are state-operated and managed in cooperation with NOAA. 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 208 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. NOAA's financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The state and local governments receive funding for these investments through NOAA grant expenditures, and these grant expenditures also include funding for purposes other than the investments in non-federal physical property. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund.

NOAA's investments in non-federal physical property for FY 2007 through FY 2011 were as follows:

(In Millions)

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
National Estuarine Research Reserves	$ 11.6	$ 11.8	$ 11.7	$ 14.7	$ 5.5	$ 55.3
Coastal and Estuarine Land Conservation Program	34.7	28.1	21.6	32.4	6.9	123.7
Total	**$ 46.3**	**$ 39.9**	**$ 33.3**	**$ 47.1**	**$ 12.4**	**$ 179.0**

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.

Global Climate Change Mitigation Incentive Fund (GCCMIF): The GCCMIF program was established to strengthen the linkage between economic development and environmental quality. The purpose and mission of the GCCMIF program is to finance projects that foster economic development by advancing the green economy in distressed communities. The GCCMIF program is the development and use of products and services that contribute to economic growth and alleviate economic distress by respecting and revitalizing the environment. The GCCMIF program supports projects that create jobs through, and increase private capital investment in, efforts to limit the nation's dependence on fossil fuels, enhance energy efficiency, curb greenhouse gas emissions, and protect natural systems.

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

EDA's investments in non-federal physical property for FY 2007 through FY 2011 were as follows:

(In Millions)

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Public Works	$ 155.5	$ 133.5	$ 139.9	$ 175.8	$ 224.4	$ 829.1
Economic and Defense Adjustments	53.5	60.0	68.6	61.4	47.6	291.1
Global Climate Change Mitigation Incentive Fund	-	-	0.2	5.5	6.8	12.5
Disaster Recovery	4.4	1.8	6.3	32.4	85.1	130.0
Total	**$ 213.4**	**$ 195.3**	**$ 215.0**	**$ 275.1**	**$ 363.9**	**$ 1,262.7**

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. The program awarded 12 fellowships in FY 2011. 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. 10 fellowships were awarded in FY 2011.

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. The program awarded 50 fellowships in FY 2010. In FY 2011, 47 fellowships were 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 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. NOAA EPP Cooperative Science Centers' goals are to:

- 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
- 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 MSIs.

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 and business development, and revitalizing local communities. EEP's objective is to increase the number of students at MSIs proficient in environmental business enterprises.

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 MSIs when possible. GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. 6 students were selected to participate in GSP in FY 2010. NOAA did not select any of the elegible applicants as student trainees in FY 2011.

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. The program added 10 students in FY 2010. The program added 11 students in FY 2011.

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. The program added 139 students in FY 2010. The program added 104 students in FY 2011.

The NOAA Office of Education selected 104 Hollings scholars and 11 EPP Undergraduates scholars for the Class of 2011. They live and attend universities in 40 states across the U.S. They are majoring in the following Science, Technology, Engineering, and Mathematics fields: Mathematics; Meteorology; Engineering; Biology; Chemistry; Climatology; Computer Science; Earth Sciences; Economics; Science Teachers; Physical Sciences; and Science Policy.

Southeast Fisheries Science Center's Recruiting Training Research Program: This is a joint program between NMFS and Virginia Tech to: (1) recruit top undergraduates into the field of fisheries population dynamics and careers with NMFS; (2) train graduate students; and (3) conduct population dynamics and stock assessment research in support of the NMFS mission. The program also offers graduate courses and workshops in computer programming, simulation modeling, and fish population dynamics. In FY 2010, 15 undergraduate students from across the country participated in a week-long undergraduate workshop, 8 students participated in a six-week summer program, and 3 M.S. students were supported by the program at Virginia Tech. In FY 2011, 20 undergraduate students from across the country participated in a week-long undergraduate workshop, 4 students participated in a six-week summer program, and 3 M.S. students were supported by the program at Virginia Tech.

Northeast Fisheries Science Center (NEFSC) Partnership Education Program (PEP): The NEFSC of NOAA's National Marine Fisheries Service leads a consortium of six science institutions in Woods Hole, MA., offering a ten-week summer program that combines undergraduate course work with research in marine and environmental science. Launched in 2009, PEP is an ongoing diversity program designed to recruit talent from minority groups that are under-represented in marine and environmental sciences. PEP recruitment targets college students with priority given to entering juniors and seniors majoring in the natural sciences who have had some course work in marine and/or environmental science. The program includes a credit course taught in Woods Hole by research scientists from Woods Hole science institutions, student research projects, and presentation of research results in a one-day seminar. Participants receive financial support for tuition, travel, and room and board, as well as a stipend. In FY 2011, 15 students participated in the ten-week summer program.

Northeast Fisheries Science Center Bradford E. Brown Student Internship Program: The NEFSC has named its student intern program after Dr. Bradford Brown, a retired NOAA Fisheries Service scientist who was a leader in recruiting young people into fishery science. The program is open to active undergraduate and graduate students. Research topics include population biology and dynamics, resource assessment and environmental surveys, taxonomy, physical and biological oceanography, social sciences, data management, larval fish/plankton ecology, large marine ecosystems, aquaculture, biotechnology, remote sensing, protected species, and apex predators. Summer positions are offered throughout NEFSC laboratories, which are located in Woods Hole, MA; Narragansett, RI; Milford, CT; Highlands, NJ; Washington, DC; and Orono, ME. In FY 2011, 14 students participated in the student intern program.

Woods Hole Science Aquarium (WHSA) High School Intern Program: WHSA offers three summer programs for students who have completed grades 10, 11, or 12. The programs are run by WHSA staff, and are projects of the NEFSC of NOAA's National Marine Fisheries Service and the Marine Biological Laboratory. Interns selected for the five-week program work in the aquarium, help lead public collecting walks, and participate in the Careers in Marine Science seminars. The one and two-week Careers in Marine Science seminars consist of short presentations by marine scientists, activities, and field trips that introduce students to marine-related careers. All students learn basic animal husbandry and aquarist skills, visit the local Woods Hole research institutions, meet with working scientists in a variety of fields, and visit area aquariums, zoos, and waterfronts. 17 students participated in the three summer programs in FY 2011.

Pacific Islands Fisheries Science Center (PIFSC) Student Intern Program (PSIP): PSIP offers qualified college students professional work experience and formal training opportunities tailored to meet their educational and professional goals and interests. PSIP is a paid, summer-long (8-12 weeks) program that combines on-the-job training, formal training, one-to-one mentoring, and developmental assignments at PIFSC. Internship opportunities are established in specific PIFSC projects. Program components include:

- Performance Plans to establish goals and timelines for the intern's work assignments (established in meetings between intern and mentor)
- Periodic meetings between intern and mentor to check on progress (includes a mid-point review and final review)
- Inclusion of intern in PIFSC staff activities (division meetings, all-hands meetings, training, and other activities)
- Program wrap up: Interns and mentors hold a final meeting to review final products and discuss the internship experience
- Evaluations: Interns and mentors complete a program evaluation to provide feedback that will help PIFSC improve the structure of the internship program

In addition to the individual and group mentoring by PIFSC staff, PSIP interns are encouraged to synergize with each other and with other undergraduate and graduate interns at PIFSC. In FY 2011, PIFSC scientists hosted three undergraduate summer interns; one each in PIFSC's Socioeconomics Program, Coral Reef Ecosystems Division, and Ecosystems and Oceanography Division.

The following table summarizes NOAA's investments in human capital for FY 2007 through FY 2011:

(In Millions)

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
National Sea Grant College Program	$ 0.5	$ 0.5	$ 0.7	$ 0.9	$ 0.8	$ 3.4
National Estuarine Research Reserve Program	0.8	0.8	1.0	1.3	1.5	5.4
Educational Partnership Program	14.2	12.8	15.0	14.3	14.3	70.6
Ernest F. Hollings Undergraduate Scholarship Program	4.1	3.6	3.6	4.6	4.5	20.4
Southeast Fisheries Science Center's Recruiting Training Research Program	N/A	N/A	0.4	0.5	0.5	1.4
Northeast Fisheries Science Center Partnership Education Program	N/A	N/A	-	-	0.2	0.2
Northeast Fisheries Science Center Bradford E. Brown Student Internship Program	N/A	N/A	N/A	N/A	0.2	0.2
Total	**$ 19.6**	**$ 17.7**	**$ 20.7**	**$ 21.6**	**$ 22.0**	**$ 101.6**
N/A = Not Applicable						

The following table further summarizes NOAA's human capital investments for FY 2007 to FY 2011 by performance goal:

(In Millions)

Performance Outcome	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 19.6	$ 17.7	$ 20.7	$ 21.6	N/A
Increase Scientific Knowledge and Provide Information to Stakeholders to Support Economic Growth and to Improve Innovation, Technology, and Public Safety	N/A	N/A	N/A	N/A	$ 22.0
N/A = Not Applicable					

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 or 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:

NIST Laboratories have been the stewards of the nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. NIST Laboratories foster scientific and technological leadership by helping the U.S. 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 President's Plan for Science and Innovation, 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. NIST laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

NIST Laboratories work at the frontiers of measurement science to ensure that the U.S. system of measurements is firmly grounded on a sound scientific and technical foundation. NIST promotes the use of measurements based on the international system of units. The measurement science research at NIST is useful to all science and engineering disciplines. NIST Laboratories directly support U.S. innovation and industrial competitiveness by developing new measurement instruments and facilities to address critical barriers to innovation; disseminating validated measurement methods and protocols; providing reference data, reference materials, and calibration services to ensure that industry-performed measurements are traceable to NIST standards; and developing testing protocols and supporting laboratory accreditation programs. NIST works actively with other metrology institutes from around the world to ensure that the global marketplace is supported with sound measurements and standards.

NIST Laboratories also support the development of written standards and specifications that define technical and performance requirements for goods and services. These standards, also known as documentary standards, are often developed collaboratively with the private sector through an open, consensus-based process. NIST scientists and engineers lend their expertise to these efforts in order to promote standards that are based on sound science and to ensure that the standards are supported by effective measurements and testing for conformity to the standards.

Primary areas being researched with the program's base resources include:

- Maintaining and disseminating national measurement standards;
- Developing new measurement technologies and ways to tie needed measurements to fundamental national standards;
- Developing, maintaining, and improving existing measurement science, services, references, and standards; and
- Pursuing basic and applied research in measurement areas within NIST's mission.

The work performed by NIST Laboratories affects many aspects of daily life in the U.S. Examples include:

- Providing the measurement science and standards needed for technologies that address rising energy costs, scarcity of fossil fuels, and environmental impacts of energy consumption;
- Ensuring that the national infrastructure of measurement methods, standards, data, and data technologies is sufficient to help U.S. industry develop, evaluate, and implement sustainable business practices in areas such as chemicals, materials, processes, manufacturing methods, and products;
- Enabling U.S. industries to innovate and compete in global trade by providing the ability to measure and precisely control production processes using measurements traceable to internationally recognized standards;
- Establishing measurements and standards that are necessary for fundamental business services and communications; and
- Providing the measurement assurance behind sensitive detection systems for homeland security, such as for detecting chemical, biological, explosive, and radiological weapons.

The American Recovery and Reinvestment Act of 2009 included $250 million (including transfers from the U.S. Department of Health and Human Services, and the U.S. Department of Energy) in funding for NIST laboratory research, measurements, and other services supporting economic growth and U.S. innovation through funding of such items as competitive grants, research fellowships, advanced measurement equipment and supplies, standards-related research that supports the security and interoperability of electronic medical records to reduce health care costs and improve the quality of care, and development of a comprehensive framework for a nationwide, fully interoperable smart grid for the U.S. electric power system. This funding will result in additional R&D investments for the NIST Laboratories Program.

Advanced Technology Program (ATP)/Technology Innovation Program (TIP):

ATP was 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 into law by President Bush on August 9, 2007. This same Act established TIP, which supports, promotes, and accelerates innovation in the United States by offering cost-shared funding for high-risk, high-reward research in areas of critical national need.

Critical national need areas in TIP are those for which government attention is demanded because the magnitude of the problem is large and the societal challenges that need to be overcome are not being addressed. TIP was explicitly established within NIST to assist U.S. small- and medium-size businesses, institutes of higher education, national laboratories, and non-profit research organizations to conduct high-risk, high-reward research that has the potential for yielding transformational results with wide-reaching implications, and that is within NIST's areas of technical competence. The America COMPETES Act statute allows for continued support for previously awarded ATP projects and new TIP awards.

The following table summarizes NIST's R&D investments for FY 2007 through FY 2011 by R&D Category:

(In Millions)

	NIST Laboratories					Advanced Technology Program/ Technology Innovation Program					Total				
R&D Category	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**
Basic Research	$ 110.7	$ 132.8	$ 144.9	$ 162.0	$ 185.3	$ -	$ -	$ -	$ -	$ -	$ 110.7	$ 132.8	$ 144.9	$ 162.0	$ 185.3
Applied Research	345.3	381.0	378.5	395.9	377.8	31.0	23.2	25.0	26.2	22.1	376.3	404.2	403.5	422.1	399.9
Development	15.3	14.4	15.4	15.3	19.4	30.9	23.2	25.1	26.2	22.1	46.2	37.6	40.5	41.5	41.5
Total	**$ 471.3**	**$ 528.2**	**$ 538.8**	**$ 573.2**	**$ 582.5**	**$ 61.9**	**$ 46.4**	**$ 50.1**	**$ 52.4**	**$ 44.2**	**$ 533.2**	**$ 574.6**	**$ 588.9**	**$ 625.6**	**$ 626.7**

The following tables further summarize NIST's R&D investments for FY 2007 through FY 2011 by performance outcome.

In Millions)

FY 2011				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Provide Measurement Tools and Standards to Strengthen Manufacturing, Enable Innovation, and Increase Efficiency	$ 185.3	$ 377.8	$ 19.4	$ 582.5
Technology Innovation Program: Stimulate High-growth Business Formation and Entrepreneurship through Investing in High-risk, High-reward Technologies and by Removing Impediments to Accelerate Technology Commercialization	-	22.1	22.1	44.2
Total	**$ 185.3**	**$ 399.9**	**$ 41.5**	**$ 626.7**

(In Millions)

FY 2010				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 162.0	$ 395.9	$ 15.3	$ 573.2
Technology Innovation Program: Promote U.S. Competitiveness by Directing Federal Investment and R&D into Areas of Critical National Need that Support, Promote and Accelerate High-risk, High-reward Research in the United States	-	26.2	26.2	52.4
Total	**$ 162.0**	**$ 422.1**	**$ 41.5**	**$ 625.6**

(In Millions)

FY 2009				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 144.9	$ 378.5	$ 15.4	$ 538.8
Technology Innovation Program: Promote U.S. Competitiveness by Directing Federal Investment and R&D into Areas of Critical National Need that Support, Promote, and Accelerate High-risk, High-reward Research in the United States	-	25.0	25.1	50.1
Total	**$ 144.9**	**$ 403.5**	**$ 40.5**	**$ 588.9**

(In Millions)

FY 2008				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 132.8	$ 381.0	$ 14.4	$ 528.2
Advanced Technology Program: Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	23.2	23.2	46.4
Total	**$ 132.8**	**$ 404.2**	**$ 37.6**	**$ 574.6**

(In Millions)

FY 2007				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: 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
Advanced Technology Program: 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**

NOAA:

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

- Improving predictions and warnings associated with the weather, on timescales ranging from minutes to weeks;
- Improving predictions of climate, on timescales ranging from months to centuries; and
- 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. 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. NOAA's research organizations conduct applied research on the upper and lower atmosphere as well as the space environment.

Fisheries: NOAA's National Marine Fisheries Service (NMFS) is responsible for the conservation and management of living marine resources and their habitat within the Nation's Exclusive Economic Zone. NMFS manages these resources through science-based conservation and management to ensure their continuation as functioning components of productive ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed; catch, bycatch, incidental take, economic and social data are collected, and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species, their habitat, and the benefits they provide to society. Protection of endangered species, restoration of coastal and estuarine fishery habitats, and enforcement of fishery regulations are primary NOAA activities. The research and management of living marine resources is conducted in partnership with states, tribes, universities, other countries, international organizations, and a broad range of stakeholders who benefit from the use and existence of living marine resources and their habitat.

Marine Operations and Maintenance and Aircraft Services: These efforts support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. NOAA's Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. 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 changes. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

NOAA's R&D investments by program for FY 2007 through FY 2011 were as follows:

(In Millions)

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Environmental and Climate	$ 289.3	$ 331.2	$ 337.0	$ 344.1	$ 346.4	$ 1,648.0
Fisheries	49.3	53.6	55.7	59.9	69.3	287.8
Marine Operations and Maintenance and Aircraft Services	51.1	51.5	38.4	34.3	34.4	209.7
Weather Service	40.8	56.7	58.4	53.9	54.7	264.5
Others	120.2	111.1	103.8	102.0	98.1	535.2
Total	**$ 550.7**	**$ 604.1**	**$ 593.3**	**$ 594.2**	**$ 602.9**	**$ 2,945.2**

The following table summarizes NOAA's R&D investments for FY 2007 through FY 2011 by R&D category:

(In Millions)

R&D Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Applied Research	$ 475.7	$ 517.6	$ 491.3	$ 452.4	$ 439.9	$ 2,376.9
Development	75.0	86.5	102.0	141.8	163.0	568.3
Total	**$ 550.7**	**$ 604.1**	**$ 593.3**	**$ 594.2**	**$ 602.9**	**$ 2,945.2**

The following tables further summarize NOAA's R&D investments for FY 2007 to FY 2011 by performance outcome:

(In Millions)

FY 2011			
Performance Outcome	**Applied Research**	**Development**	**Total**
Increase Scientific Knowledge and Provide Information to Stakeholders to Support Economic Growth and to Improve Innovation, Technology, and Public Safety	$ 149.5	$ 9.3	$ 158.8
Enable Informed Decision-making through an Expanded Understanding of the U.S. Economy, Society, and Environment by Providing Timely, Relevant, Trusted, and Accurate Data, Standards, and Services	48.3	12.6	60.9
Improve Weather, Water, and Climate Reporting and Forecasting	17.8	36.9	54.7
Support Climate Adaptation and Mitigation	97.6	96.1	193.7
Develop Sustainable and Resilient Fisheries, Habitats, and Species	62.7	6.6	69.3
Support Coastal Communities that are Environmentally and Economically Sustainable	64.0	1.5	65.5
Total	**$ 439.9**	**$ 163.0**	**$ 602.9**

(In Millions)

FY 2010			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 218.4	$ 6.8	$ 225.2
Advance Understanding of Climate Variability and Change	125.1	84.0	209.1
Provide Accurate and Timely Weather and Water Information	108.0	48.4	156.4
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	0.9	2.6	3.5
Total	**$ 452.4**	**$ 141.8**	**$ 594.2**

(In Millions)

FY 2009			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 211.5	$ 8.1	$ 219.6
Advance Understanding of Climate Variability and Change	140.4	60.5	200.9
Provide Accurate and Timely Weather and Water Information	138.9	32.7	171.6
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	0.5	0.7	1.2
Total	**$ 491.3**	**$ 102.0**	**$ 593.3**

(In Millions)

FY 2008			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 229.8	$ 11.4	$ 241.2
Advance Understanding of Climate Variability and Change	145.9	35.7	181.6
Provide Accurate and Timely Weather and Water Information	140.3	39.2	179.5
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	1.6	0.2	1.8
Total	**$ 517.6**	**$ 86.5**	**$ 604.1**

(In Millions)

FY 2007			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources through an Ecosystem-based 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**

FINANCIAL SECTION

Independent Auditors' Report

UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

November 14, 2011

MEMORANDUM FOR: The Honorable John E. Bryson
The Secretary of Commerce

FROM: Todd J. Zinser

SUBJECT: FY 2011 Consolidated Financial Statements
Final Report No. OIG-12-009-A

I am pleased to provide you with the attached audit report, which presents an unqualified opinion on the Department of Commerce's fiscal year 2011 consolidated financial statements. KPMG LLP, an independent public accounting firm, performed the audit in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements,* as amended.

In its audit of the Department, KPMG found

- that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles;
- one significant deficiency in internal control over financial reporting related to NOAA's accounting for satellite costs;
- no instances of reportable noncompliance with applicable laws, regulations, contracts, and grant agreements; and
- no instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

My office oversaw the audit performance. We reviewed KPMG's report and related documentation and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance with these standards; it was not intended to enable us to express—nor do we express—any opinion on the Department's consolidated financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws, regulations, contracts, and grant agreements. KPMG is solely responsible for the attached audit report, dated November 14, 2011, and the conclusions expressed in the report.

OFFICE OF INSPECTOR GENERAL ★ U.S. DEPARTMENT OF COMMERCE

If you wish to discuss the contents of this report, please call me at (202) 482-4661, or Ann C. Eilers, Principal Assistant Inspector General for Audit and Evaluation, at (202) 482-2754.

We appreciate the cooperation and courtesies the Department extended to both KPMG and my staff during the audit.

Attachment

cc: Scott B. Quehl, Chief Financial Officer and Assistant Secretary for Administration

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

INDEPENDENT AUDITORS' REPORT

Inspector General, U.S. Department of Commerce and
Secretary, U.S. Department of Commerce:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce (Department) as of September 30, 2011 and 2010, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources (hereinafter referred to as consolidated financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2011 audit, we also considered the Department's internal controls over financial reporting and tested the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

Summary

As stated in our opinion on the consolidated financial statements, we concluded that the Department's consolidated financial statements as of and for the years ended September 30, 2011 and 2010, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies, related to weaknesses in accounting for the National Oceanic and Atmospheric Administration (NOAA) satellite construction costs that we consider to be a significant deficiency, as defined in the Internal Control Over Financial Reporting section of this report. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the Department's consolidated financial statements; our consideration of the Department's internal controls over financial reporting; our tests of the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce as of September 30, 2011 and 2010, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Commerce as of September 30, 2011 and 2010, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis (including the Financial Management Analysis on pages 181-194), Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The September 30, 2011 consolidating balance sheet on page 265 is presented for purposes of additional analysis of the consolidated balance sheet rather than to present the financial position of the Department's bureaus individually. The September 30, 2011 consolidating balance sheet has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the September 30, 2011 consolidated balance sheet taken as a whole. The information in the FY 2011 Performance Section, Appendices, and the information on pages VI through XI are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency, discussed in Exhibit I, which we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

> **Accounting for NOAA Satellite Construction Costs Needs Improvement.** We identified internal control deficiencies relating to the accounting for satellite construction costs. NOAA needs to make improvements in the effective accounting for satellite construction costs and in monitoring of significant events and transactions related to its satellite programs, to ensure that only capitalizable costs are included in construction work in progress (CWIP) and that the balances of satellites, including related CWIP, are fairly stated.

Exhibit II presents the status of the prior year significant deficiency.

We noted certain additional matters that we reported to management of the Department in two separate documents addressing information technology and other internal control matters, respectively.

Compliance and Other Matters

The results of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Other Matters: In fiscal year 2011, the Department of Commerce informed us of potential Anti-Deficiency Act compliance matters that are currently being reviewed for the following operating units: U.S. Census Bureau relating to potential obligation for interagency agreements, Economic Development Administration relating to potential obligations in excess of the quarterly apportionment from OMB, and the Office of Inspector General relating to timing of an awarded contract and OMB apportionment. Since the reviews are not complete, the outcome of these matters is not presently known.

* * * * * * *

Responsibilities

Management's Responsibilities. Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to the Department.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2011 and 2010 consolidated financial statements of the Department based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2011 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2011 consolidated financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

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

KPMG LLP

November 14, 2011

U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Significant Deficiency

Accounting for NOAA Satellite Construction Costs Needs Improvement

The Department has a substantial investment in general property, plant, and equipment (PP&E). The National Oceanic and Atmospheric Administration (NOAA) accounts for a majority of the Department's property balances, with construction work-in-progress (CWIP) related to satellites of $4.6 billion and completed satellites with a net book value of $826 million. Accounting for satellites is highly complex; each satellite series/program is accounted for separately; and the construction spans many years, and involves significant contracts and arrangements with contractors and other Government agencies. During our FY 2011 audit, we identified the following matters relating to the accounting for satellite costs, primarily related to CWIP:

- **Uncapitalized Satellite Costs.** In fiscal year 2011, the National Aeronautics and Space Administration (NASA) billed NOAA approximately $57.6 million for costs incurred in previous fiscal years related to two satellites (the NOAA 19 satellite and the Geostationary Operational Environmental Satellite (GOES) 15 satellite). NOAA added these costs to the completed satellite balances in FY 2011. However, during our audit, we identified an additional $49 million of estimated costs incurred for these satellites that should have been recorded when the satellites were declared operational in prior years. As a result, NOAA recorded an additional adjustment to capitalize these costs in fiscal year 2011.
- **Adjustments to CWIP Balances.** In fiscal year 2011, NOAA conducted a review of the CWIP costs in its GOES-R Satellite Series and identified $46 million in costs pertaining to studies, designs, and other pre-acquisition costs that had been inappropriately capitalized in CWIP in prior periods. While NOAA implemented new controls that identified this correction, these costs should have been expensed when incurred, rather than in FY 2011. Similar review efforts should be undertaken routinely on this and other satellite series.
- **CWIP Reconciliation Not Accurately Prepared.** On NOAA's September 30, 2011 CWIP reconciliation for its GOES-R Satellite Series, the total uncapitalized costs for one project code was inaccurately reported as zero. This balance did not agree to the detailed CWIP balance, amounting to approximately $10 million. Although the financial statement amounts were not misstated as a result of this error, the failure to accurately complete monthly CWIP reconciliations increases the risk that material misstatements in the CWIP balance may not be timely identified, and could result in misstatements of the completed property balances, when a satellite is declared operational. We reported similar findings in fiscal years 2008, 2009, and 2010.
- **Review and Approval of Certain Payments to NASA.** NASA serves as the acquisition agent for the construction of various NOAA satellites. During our internal control testing, NOAA could not provide us with sufficient documentation to evidence NOAA's Line Office's review and approval of 13 out of the 20 Intra-governmental Payment and Collection (IPAC) payments to NASA. NOAA informed us that it had recently developed a formal procedure for documenting the review and approval of IPAC payments to NASA; however, this process was

not implemented in fiscal year 2011. Inaccurate IPAC payments to NASA would result in misstatements to NOAA's satellite CWIP balance.

- **Analysis of Costs Related to the JPSS Satellite.** In 2010, the Executive Office of the President directed NOAA and the U.S. Air Force to no longer continue to jointly procure the polar-orbiting satellite system, known as National Polar-orbiting Operational Environmental Satellite System (NPOESS). As a result, NOAA transitioned the development of its polar-orbiting satellites to a NOAA-managed Joint Polar Satellite System (JPSS).

  The transition from NPOESS to JPSS resulted in the need for NOAA to perform an assessment to determine whether or not there were any potential cost impairments arising from changes to the program. NOAA asserted that because of complexities in finalizing the transition, it could not yet determine whether impairment had occurred. However, based on transition activity that did occur in FY 2011, including various contract actions, a more detailed and comprehensive assessment of the recorded CWIP costs transferred to the JPSS program was needed to determine whether impairment charges should be recorded for any satellite components that would not be part of the ultimate JPSS design. At our request, a more detailed analysis was conducted, to determine if the JPSS CWIP balance was fairly stated. Although an impairment adjustment was ultimately not required, the lack of a detailed and timely assessment as to whether recorded satellites CWIP balances could be impaired, could result in a material misstatement of Department's PP&E balance.

  The additional analysis that was performed did identify contract termination liabilities that were not previously recorded. As a part of restructuring the NPOESS program, certain instruments/components were terminated from the NPOESS contract. These actions will result in contract claim liabilities, which NOAA will share with the U.S. Air Force, which are probable and reasonably estimable. These contract termination liabilities were recorded as an audit adjustment at September 30, 2011.

<u>Recommendations</u>

We recommend that NOAA:

- Clarify the CWIP guidance and procedures regarding the accrual of estimated costs for satellites declared operational, and ensure that completed CWIP projects are transferred into PP&E timely.
- Ensure that CWIP activity managers receive appropriate training regarding NOAA's CWIP capitalization policies, to ensure that non-capitalizable costs, such as concept studies, designs, and other pre-acquisition costs, are not included in CWIP.
- Ensure that a thorough review of CWIP reconciliations is performed.
- Implement the planned procedures to ensure that the manager's review and approval of IPAC payments to NASA are documented properly.

U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Significant Deficiency

- Improve procedures for conducting a detailed review of recorded satellite CWIP balances, including analysis of components/costs, to determine if any costs incurred should be written off as impairment charges when components are not used in the final satellite configuration.
- Improve the process to identify and determine the financial statement impact of significant events or transactions related to the satellite program.

Management's Response

The Department concurs that improvements and enhancements can be made to accounting for satellite costs. We will develop corrective action plans and ensure timely implementation to address KPMG's recommendations.

U.S. Department of Commerce
Independent Auditors' Report
Exhibit II – Status of Prior Year Significant Deficiency

Reported Issue	Prior Year Recommendation	Fiscal Year 2011 Status
Financial Management Systems	***Need Improvement***	
Weaknesses in information technology access and configuration management controls.	The Department should monitor bureau actions to ensure effective implementation of our recommendations.	During FY 2011, the Department implemented corrective actions to improve information technology access and configuration management controls relating to the financial management systems. This area is no longer considered to be a significant deficiency.